



**Colorado  
Legislative  
Council  
Staff**

**Initiative #119  
INITIAL FISCAL  
IMPACT STATEMENT**

**Date:** February 6, 2018

**Fiscal Analyst:** Bill Zepernick (303-866-4777)

**LCS TITLE:** TRANSPARENCY IN HEALTH CARE INSURANCE CARRIER BILLING

<b>Fiscal Impact Summary</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>State Revenue</b>		<u>less than \$20,000</u>
General Fund		less than \$20,000
<b>State Expenditures</b>	<u>\$16,056</u>	<u>\$31,557</u>
Cash Funds	16,056	31,557

**Note:** This *initial* fiscal impact estimate has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the Blue Book Voter Guide if new information becomes available.

**Summary of Measure**

Initiative #119 requires health insurance carriers to post on their website and make available to covered persons upon request the following information:

- the basis for determining the payment or reimbursement to a provider for a health care service rendered by the provider to a covered person, including the factors on which the payment is based and whether the payment is calculated for an in-network or out-of-network provider.
- items that appear as charges on an explanation of benefits or provider billing statement which the carrier does not pay;
- detailed information regarding coverage and negotiated payment information by plan type and participating provider; and
- prescription drug prices.

In addition, the health insurance carriers must publish detailed information on all forms of remuneration derived from rebates or other forms of incentives received as a result of health care services or purchases of prescription drugs or medical devices. The Commissioner of Insurance is required to promulgate rules concerning the measure's requirements on insurance carriers by April 30, 2019. If the Commissioner determines that a health insurance carrier is not complying with the provisions of the measure, the Commissioner may suspend or revoke the carrier's license, or impose a civil penalty up to \$50,000, with an additional fine for each day of continued noncompliance. Fine revenue is deposited into the General Fund.

Lastly, the measure specifies that contracts between insurance carriers and health care providers and facilities cannot contain any provision that restricts the ability of the health insurance plan, third-party payer, or health care provider to furnish patients any information required to be published under the measure. Any such provision in a contract is void and unenforceable.

## State Revenue

Initiative #119 potentially increases General Fund revenue by up to \$20,000 per year beginning in FY 2019-20. This revenue is from civil fines levied against health insurance carriers. Because the Commissioner of Insurance has discretion in the amount of any fine imposed, the exact revenue impact cannot be estimated. Overall, a high level of compliance is assumed, so fine revenue is expected to be less than \$20,000 per year. Based on the rule-making deadlines in the measure and assuming a period for health insurance carriers to come into compliance, fine revenue is not expected prior to the start of FY 2019-20.

## State Diversions

This measure, if enacted, will divert \$16,056 from the General Fund in FY 2018-19 and \$31,557 in FY 2019-20. This revenue diversion occurs because the measure 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

Initiative #119 increases expenditures by \$16,056 and 0.1 FTE in FY 2018-19 and \$31,557 and 0.3 FTE in FY 2019-20 in DORA. These costs are paid from the Division of Insurance Cash Fund. The measure will also impact workload and potentially costs in several other state agencies. Costs are summarized in Table 1 and discussed below.

<b>Cost Components</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Personal Services	\$9,100	\$21,840
FTE	0.1 FTE	0.3 FTE
Legal Services	5,328	5,328
Employee Benefits and Insurance	1,628	4,389
<b>TOTAL</b>	<b>\$16,056</b>	<b>\$31,557</b>

**Department of Regulatory Agencies.** The Commissioner of Insurance is required to establish rules for disclosures by health insurance carriers. Generally, it is assumed that outreach with health insurance carriers about these new rules and requirements will be conducted within existing communication channels by staff in the division. An additional 0.1 FTE is required to conduct rulemaking in the first year and an additional 0.3 FTE is required to respond to consumer inquiries and complaints on an ongoing basis. Staff costs are prorated in the first year to reflect a start date of February 1, 2019. The division will also have costs for legal services provided by the Department of Law for rulemaking and enforcement activity.

**State employee health insurance.** To the extent that this measure increases administrative costs for health insurance carriers, costs for state employee health insurance may increase. Because state employee health insurance contributions are based upon prevailing market rates, with costs shared between the employer and employee, this measure is not expected to affect the state's share of employee health insurance premiums until FY 2019-20. Because

insurance rates are influenced by a number of variables, the exact effect of this measure cannot be determined. Any increase caused by the measure will be addressed through the total compensation analysis included in the annual budget process.

**Office of Administrative Courts and trial courts.** The measure may potentially increase workload for the Office of Administrative Courts in the Department of Personnel and Administration and the trial courts in the Judicial Department in several ways. First, health insurance carriers may challenge enforcement actions against them for noncompliance with the measure, which would likely first be heard by an administrative law judge, and potentially appealed to the trial courts. Assuming a high level of compliance, these impacts are likely minimal and can be accomplished within existing appropriations.

## Local Government Impact

Similar to the state employee insurance impact discussed above, local governments offering health insurance coverage to their employees may experience an increase in costs. To the extent that the requirements of the measure lead to higher insurance premiums, local government costs for employee health insurance may increase. Health insurance premiums depend on a variety of factors and an exact estimate of the potential increase cannot be determined.

## Economic Impact

By promoting greater transparency in billing by health insurance carriers, Initiative #119 may help consumers more effectively spend their health care dollars, which over the long term could lead to lower health care costs for Coloradans. However, these savings may be offset by higher premiums to the extent that the measure increases administrative costs for health insurance carriers.

## Effective Date

The measure takes effect on January 1, 2019, if approved by voters at the 2018 general election.

## State and Local Government Contacts

Corrections	Counties	Health Care Policy and Financing
Higher Education	Human Services	Information Technology
Judicial	Law	Municipalities
Personnel	Regulatory Agencies	Public Health and Environment

## **Abstract of Initiative 119: TRANSPARENCY IN HEALTH CARE INSURANCE CARRIER BILLING**

**This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of February 5, 2018, identifies the following impacts:**

The abstract includes estimates of the fiscal impact of the initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at [www.ColoradoBlueBook.com](http://www.ColoradoBlueBook.com) and the abstract will be included in the ballot information booklet that is prepared for the initiative.

**State expenditures.** Initiative #119 requires health insurance carriers to disclose cost and billing information to consumers. The Department of Regulatory Agencies must establish rules and take action to implement the measure's requirements, which will increase state expenditures by \$16,056 in FY 2018-19 and \$31,557 in FY 2019-20. Additional costs may be incurred to the extent the measure leads to higher state employee insurance premiums or results in litigation in the courts.

**State revenue.** Initiative #119 allows fines to be levied on health insurance carriers that do not comply with the measure's disclosure requirements. This potentially increases state revenue from fines by up to \$20,000 per year beginning in FY 2019-20.

**Local government.** The measure potentially increases costs for local governments that pay for employee health insurance.

**Economic impact.** By promoting greater transparency in billing by health insurance carriers, Initiative #119 may help consumers more effectively spend their health care dollars, which over the long term could lead to lower health care costs for Coloradans. However, these savings may be offset by higher premiums to the extent that the measure increases administrative costs for health insurance carriers.