



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-0540
Prime Sponsors: Sen. Smallwood

Date: February 14, 2022
Bill Status: Senate Finance
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Bill Topic: **ACTUARIAL REVIEWS HEALTH INSURANCE MANDATE LEGISLATION**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Diversion
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill creates a process for actuarial review of proposed legislation that may create a new health benefit mandate on health insurance plans. It increases state expenditures and diverts money from the General Fund on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$157,329 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 22-040

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	\$157,329	\$157,329
	Centrally Appropriated	\$18,955	\$18,955
	Total Expenditures	\$176,284	\$176,284
	Total FTE	0.2 FTE	0.2 FTE
Diversions	General Fund	(\$176,284)	(\$176,284)
	Cash Funds	\$176,284	\$176,284
	Net Diversion	\$0	\$0
Other Budget Impacts		-	-

Summary of Legislation

The bill creates a process for actuarial review of proposed legislation that may create a new health benefit mandate on health insurance plans. The Division of Insurance in the Department of Regulatory Agencies (DORA) must hire a contractor by November 1, 2022, to conduct the reviews for up to five such bills each legislative session at the request of a member of the General Assembly. If more than five requests are made, the chairs of the House Health and Insurance and Senate Health and Human Services committees will select which bills will receive a review.

Each actuarial review must contain specified components of analysis related to cost, utilization, health benefits, and impact on premiums. The contractor must use data from the all-payer health claims database (APCD), and health insurance carriers are encouraged to cooperate and provide information. Fiscal notes prepared by Legislative Council Staff must include information produced by the actuarial review if it is available.

In addition, the bill eliminates a requirement that organizations seeking bills mandating health insurance coverage submit a report to the legislative committee of reference addressing social and financial impacts of such coverage.

State Diversions

The bill diverts an estimated \$176,284 from the General Fund in FY 2022-23 and future years. This revenue diversion occurs because the bill increases costs in the Division of Insurance in DORA, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in DORA by up to \$176,284 per year beginning FY 2022-23, paid from the Division of Insurance Cash Fund, assuming the maximum five analyses will be requested per session. Costs are shown on Table 2 and described below.

Table 2
Expenditures Under SB 22-040

	FY 2022-23	FY 2023-24
Department of Regulatory Agencies		
Personal Services	\$22,329	\$22,329
Actuarial Contractor	\$60,000	\$60,000
All-Payer Claims Database Fees	\$75,000	\$75,000
Centrally Appropriated Costs ¹	\$18,955	\$18,955
Total Cost	\$176,284	\$176,284
Total FTE	0.2 FTE	0.2 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Division of Insurance. Staff in the Division of Insurance will procure and manage the actuarial contractor, obtain data from the APCD through the purchase of custom reports, obtain data from participating insurers, and provide the contractor with data to conduct the analysis. This requires an increase of 0.2 FTE. The actuarial contractor is estimated to require 30 hours per bill at a rate of \$400 per hour. Custom data reports from the APCD can range widely depending on the need; the fiscal note assumes costs of \$15,000 per bill.

Legislative Council Staff. The bill increase workload for Legislative Council Staff to coordinate with the Division of Insurance and include information from the contractor in fiscal notes for bills with new health mandates. No change in appropriations is required for this work.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill requires an appropriation \$157,329 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund and 0.2 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Legislative Council Staff

Information Technology
Regulatory Agencies