

*Colorado Legislative Council Staff Fiscal Note*  
**STATE AND STATUTORY PUBLIC ENTITY  
 FISCAL IMPACT**

<b>Drafting Number:</b> LLS 13-0645	<b>Date:</b> February 6, 2013
<b>Prime Sponsor(s):</b> Rep. McCann Sens. Steadman; Roberts	<b>Bill Status:</b> House Health, Insurance and Environment
	<b>Fiscal Analyst:</b> Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING THE REPEAL OF COVERCOLORADO, AND, IN CONNECTION THEREWITH, TERMINATING HEALTH CARE COVERAGE FOR ALL COVERCOLORADO PARTICIPANTS EFFECTIVE APRIL 1, 2014, AS PART OF THE TRANSITION TO HEALTH INSURANCE COVERAGE REGARDLESS OF PREEXISTING MEDICAL CONDITIONS UNDER THE FEDERAL "PATIENT PROTECTION AND AFFORDABLE CARE ACT".

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
<b>State Revenue</b> General Fund	\$2.5 million	\$5.0 million
<b>State Expenditures</b> Cash Funds Unclaimed Property Trust Fund - Reduction	(\$18.3 million)	(\$36.5 million)
<b>FTE Position Change</b>		
<b>Effective Date:</b> Sections 5, 6, 9, 10, 11, 14, 15, and 16 take effect March 31, 2015. The remainder of the act takes effect August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
<b>Appropriation Summary for FY 2013-2014:</b> None required.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

Due to the passage of federal health care reform, Colorado residents who are termed "high risk" will have options other than CoverColorado from which to obtain health insurance. Because there is no reason to continue CoverColorado, this bill repeals CoverColorado as of March 31, 2015. Prior to the repeal, the board of directors of CoverColorado is to develop an orderly plan for the cessation of the program that includes:

- ending enrollment of new participants after December 1, 2013;
- termination of health care coverage for all participants effective April 1, 2014;
- payment or settlement of all claims for covered services and all other outstanding liabilities by December 31, 2014;

- a report of final accounting of program funds to the Division of Insurance in the Department of Regulatory Agencies (DORA) by March 31, 2015; and
- transfer of all remaining funds to a Colorado nonprofit foundation selected by the board by March 31, 2015.

As part of the repeal, insurance carriers will no longer be assessed to help fund CoverColorado and will no longer be able to claim \$5.0 million in tax credits that will instead go to the General Fund.

## **Background**

*CoverColorado* is a nonprofit entity created by the General Assembly in 1991 to offer health insurance coverage to people unable to obtain insurance at a reasonable cost without significant exclusions. The program currently has 8.5 employees and 13,670 enrollees. It receives 50 percent of its funding from participant premiums, 25 percent from the Unclaimed Property Trust Fund (UPTF) in the Treasury Department, and up to 25 percent from special assessments on health insurance carriers, interest and federal grants. Total funding for calendar year 2013 is approximately \$114 million. CoverColorado will spend down its fund balance reserves as it winds down its operations so will not assess carriers in 2013.

The *Colorado Health Benefit Exchange* is a new health insurance marketplace, scheduled to open for business in October 2013, where individuals, families and small employers can shop for and buy health insurance based on quality and price. Up-front financial assistance will also be available to eligible Coloradans to reduce the cost of premiums. The Exchange is a public, nonprofit entity that was established by Senate Bill 11-200, passed by the General Assembly in May 2011. Federal grants are funding the launch of the new marketplace.

## **State Revenue**

**This bill is expected to increase General Fund revenue by \$2.5 million in FY 2013-14 and \$5.0 million in FY 2014-15.** Under current law, insurance companies are compensated for the \$40.0 million in assessments made to CoverColorado with \$5.0 million in premium tax credits by the Division of Insurance in the DORA. Beginning in FY 2013-14, these credits will cease and are shown as an increase in General Fund revenue. Since the premium tax credits are issued on a calendar year basis rather than the state fiscal year, reductions for only half of calendar year 2013 are shown.

## **State Expenditures**

**This bill will result in a reduction (savings) in expenditures of up to \$18.3 million in FY 2013-14 and \$36.5 million in FY 2014-15 from the UPTF.**

CoverColorado currently receives approximately \$36.5 million annually from the UPTF in the Treasury Department. As a result of this bill, these transfers are expected to stop at the end of 2013. If CoverColorado continues the transfers to meet its liabilities after the end of 2013, the savings in FY 2013-14 will be reduced.

**Statutory Public Entity Impact**

CoverColorado will cease operations and disburse all its funds by March 31, 2015. As the program winds down, medical claim costs and administrative expenses will decrease. Funding from the UPTF will end and the program will run entirely on participant premiums and fund balance reserves.

**State Appropriations**

For FY 2013-14, the Department of the Treasury requires a reduction of \$18.3 million from the Unclaimed Property Trust Fund.

**Departments Contacted**

CoverColorado  
Regulatory Agencies

Health Care Policy and Financing  
Treasury

Law