Colorado Legislative Council Staff

HB16-1294

FISCAL NOTE

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

Drafting Number:	LLS 16-0517	**Date:**	March 15, 2016
Prime Sponsor(s):	Rep. Lontine; Esgar Sen. Guzman	**Bill Status:**	House Health, Insurance, and Environment
		Fiscal Analyst:	Bill Zepernick (303-866-4777)

BILL TOPIC: CONTRACEPTION COVERAGE PUBLIC AND PRIVATE INSURANCE

Fiscal Impact Summary	FY 2016-2017	FY 2017-18	FY 2018-2019
State Revenue		**$0**	**$0**
State Diversions			
General Fund		(12,854)	(10,239)
Cash Funds		12,854	10,239
State Expenditures		**$12,854**	**$10,239**
Cash Funds		10,658	8,472
Centrally Appropriated Costs		2,196	1,767
FTE Position Change		0.2 FTE	0.1 FTE
Appropriation Required: None.			
Future Year Impacts: Ongoing state expenditures increase.			

Summary of Legislation

By January 1, 2018, the bill requires state-regulated health insurance plans and Medicaid managed care plans to provide coverage, without restriction or delay to patients, for the following contraceptives and services:

- all Food and Drug Administration (FDA)-approved contraceptive drugs, devices, and other products for women, including those prescribed by the covered person's provider or otherwise authorized under state and federal law;
- voluntary sterilization procedures;
- patient education and counseling on contraception; and
- follow-up medical services related to contraception.

The contraceptive coverage required by the bill must be available to all covered persons under the health insurance plan or Medicaid managed care plan, including dependents and children. Medicaid services must be provided at no cost to the recipient. The bill does not apply to health plans that are not required to provide contraceptive coverage under the federal Patient Protection and Affordable Care Act or that are regulated under the federal Employee Retirement Income Security Act (ERISA).

Background

Patient Protection and Affordable Care Act. The federal Patient Protection and Affordable Care Act, enacted in 2010, requires health insurance plans to cover at least one method from each of the 18 contraceptive methods approved by the FDA with no cost sharing to the covered individual. Certain religious employers, such as places of worship, are exempt from the requirement to provide contraceptive coverage. Some health insurance plans that existed prior to the act are "grandfathered" in to the act's requirements and are exempt from providing coverage for contraceptives. Nonprofit religious organizations are not required to contract, arrange, pay, or refer for contraceptive coverage; contraceptive coverage for such organizations is arranged through a third-party administrator.

Medicaid coverage of contraceptives. According to the Department of Health Care Policy and Financing, Medicaid currently covers one comprehensive family planning office visit annually, surgical sterilization for clients aged 21 years and older, and contraceptives. Contraceptives are available in a three-month supply from a pharmacy, or six-month supply from a provider. Various limits on certain types of contraceptives may apply. Emergency contraceptives are available with a prescription.

State Revenue

While the bill does not change net revenue to the state, it does result in a diversion of funds beginning in FY 2017-18, as described below.

State diversions. This bill diverts $12,854 from the General Fund in FY 2017-18 and $10,239 in FY 2018-19. This revenue diversion occurs 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.

State Expenditures

The bill increases costs in DORA by **$12,854 and 0.2 FTE in FY 2017-18 and $10,239 and 0.1 FTE in FY 2018-19** and future years. These costs, paid from the Division of Insurance Cash Fund, are summarized in Table 1 and discussed below. The bill may also affect rates paid by the state for employee insurance.

Table 1. Expenditures Under HB 16-1294

Cost Components	FY 2016-17	FY 2017-18	FY 2018-19
Personal Services		$10,658	$8,472
FTE		0.2 FTE	0.1 FTE
Centrally Appropriated Costs*		2,196	1,767
TOTAL		**$12,854**	**$10,239**

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

Department of Regulatory Agencies. The DOI in DORA will require additional staff to review health plan rate filings to ensure compliance with the requirements of the bill. Under current law, health insurers may meet the contraception requirements of the Affordable Care Act in a number of ways. This bill outlines more specific coverage requirements, which will necessitate additional review during the existing insurance rate and form approval process. The fiscal note estimates that about 260 hours of additional staff time are required for rate and actuarial review each year beginning in FY 2017-18, based on 400 insurance plan filings per year. In FY 2017-18 only, about 80 hours of staff time are also required to update rules and electronic tools. Table 1 summarizes the costs of the bill.

State employee insurance. The expanded contraception coverage required by the bill may affect state employee insurance premiums, which are managed by the Department of Personnel and Administration. Because state employee health insurance contributions are based upon prevailing market rates, with costs shared between the employer and employee, this bill is not expected to affect state employee premiums until after January 1, 2018. Because insurance rates are influenced by a number of variables, the exact effect of this bill cannot be determined. Any increase caused by the bill will addressed through the total compensation analysis included in the annual budget process.

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 HB 16-1294*

Cost Components	FY 2016-17	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)		$1,241	$1,008
Supplemental Employee Retirement Payments		955	759
TOTAL		**$2,196**	**$1,767**

**More information is available at: http://colorado.gov/fiscalnotes*

Local Government

Similar to the state employee insurance impact discussed above, local governments providing health insurance to their employees may experience an increase in premiums beginning in January 1, 2018. Any increase is assumed to be minimal.

Effective Date

The bill takes effect January 1, 2018, unless a referendum petition is filed. The bill applies to health benefit plans issued, amended, or renewed on or after this effective date.

State and Local Government Contacts

Corrections	Counties
Health Care Policy and Financing	Information Technology
Law	Personnel
Regulatory Agencies	

Research Note Available

An LCS Research Note for House Bill 16-1294 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.