



**Colorado
Legislative
Council
Staff**

SB16-139

FISCAL NOTE

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

Drafting Number: LLS 16-0843 **Date:** March 14, 2016
Prime Sponsor(s): Sen. Roberts; Hodge **Bill Status:** Senate Health & Human Services
 Rep. Coram **Fiscal Analyst:** Bill Zepernick (303-866-4777)

BILL TOPIC: WAIVER PROPOSAL TOTAL-COST-OF-CARE MODEL HOSPITALS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures	<u>\$17,000</u>	
General Fund	17,000	
Appropriation Required: \$17,000 - Department of Public Health and Environment (FY 2016-17).		
Future Year Impacts: None.		

Summary of Legislation

This bill requires the Colorado Commission on Affordable Health Care (commission) to develop a proposal under any applicable federal law that enables the state to operate a global payment system pilot program that focuses on a total-cost-of-care model for the reimbursement of hospitals for Medicare patients. Currently, Medicare reimburses hospitals using a fee-for-service model. The commission must develop the proposal within 60 days of the effective date of the bill and present the proposal to the House and Senate health committees prior to the end of the 2016 legislative session. The bill requires that the proposal specify the following:

- the geographic areas in which the pilot program will operate, based on the insurance rating areas for the rural eastern and western parts of the state and Grand Junction;
- the specific hospitals required to participate in the pilot program;
- a general description of the total-cost-of-care reimbursement model for hospital reimbursement; and
- the agency or entity that will operate and oversee the pilot program.

Background

Global payments and the total-cost-of-care model are based on the practice of paying providers or health care systems a fixed prepayment that covers most or all of a patient's care during a specified time period or health care episode. The fee-for-service payment model pays providers separately for each service rendered.

The Colorado Commission on Affordable Health Care was created by Senate Bill 14-187 to study the drivers of health care costs and evidence-based cost containment strategies, and make recommendations for action. The General Assembly provided a one-time appropriation of \$400,000 to fund the work of the commission, with this funding continuously appropriated for use by the commission during its term of operation. The 17 members of the commission serve without compensation but may be reimbursed for expenses. The commission is required to provide annual reports in November 2015 and 2016, and a final report by June 30, 2017. The commission is scheduled to repeal on July 1, 2017.

State Expenditures

The bill will result in a one-time cost of \$17,000 for the Colorado Commission on Affordable Health Care to develop the pilot program proposal required under the bill. It is assumed that the commission will utilize a contract research consultant for this work. This cost, paid from the General Fund, is based on the consultant providing 100 hours of service at an hourly rate of \$170. The commission is funded through the Department of Public Health and Environment.

Technical Note

Under the bill, the commission must provide its proposal to the relevant committees of the General Assembly for consideration during the 2016 session. However, it is unlikely the bill will be signed into law and the work will be completed by May 11, 2016, when the General Assembly adjourns sine die. Therefore, it is likely that the report of the commission would not be available until the 2016 legislative interim or the 2017 legislative session.

Effective Date

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

State Appropriations

For FY 2016-17, the bill requires an appropriation of \$17,000 General Fund to the Department of Public Health and Environment for allocation to the Colorado Commission on Affordable Health Care.

State and Local Government Contacts

Colorado Health Benefit Exchange
Health Care Policy and Financing
Public Health and Environment

Governor's Office
Information Technology
Regulatory Agencies

Research Note Available

An LCS Research Note for Senate Bill 16-139 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.