HB 25B-1006

Fiscal Note

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Nonpartisan Services for Colorado's Legislature

HB 25B-1006: IMPROVE AFFORDABILITY PRIVATE HEALTH INSURANCE

Prime Sponsors:
Rep. Brown; Gilchrist
Sen. Jodeh; Mullica

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill loans $100 million from the Unclaimed Property Trust Fund to the Health Insurance Affordability Enterprise Cash Fund.

Types of impacts. The bill is projected to affect the following areas on a temporary basis:

- State Revenue
- State Expenditures
- State Transfers
- TABOR Refunds

Appropriations. No appropriation is required. The Health Insurance Affordability Enterprise Cash Fund is continuously appropriated to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	$0	-$1,432,433	-$3,181,415
State Expenditures	$0	$100,000,000	$0
Transferred Funds	$100,000,000	$0	$0
Change in TABOR Refunds	$0	$0	$0
Change in State FTE	0.0 FTE	0.0 FTE	FTE

Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$0	$0
Cash Funds	$0	-$1,432,433	-$3,181,415
Total Revenue	**$0**	**-$1,432,433**	**-$3,181,415**

Table 1B
State Expenditures

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$0	$0
Cash Funds	$0	$100,000,000	$0
Federal Funds	$0	$0	$0
Centrally Appropriated	$0	$0	$0
Total Expenditures	**$0**	**$100,000,000**	**$0**
Total FTE	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**

Table 1C
State Transfers

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Unclaimed Property Trust Fund	-$100,000,000	$0	$0
Health Insurance Affordability Cash Fund	$100,000,000	$0	$0
Net Transfer	**$0**	**$0**	**$0**

This transfer is an interest-free loan from the Unclaimed Property Trust Fund

Summary of Legislation

On January 1, 2026, the bill transfers $100 million from the Unclaimed Property Trust Fund (UPTF) to the Health Insurance Affordability Enterprise (HIAE) Cash Fund as an interest-free loan. However, this loan will not occur if the U.S. Congress extends the enhanced premium tax credit, which are set to expire December 31, 2025. The HIAE must repay the loan by January 1, 2045.

The bill allows up to $20 million of existing HIAE surplus funds accrued in previous years to be allocated across HIAE programs regardless of statutorily defined allocation formulas.

The bill also places additional reporting requirements on the HIAE.

Background

Health Insurance Affordability Enterprise

Senate Bill 20-215 created the HIAE in the Division of Insurance in the Department of Regulatory Agencies. The HIAE draws federal funds and assesses a fee on health insurance carriers to fund three initiatives to reduce individual insurance market premiums, including:

- the **Reinsurance program** which covers a portion of claims for high-cost individuals;
- the **OmniSalud program** which subsidizes insurance for Coloradans with incomes below 300 percent of the federal poverty line who are not eligible for federal tax credits or state-funded insurance; and
- **On-Exchange Subsidies**, which pay carriers to lower the cost of purchasing insurance through the Health Insurance Exchange for individuals who meet federal requirements, including having an income between 133 and 400 percent of the federal poverty line.

Federal funds coming into the HIAE must be spent on the Reinsurance program. Funds from the fee on insurance carriers are available for use by all three programs, subject to allocation rules, 18 months after the initial assessment on premiums. Surplus funds and interest from fee revenue are spent in accordance with the allocation rules from the years when the revenue was initially collected. Currently fee funds are allocated as follows:

- to the Reinsurance program: the lesser of 73 percent of total fee revenue or $90 million;
- to the OmniSalud program: at least $18 million plus any remaining fee revenue;
- to On-Exchange subsidies: up to 10 percent of total fee revenue; and
- to administrative needs: up to 3 percent of total fee revenue.

Current Status of the HIAE

Due to increased medical and pharmacy costs for program enrollees, as well as increased enrollment in health care coverage, the HIAE has been spending surplus funds accrued in previous years. The funds are expected to be fully spent in FY 2025-26 and the HIAE will rely only on incoming revenue sources by FY 2026-27. Also by FY 2026-27, incoming revenue sources are expected to decrease, due to the expiration of the enhanced premium tax credit, among other factors. Current projections estimate that revenue available for expenditure in FY 2026-27 will be around roughly half of the projected FY 2025-26 revenue. Thus, under current law, FY 2026-27 HIAE expenditures will need to be reduced by about $300 million. Based on federal and statutorily defined revenue allocation rules, expenditures are expected to be reduced as shown in Table 2. Projections for FY 2027-28 are not yet available.

