Colorado
Legislative
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Staff

SB17-133

FISCAL NOTE

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

Drafting Number:	LLS 17-0866	**Date:**	March 7, 2017
Prime Sponsor(s):	Sen. Tate Rep. Young	**Bill Status:**	Senate Business
		Fiscal Analyst:	Bill Zepernick (303-866-4777)

BILL TOPIC: INSURANCE COMMISSIONER INVESTIGATION PROVIDER COMPLAINTS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	**Less than $20,000**	**Less than $20,000**
Revenue Change		
General Fund	Less than 20,000	Less than 20,000
State Diversion		
General Fund	(44,082)	(49,415)
Cash Funds	44,082	49,415
State Expenditures	**$44,082**	**$49,415**
Cash Funds	39,790	43,946
Centrally Appropriated Costs	4,292	5,469
TABOR Impact	Less than $20,000	Less than $20,000
FTE Position Change	0.5 FTE	0.5 FTE
Appropriation Required: $39,790 - Department of Regulatory Agencies (FY 2017-18).		
Future Year Impacts: Ongoing expenditure and revenue increase, and diversion of General Fund.		

Summary of Legislation

This bill requires the Commissioner of Insurance to investigate complaints against health insurance carriers filed by health care providers alleging improper handling of claims or denial of benefits. Under current law, such investigations may be conducted at the discretion of the Commissioner. In addition, the bill requires the Commissioner to notify the provider when the investigation is complete and to inform the provider of the facts and conclusions determined by the investigation. The Commissioner is also required to evaluate complaints filed against insurance carriers to determine if there is a pattern or practice by an insurance carrier of improper handling of claims or denial of benefits. Engaging in such a pattern of improper behavior is classified as an unfair or deceptive practice in the business of insurance.

Background

Under current law, an insurance carrier found to have committed an unfair or deceptive practice may face a range of potential disciplinary actions, including a fine of up to $3,000 per act and up to $30,000 per year in total if unknowingly committing the violations or up to $750,000 per year in total for knowingly committing such violations; suspension or revocation of a company's license; and the mandated payment of contractual claims, if the violation resulted in failure to pay.

State Revenue

The bill potentially increases General Fund revenue from fines by less than $20,000 per year starting in FY 2017-18. It also results in a diversion from the General Fund starting in FY 2017-18.

Fines. The bill potentially increases General Fund revenue by less than $20,000 per year from fines assessed on insurance carriers by the Division of Insurance in the Department of Regulatory Agencies (DORA) for engaging in a pattern of practices involving improper claims handling and denial of benefits. The fiscal note assumes a high level of compliance by insurance carriers and that any violations that occur will likely be addressed and resolved through cease and desist orders from the Division of Insurance. Therefore, the potential increase in fine revenue is assumed to be minimal (less than $20,000 per year).

State diversions. This bill diverts $44,082 in FY 2017-18 and $49,415 in FY 2018-19 from the General Fund. This revenue diversion occurs because the bill increases costs in the Division of Insurance in DORA, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

TABOR Impact

This bill may increase General Fund revenue from fines, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. Since the bill increases both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will increase money available for the General Fund budget in the future during years when the state does not collect money above the TABOR limit.

State Expenditures

The bill increases cash fund expenditures in DORA by $44,082 and 0.5 FTE in FY 2017-18 and $49,415 and 0.5 FTE in FY 2018-19. These costs, paid from the Division of Insurance Cash Fund, are summarized in Table 1 and discussed below.

Table 1. Expenditures Under SB 17-133		
Cost Components	**FY 2017-18**	**FY 2018-19**
Personal Services	$20,780	$24,936
FTE - Dept. of Regulatory Agencies	0.4 FTE	0.4 FTE
FTE - Dept. of Law	0.1 FTE	0.1 FTE
Legal Services	19,010	19,010
Centrally Appropriated Costs*	4,292	5,469
TOTAL	**$44,082**	**$49,415**

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

Personal services. By mandating that investigations be performed by the Commissioner of Insurance for all claim and benefit complaints and requiring that the results of investigations be shared with health care providers, the Division of Insurance in DORA will require an additional 0.4 FTE per year. The costs for this staff are shown in Table 1 and the first-year costs are prorated to reflect a start date of September 1, 2017. Full-year costs are based on 140 provider complaints and investigations per year and each investigation and report requiring 6 hours of staff time.

Legal services. The fiscal note assumes that two complaint investigations per year will result in the need for legal services support from the Department of Law. Assuming each matter requires 100 hours of legal services to resolve and a rate of $95.05 per hour, costs will increase in DORA by $19,010 per year starting in FY 2017-18.

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.

Table 2. Centrally Appropriated Costs Under SB 17-133		
Cost Components	**FY 2017-18**	**FY 2018-19**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$2,430	$3,235
Supplemental Employee Retirement Payments	1,862	2,234
TOTAL	**$4,292**	**$5,469**

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2017-18, the bill requires an appropriation of $39,790 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund, of which $19,010 is reappropriated to the Department of Law for legal services. In addition, allocations of 0.4 FTE to the Department of Regulatory Agencies and 0.1 FTE to the Department of Law are required.

State and Local Government Contacts

Information Technology	Law
Personnel	Regulatory Agencies