SB 23-179

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated March 20, 2023)

Drafting Number:	LLS 23-0471	**Date:**	March 30, 2023
Prime Sponsors:	Sen. Moreno; Will Rep. Hartsook; Daugherty	**Bill Status:**	Senate Appropriations
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Bill Topic: **DENTAL PLANS MEDICAL LOSS RATIO**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☒ State Diversion
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

The bill allows the Division of Insurance to investigate dental plan carriers with lower than average dental loss ratios after two years of data collection. The bill increases state expenditures and may increase state revenue on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of $64,252 to the Department of Regulatory Agencies.

Fiscal Note Status: This revised fiscal note reflects the introduced bill, as amended by the Senate Health and Human Services Committee.

Table 1
State Fiscal Impacts Under SB 23-179

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	Cash Funds	$64,252	$96,124
	Centrally Appropriated	$13,017	$19,897
	Total Expenditures	**$77,269**	**$116,021**
	Total FTE	**0.7 FTE**	**1.0 FTE**
Diversion	General Fund	($77,269)	($116,021)
	Cash Funds	$77,269	$116,021
	Net Diversion	**$0**	**$0**
Other Budget Impacts		-	-

Summary of Legislation

The bill places disclosure requirements around dental loss ratios, which are the percentage of dental coverage premium dollars spent on services. After two years of data collection, the Commissioner of Insurance will promulgate rules to identify carriers that significantly deviate from the average dental loss ratio and may investigate or take enforcement action against these carriers. Additionally, the bill requires dental coverage plans to issue identification cards.

State Revenue

The bill may increase state revenue beginning in FY 2023-24. It allows the Division of Insurance to impose a civil penalty against carriers who fail to comply with the reporting requirements or significantly deviate from the average dental loss ratio. This revenue is expected to be classified as a damage award and not subject to TABOR. Given the uncertainty about the number of cases that may be pursued, as well as the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these civil penalties.

State Diversions

This bill diverts $77,269 from the General Fund in FY 2023-24 and $116,021 in FY 2024-25. This revenue diversion occurs because the bill 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

The bill increases state expenditures in the Division of Insurance in the DORA by $77,000 in FY 2023-24 and $116,000 in FY 2024-25, paid from the DOI Cash fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under SB 23-179

	FY 2023-24	FY 2024-25
Department of Regulatory Agencies		
Personal Services	$56,637	$94,774
Operating Expenses	$945	$1,350
Capital Outlay Costs	$6,670	-
Centrally Appropriated Costs[1]	$13,017	$19,897
Total Cost	**$77,269**	**$116,021**
Total FTE	**0.7 FTE**	**1.0 FTE**

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

Department of Regulatory Agencies

Dental loss ratio reporting. The fiscal note assumes that DOI will hire 0.7 FTE in FY 2023-24 and 1.0 FTE in FY 2024-25 and ongoing to collect data and find the average dental loss ratio and update the information annually as well as establish rules for reporting requirements, review reports received from carriers, and publish data. Standard operating and capital outlay costs are included for these new staff, and first-year costs are prorated to account for the bill's effective date. Additionally, the bill may increase workload if the division chooses to investigate and take enforcement action against the specified carriers. These workload increases are absorbable.

Legal services. The bill minimally increases legal service costs for the division, provided by the Department of Law, for general counsel and rulemaking support. This can be accomplished within existing appropriations. Legal services costs may also increase to support compliance efforts. If additional resources are required, they will be addressed through the annual budget process.

Department of Health Care Policy and Financing

Workload will minimally increase in the Department of Health Care Policy and Financing to update the All-Payer Health Claims Database. No appropriation is required.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2023-24, the bill requires an appropriation of $64,252 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies, and 0.7 FTE.

State and Local Government Contacts

Information Technology	Regulatory Agencies	Law
Health Care Policy and Financing		