



A healthy Colorado
includes everyone.

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Testimony in favor of SCR13-002, Colorado Health Care Cooperative
Colorado Senate, Health and Human Services Committee, April 4, 2013

Madame Chair and members of the Committee, thank you for the opportunity to testify. I am Dr. Ivan Miller. I have been involved in the development of the Cooperative legislation in many different roles. I have been the Project Manager for Dr. Gerald Friedman's analysis, "Three Possibilities for Colorado's Future Health Care Financing and Delivery," in which he examined the economic impact of the Affordable Care Act (ACA) as it is being implemented, the possibility of its repeal, and the possibility of using a Section 1332 waiver from the ACA to create the Colorado Health Care Cooperative. I am also the author of the Executive Summary of Dr. Friedman's analysis. In my other roles, I am a Boulder psychologist, a small business owner, a consumer advocate, and an advocate for mental health professionals.

I have organized my testimony as a series of questions that I will answer.

In summary form, what does Dr. Freidmans' data show about the three possibilities?

- What is the impact if the ACA were repealed?
 - The current cost escalation in health care would result in health care spending consuming 17.5% of the Colorado economy by 2024.
 - By the year 2024, 23% of Coloradans, almost one out of four, would be uninsured.
- Has the ACA had a positive impact?
 - The rate of uninsured is decreased to 5% by 2024.
 - Makes health insurance more affordable for Coloradans by using subsidies
 - Brings more federal dollars to Colorado
- Does the ACA leave major problems unsolved?
 - By 2024, there will remain 5% uninsured and due to high deductibles and copayments, many will be uninsured.
 - As providers and businesses are reporting, the ACA increases bureaucracy and administrative costs.
 - It increases health care spending so that by 2024, health care spending would consume 19%, almost one-fifth, of the Colorado Gross Product.

- Does the Cooperative address the major health care financing and delivery problems?
 - The Cooperative almost completely eliminates the problem of the uninsured and the under-insured with the exception of a few restrictions on people who have resided in Colorado for less than one year.
 - The Cooperative not only lowers Colorado health care spending and stabilizes it at a sustainable level under 15% of Gross State Product.

How does the data answer specific questions about the impact of the Cooperative?

How does it affect the disposable income of Coloradans?

- The Cooperative proposes a different way to collect premiums. Coloradans would pay different amounts, different premiums, at different points in their life depending on their income at that point. (In order to understand the Cooperative financing it is important to refer to revenue as premiums rather than taxes because an accountant will place these payments on ledger sheets and income tax forms under premiums, where they have favorable tax advantages. The premiums also have the characteristics of taxes.) When a person is young and not earning much, they would pay less; when they made good income, they would pay more; and when they were unemployed or bankrupt; they would pay less. In any one year, it is projected that four out of five Coloradans would have a decrease in health care spending and an increase in disposable income.
- By 2016, the Colorado Health Expenditures from all sources will be lowered by \$888/yr/capita; and by 2024 they will be lowered by \$2,523/yr/capita.

Is it good for employers and employees?

- Employer's who are now paying for health care would have their expenses lowered from the current 11.8% average to 6%.
- Employees would obtain comprehensive health care coverage for 3% of payroll.
- The self-employed would enjoy the same pre-tax advantage for premium payments as employers and pay 9% of earnings after expenses.

Do these savings come from cutting provider reimbursements or restricting services?

- No, the savings Dr. Friedman identified to not come from either restricted services or decreases in provider pay.
- Some reimbursement rates are increased. Dr. Friedman included an increase over the current system in reimbursement rates for patients who are Medicaid eligible.

What impact does the Cooperative have on jobs and the economy?

- There will be an increase in disposable income will have many positive impacts. One good measure of the overall impact is looking at increases and decreases in money brought into the Colorado economy. The redirection of \$3.7 billion of out-of-state spending to Coloradans will increase jobs. (Sixty percent of reduced insurance administrative costs are out-of-state and the reduction in pharmaceutical costs due to bulk purchasing is out-of-state spending). According to the IMPLAN employment multiplier, the \$3.7 billion would result in approximately 25,900 new jobs.

Where do the savings come from? Who are the winners and losers?

Whenever efficiencies are created, there are winners and losers, which also determines who will oppose the change.

- Pharmaceutical and durable medical equipment companies will have a decrease in profits because it is projected that the Cooperative will achieve the same savings that the VA system has obtained by bulk negotiations.
- The majority of the savings come from removing the inefficiencies resulting from the system of multiple insurance companies and multiple risk pools. Those health insurers who have provided health care, like Kaiser and Rocky Mountain Health Plan, will continue to compete in the Cooperative; however, the part of insurance that competes to find good risk pools will have a much smaller place selling supplemental insurance. Indeed, this is a group that will be strongly opposed. As the insurers comprise a significant percentage of Chambers and large business organizations, and a group of these organizations has already noted in a letter to the Legislature that they are concerned that selling of health insurance plans will be "obsolete." To a great extent, I would agree with these organizations that Dr. Friedman's data does show that the health insurance industry as we know it today, compared to the Cooperative, would be obsolete. This industry will need to innovate and look for new markets for insurance.

The simple way to sum this up is:

- The Colorado economy, employers, consumers, and providers are in big trouble if nothing is done.
- The fact that we are in big trouble is not news to legislators, but the pathway to a solution through the Cooperative is big news to Coloradans.
- This is such a big deal that Colorado voters deserve a chance to learn about it and vote on it

Thank you.