



**Colorado  
Legislative  
Council  
Staff**

**Bill 1**

**FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0287  
**Prime Sponsor(s):**

**Date:** October 23, 2015  
**Bill Status:** Colorado Health Insurance Exchange Oversight Committee Bill Request  
**Fiscal Analyst:** Bill Zepernick (303-866-4777)

**BILL TOPIC:** EXCHANGE OPEN ENROLLMENT PERIOD IN BIRTHDAY MONTH

| <b>Fiscal Impact Summary</b>   | <b>FY 2016-2017</b>    | <b>FY 2017-2018</b>    | <b>FY 2018-2019</b>    |
|--|------------------------|------------------------|------------------------|
| <b>State Revenue</b>   | <b><u>\$0</u></b>      | <b><u>\$0</u></b>      | <b><u>\$0</u></b>      |
| <i>State Diversions</i>  |                        |                        |                        |
| General Fund   | (85,664)               | (60,462)               | (60,462)               |
| Cash Funds   | 85,664                 | 60,462                 | 60,462                 |
| <b>State Expenditures</b>  | <b><u>\$85,664</u></b> | <b><u>\$60,462</u></b> | <b><u>\$60,462</u></b> |
| Cash Funds   | 73,409                 | 49,656                 | 49,656                 |
| Centrally Appropriated Costs   | 12,255                 | 10,806                 | 10,806                 |
| <b>FTE Position Change</b>   | 1.0 FTE                | 0.8 FTE                | 0.8 FTE                |
| <b>Appropriation Required:</b> \$73,409 - Department of Regulatory Agencies (FY 2016-17)                 |                        |                        |                        |
| <b>Future Year Impacts:</b> Ongoing expenditure impact and General Fund diversion, decreasing over time. |                        |                        |                        |

**Summary of Legislation**

The bill, ***requested by the Colorado Health Exchange Benefit Exchange Oversight Committee***, requires the Commissioner of Insurance to apply for a waiver to the federal Patient Protection and Affordable Care Act (PPACA) to change the open enrollment period for consumers purchasing health coverage on the Colorado health benefit exchange (Connect for Health Colorado) to the birthday month of the primary policyholder. Currently, federal law requires that open enrollment on state exchanges run from November 1 to January 31. Under the bill, consumers experiencing a life change event will continue to be able to enroll in health coverage outside of the open enrollment period.

**State Revenue**

While the bill does not affect net revenue to the state, it does result in an ongoing diversion of General Fund revenue beginning in FY 2016-17, as discussed below.

**State Diversions.** This bill diverts \$85,664 from the General Fund in FY 2016-17, \$60,462 in FY 2017-18, and \$60,462 in FY 2018-19. These revenue diversions occur because the bill increases costs in the Department of Regulatory Agencies (DORA), Division of Insurance (DOI), which is funded with premium tax revenue that would otherwise be credited to the General Fund. This diversion will likely decrease in future years as costs in DORA decrease.

**State Expenditures**

The bill increases costs in DORA by **\$85,664 and 0.8 FTE in FY 2016-17 and \$60,462 and 0.8 FTE in FY 2017-18 and FY 2018-19.** These costs, paid from the Division of Insurance Cash Fund, are for the additional staff necessary to apply for a federal waiver to change the state's open enrollment period and address consumer questions and complaints. Future year costs in FY 2019-20 and beyond will likely decrease over time following the initial period of increased consumer inquiries. Table 1 summarizes the costs of the bill.

| <b>Table 1. Expenditures Under LLS 16-0287</b> |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| <b>Cost Components</b>                         | <b>FY 2016-17</b> | <b>FY 2017-18</b> | <b>FY 2018-19</b> |
| Personal Services                              | \$67,756          | \$48,896          | \$48,896          |
| FTE  | 1.0 FTE           | 0.8 FTE           | 0.8 FTE           |
| Operating Expenses and Capital Outlay Costs    | 5,653             | 760               | 760               |
| Centrally Appropriated Costs*                  | 12,255            | 10,806            | 10,806            |
| <b>TOTAL</b>                                   | <b>\$85,664</b>   | <b>\$60,462</b>   | <b>\$60,462</b>   |

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

**Assumptions.** The fiscal note assumes the following implementation timeline for the bill:

- DORA will begin the waiver application process on July 1, 2016;
- the waiver process will take between 12 and 18 months, resulting in a federal decision on the waiver being made between July 1, 2017, and December 31, 2017;
- Connect for Health will require an additional 9 to 12 months to make computer system and procedural changes after federal approval is received; and
- Connect for Health Colorado will transfer to the new birthday month open enrollment system beginning in October 2018.

