HB 18-1311

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number:	LLS 18-0374	**Date:**	April 2, 2018
Prime Sponsors:	Rep. Rankin; Hamner	**Bill Status:**	House Health, Insurance, and Environment
		Fiscal Analyst:	Bill Zepernick | 303-866-4777 Bill.Zepernick@state.co.us

Bill Topic: SINGLE GEOGRAPHIC RATING AREA INDIVIDUAL HEALTH PLAN

Summary of Fiscal Impact:

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

This bill prohibits health insurance carriers from using geographic location of a policyholder when setting health insurance rates. This will result in a one-time increase in expenditures and diversion from the General Fund, and may minimally increase state expenditures on an ongoing basis.

Appropriation Summary: For FY 2018-19, the bill requires an appropriation of $28,383 to the Department of Regulatory Agencies.

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

Table 1
State Fiscal Impacts Under HB 18-1311

		FY 2018-19	FY 2019-20
Revenue		-	-
Expenditures	Cash Funds	$28,383	-
	Centrally Appropriated	$5,784	-
	Total	**$34,167**	-
	Total FTE	**0.4 FTE**	-
Diversion	General Fund	($34,167)	-
	Cash Funds	$34,167	-
	Total	**$0**	-
TABOR Refund		-	-

Summary of Legislation

The bill prohibits the use of a policyholder's geographic location within the state by health insurers when setting rates for health plans sold on the individual market. This change thus establishes a single statewide geographic rating area for the state. The bill applies to health plans issued, renewed, or amended after January 1, 2019.

Background

Under the federal Patient Protection and Affordable Care Act (PPACA), health insurers must set health insurance premium rates in the individual market using modified community rating. Under PPACA, insurance premiums must be calculated using the risk factors applying to all persons within the market as a whole, and may only vary for individual characteristics of a policyholder according to age, tobacco use, family size, and geographic location. Currently, the state uses nine geographic rating areas for the individual health insurance market.

State Diversions

This bill diverts $34,167 from the General Fund in FY 2018-19. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies, Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases costs in the Department of Regulatory Agencies by $34,167 and 0.4 FTE in FY 2018-19 only, which are summarized in Table 2. It may also potentially impact workload and costs in other agencies. These impacts are discussed below.

Table 2
Expenditures Under HB 18-1311

Cost Components	FY 2018-19	FY 2019-20
Department of Regulatory Agencies		
Personal Services	$28,383	-
Centrally Appropriated Costs*	$5,784	-
Total	**$34,167**	**-**
Total FTE	**0.4 FTE**	**-**

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

Department of Regulatory Agencies. This bill results in a one-time cost of $34,167 in the Division of Insurance in FY 2018-19 to conduct an out-of-cycle rate review for 2019 health insurance plans. This rate review will require 0.4 FTE for rate analyst and actuary staff. Costs are paid from the Division of Insurance Cash Fund. This out-of-cycle filing results because insurers are required to prepare and submit rate filings for 2019 plans with the Division of Insurance by June 11, 2018 . The fiscal note assumes that insurers will not have sufficient time to alter their filings prior to the submission deadline if the bill is signed by the Governor in May or June 2018.

Other agencies. This shift to a single geographic area will redistribute costs for people purchasing health insurance through the individual market, with some areas having premium increases and others having premium decreases, relative to the current rating areas. To the extent premium increases in some areas affect purchasing decisions, more persons may choose to enroll in Medicaid buy-in programs or Medicaid's costs as an insurer of last resort may increase if people discontinue private coverage. Such changes could also affect printing and postage costs in the Department of Personnel and Administration for Medicaid-related mailings. These potential impacts are assumed to be minimal and can be addressed through the annual budget process.

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 estimated to be $5,784 in FY 2018-19 only.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to health plans issued, amended, or renewed on or after January 1, 2019.

State Appropriations

For FY 2018-19, the Department of Regulatory Agencies requires an appropriation of $28,383 from the Division of Insurance Cash Fund and an allocation of 0.4 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Law
Regulatory Agencies
Information Technology
Personnel and Administration