Table 2
Projected HIAE Expenditures under Current Law

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27
Reinsurance Program	$478 million	$236 million
On-Exchange Subsidies	$22 million	$27 million
OmniSalud Program	$90 million	$20 million
Administration	$4 million	$4 million
Total Costs	**$594 million**	**$287 million**

Unclaimed Property Trust Fund

The Unclaimed Property Division of the State Treasury holds, in perpetuity or until claimed, lost or forgotten assets of individuals and businesses in Colorado. The trust fund consists of all moneys collected under the Unclaimed Property Act, and interest earned on the account. The trust fund is TABOR-exempt; however, if the funds are spent by the state they generally become subject to TABOR.

Assumptions

Based on the current status of the HIAE discussed above, the fiscal note assumes that expenditures will not increase in FY 2025-26 (the year of the transfer) but will be fully expended in FY 2026-27 (the year the HIAE is expected under current law to reduce expenditures by $300 million).

The fiscal note also assumes that the U.S. Congress will not extend the enhanced premium tax credits beyond 2025 and that the transfer from UPTF to the HIAE will occur.

State Revenue

On net, the bill reduces revenue from interest earnings starting in FY 2026-27, as shown in Table 3 and discussed below. In the current FY 2025-26, lost interest and accrued interest in the affected funds will offset each other, resulting in no net change in total interest earnings.

Table 3
Change in Interest Earnings

Fund Name	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Unclaimed Property Trust Fund	-$1,509,406	-$3,087,506	-$3,181,415
Health Insurance Affordability Cash Fund	$1,509,406	$1,655,073	$0
Total	**$0**	**-$1,432,433**	**-$3,181,415**

Reduced Interest Earnings to the Unclaimed Property Trust Fund

The bill reduces interest revenue earned on money held in the UPTF. The amount of lost revenue depends on interest rates and other changes to the trust fund's balance. Assuming a 3 percent annual interest rate, compounded monthly, and that the transferred money and interest earnings would have otherwise stayed in the fund, the amount of lost revenue is estimated at about $1.5 million in FY 2025-26, $3.1 million in FY 2026-27, and $3.2 million in FY 2027-28, with increasing amounts ongoing. Interest earned on the UPTF is not subject to TABOR.

Interest Earned in Health Insurance Affordability Cash Fund

Based on the amount transferred, about $1.5 million in FY 2025-26 and $1.7 million in FY 2026-27 in interest will accrue to the HIAE Cash Fund. These amounts assume that the funding transferred is spent evenly throughout FY 2026-27 (see Assumptions section) at the same 3 percent compounded annual interest described above.

State Transfers

On January 1, 2026, the bill transfers $100 million from the UPTF to the HIAE Cash Fund as an interest-free loan, unless the U.S. Congress extends the enhanced premium tax credit. It is assumed that this transfer will occur.

State Expenditures

The bill increases expenditures by $100 million in the HIAE in FY 2026-27 and makes other changes to program spending, as shown in Table 4 and outlined below.

Table 4
State Expenditures
Health Insurance Affordability Enterprise

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Reinsurance Program	$0	$50 million	$0
On-Exchange Subsidies	$0	$50 million	$0
Total Costs	**$0**	**$100 million**	**$0**

Reinsurance Program and On-Exchange Subsidies

The bill increases expenditures in the HIAE by $100 million in FY 2026-27, split equally between the Reinsurance program and the On-Exchange Subsidies program, based on the amount transferred in FY 2025-26. These costs are shown in Table 4 above.

Reallocation of Existing Funds

The bill allows the HAIE to shift up to $20 million in previously accrued surplus funds between programs. The timing and amount of this spending shift will be based on future determinations made by the HIAE board and has not been estimated.

Other Impacts

The bill will increase workload in the HIAE to determine new allocation rules and meet reporting requirements. In addition, the HIAE will have costs to repay the $100 million loan by 2045. The timing and schedule of this loan repayment is not known.

TABOR Refunds

Funds in the UPTF are exempt from TABOR, but may become subject to TABOR when transferred to other funds to be used for governmental purposes. If the HIAE is unable to repay the loan in full, any unpaid balance will constitute a transfer to a state cash fund and that amount will count against the state's TABOR limit. This impact, if incurred, is assumed to occur in FY 2044-45 when the loan is due.

Effective Date

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

State and Local Government Contacts

Legislative Council Staff

Treasury

Regulatory Agencies