**Waiver application.** DORA requires an additional 1.0 FTE in FY 2016-17 and 0.8 FTE FY 2017-18 to oversee the waiver application process. This process includes creating the waiver application, facilitating public stakeholder meetings, responding to federal government inquiries about the waiver, conducting actuarial and financial analysis, and other tasks. The estimated cost for this staff is \$67,756 in the first year and \$48,896 in the second year. Standard operating and capital outlay expenses for this staff will be \$12,255 in the first year and \$760 in the second year.

**Consumer inquiries.** Conditional upon federal approval of the waiver, DORA will require 0.8 FTE in FY 2018-19 and future years to address consumer complaints and questions related to the new open enrollment process. Standard operating expenses for this staff will be \$760 per year. Over time, workload associated with consumer inquiries will likely decrease as the public and insurance companies grow accustomed to the new open enrollment process.

**Department of Health Care Policy and Financing.** Under the bill, the Department of Health Care Policy and Financing may have increased workload to consult with DORA during the waiver application process. It is assumed that this workload can be accomplished within existing appropriations.

**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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

| <b>Cost Components</b>   | <b>FY 2016-17</b> | <b>FY 2017-18</b> | <b>FY 2018-19</b> |
|--|-------------------|-------------------|-------------------|
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$6,457           | \$6,425           | \$6,425           |
| Supplemental Employee Retirement Payments                            | 5,798             | 4,381             | 4,381             |
| <b>TOTAL</b>   | <b>\$12,255</b>   | <b>\$10,806</b>   | <b>\$10,806</b>   |

### **Statutory Public Entity Impact**

If federal waiver approval is received, Connect for Health Colorado will have increased costs in FY 2017-18, offset by a small amount of ongoing savings. Under the bill, Connect for Health Colorado will be required to raise additional fee revenue to implement the requirements of the bill if federal approval is granted. These costs, savings, and fee impacts are discussed below.

**Information technology costs.** If the federal waiver is approved, Connect for Health Colorado will have costs to make significant changes to their information technology systems and enrollment processes. These costs are estimated to be about \$4.1 million, including project management, business analyst, and programming costs. Based on the assumed implementation schedule described in the State Expenditure section, this work will primarily be conducted and costs incurred during FY 2017-18.

**Operational savings.** By switching to rolling open enrollment periods based on the birthday month of the primary policyholder, Connect for Health Colorado may have some operational savings related to call center operations and the processing of health plan enrollments. Rather than have a large number of call center and enrollment processing staff for three months out of the year, Connect for Health Colorado can maintain lower, more consistent staffing levels throughout the year (assuming policyholders' birthdays are spread equally throughout the year). However, given that the number of policy enrollments should remain consistent regardless of how the open enrollment period is structured, ongoing savings will likely be minimal.

**Fee impact on consumers.** Connect for Health Colorado will be required to raise its fees on policies sold through the exchange in FY 2017-18 if federal approval is given and the new open enrollment process is implemented. Assuming 150,000 policies sold through the exchange, each policy will need to be assessed a fee of \$27.33 per year, on average, to generate the required \$4.1 million in revenue to cover the costs of the bill.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State Appropriations**

For FY 2016-17, the bill requires an appropriation of \$73,409 from the Division of Insurance Cash Fund and an allocation of 0.8 FTE to the Department of Regulatory Agencies.

**State and Local Government Contacts**

Regulatory Agencies  
Office of Information Technology

Health Care Policy and Financing  
Health Benefit Exchange