



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 22-0540	Date:	July 26, 2022
Prime Sponsors:	Sen. Smallwood; Winter Rep. Will; Lontine	Bill Status:	Signed into Law
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Bill Topic: ACTUARIAL REVIEWS HEALTH INSURANCE MANDATE LEGISLATION

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Diversion	<input type="checkbox"/> Statutory Public Entity

The bill creates an actuarial review process for proposed legislation that impacts health benefits coverage. It increases state expenditures and diverts money from the General Fund on an ongoing basis.

Appropriation Summary: For FY 2022-23, requires an appropriation of \$278,219 to the Department of Regulatory Agencies; it includes an appropriation of \$100,000.

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

**Table 1
State Fiscal Impacts Under SB 22-040**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	\$278,219	\$278,219
	Centrally Appropriated	\$5,358	\$5,358
	Total Expenditures	\$283,577	\$283,577
	Total FTE	0.3 FTE	0.3 FTE
Diversions	General Fund	(\$283,577)	(\$283,577)
	Cash Funds	\$283,577	\$283,577
	Net Diversion	\$0	\$0
Other Budget Impacts		-	-

Summary of Legislation

The bill creates a process for the actuarial review of proposed legislation that may impose a new health benefit coverage mandate or reduce or eliminate coverage mandated under health benefit plans. By September 1, 2022, the Division of Insurance (DOI) in the Department of Regulatory Agencies (DORA) must facilitate a stakeholder meeting concerning actuarial review methodology. By November 1, 2022, the DOI must contract for actuarial support to conduct reviews of up to six bills; however, the DOI must have adequate resources within existing appropriations before it compensates an actuarial contractor.

Members of the General Assembly who request an actuarial review must submit requests to the DOI no later than September 1 of the year preceding the regular legislative session in which the bill will be proposed. Two members of the majority party and one member of the minority party in both houses are permitted to submit requests, with the DOI notifying the relevant member of leadership if these amounts are exceeded. By September 15, the majority and minority leaders shall provide notification to the DOI of the bills approved for actuarial review.

Reviews must provide estimates five and ten years from the effective date, or another time period if more actuarially feasible, including:

- number of Colorado residents affected;
- changes in utilization rates;
- changes in consumer cost sharing;
- changes to insurance premium costs;
- changes to out-of-pocket healthcare costs;
- potential long-term healthcare cost changes;
- potential health benefits; and
- to the extent practicable, the social and economic impacts.

The bill provides details regarding how this information should be provided. The DOI may contract for an actuarial review so long as there are adequate resources within existing appropriations to compensate a contractor. Actuarial reviews may utilize data from the All-payer Health Claims Database (APCD), data from insurance carriers, or other data sources. Actuarial reviews are confidential until a bill is introduced. Legislative Council Staff fiscal notes must indicate that a report has been prepared and how it can be accessed. The bill repeals on November 1, 2027.

State Diversions

The bill diverts up to \$283,577 from the General Fund in FY 2022-23 and future years. This revenue diversion occurs because the bill increases costs in the DOI, 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 \$283,577 per year beginning FY 2022-23, paid from the DOI Cash Fund. 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	\$26,219	\$26,219
Contractor Costs	\$150,000	\$150,000
Data-related Fees	\$102,000	\$102,000
Centrally Appropriated Costs ¹	\$5,358	\$5,358
Total Cost	\$283,577	\$283,577
Total FTE	0.3 FTE	0.3 FTE

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

Division of Insurance. The DOI requires 0.3 FTE Actuary II to manage contracts, ensure that the contracted entities have access to APCD data, coordinate other data requests as needed, review reporting, and coordinate with the General Assembly. Each bill is budgeted \$42,000 for analysis and data.

- **Contractor costs.** Actuarial contractor costs are estimated at 40 hours per bill at the rate of \$400 per hour to provide rate and utilization estimates. In addition, consultant costs are estimated at 30 hours per bill at the rate of \$300 per hour to provide qualitative analysis.
- **Data-related fees.** Data from the Center of Improving Value in Health Care is estimated to cost approximately \$10,000 per bill. The fiscal note also includes \$7,000 per bill since the qualitative analysis is likely to require additional charges or fees.

Legislative Council Staff. The bill increase workload for Legislative Council Staff to coordinate with the DOI to include applicable information in fiscal notes. No change in appropriations is required.

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 was signed into law by the Governor on June 8, 2022, and takes effect August 9, 2022, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill includes an appropriation of \$100,000 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund and 0.3 FTE.

The fiscal note indicates that the bill requires an appropriation \$278,219 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund and 0.3 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Legislative Council Staff

Information Technology
Regulatory Agencies