



Five Approaches to Health Reform

OVERVIEW

This document reviews key elements of the 5 comprehensive health reform proposals being considered by the Blue Ribbon Commission for Health Care Reform.

These are NOT comprehensive descriptions of each proposal. For complete details, please go to www.colorado.gov/208commission.

Four of these proposals were selected for evaluation from the 31 submitted to the Commission. Those four are:

- Better Health Care for Colorado, submitted by the Service Employees International Union (referred to here as “Proposal 1”)
- Solutions for a Healthy Colorado, submitted by the Colorado State Association of Health Underwriters (referred to here as “Proposal 2”)
- A Plan for Covering Coloradans, submitted by Committee for Colorado Health Care Solutions (referred to here as “Proposal 3”)
- Colorado Health Services Program, submitted by Health Care for All Colorado Coalition (referred to here as “Proposal 4”)

In addition, the Commission has drafted its own proposal, included here as the “Proposal 5.”

NOTE: The summaries that follow are illustrative, not comprehensive. For complete details on each proposal, please visit the Commission’s Web site, www.colorado.gov/208commission.

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Background

Federal Poverty Level Guidelines

100% FPL	\$20,650 annual income for family of 4
200% FPL	\$41,300 annual income for family of 4
250% FPL	\$51,625 annual income for family of 4
300% FPL	\$61,950 annual income for family of 4
400% FPL	\$82,600 annual income for family of 4

Roles and responsibilities

- **These are some of the ideas in the plans the Commission is considering**
 - Individual responsibility
 - Requirement to buy insurance – or not?
 - Health and wellness
 - Employer responsibility
 - Requirement to provide insurance – or not?
 - Make it easier for employees to purchase their own insurance
 - Government responsibility
 - Expand public coverage
 - Provide subsidies for those who don't qualify for public coverage but can't afford private
 - Cover everyone – or not?
 - Health plans' responsibility
 - Cover everyone regardless of health status
 - Cover additional services (mental health, prescriptions, dental, etc.)
 - Providers' responsibility
 - Focus on quality
 - Adopt information technology

Blue Ribbon Commission on Health Care Reform

Comparison of the Five Proposals

Proposal Name	Employer Mandate	Individual Mandate	Premium Assistance for Low-Income	Less Comprehensive Benefits	Purchasing Pool or Connector	Insurance Market Reform	Consolidate Insurance Markets	Expand Medicaid and CHP+	Reform Medicaid and CHP+	Single Payer
Proposal 1			✓	✓	✓			✓	✓	
Proposal 2		✓	✓	✓	✓			✓		
Proposal 3	✓	✓	✓		✓	✓	✓	✓	✓	
Proposal 4						✓			✓	✓
Proposal 5		✓	✓		✓	✓		✓	✓	*

* Optional Continuous Coverage Portable Plan has elements (e.g., portability) in common with single payer plans such as Proposal 4, but relies on multiple payers

Proposal 1

Key elements

- No requirements for individuals to purchase or employers to provide insurance
- Expands Child Health Plan Plus (CHP+) to 300% of the federal poverty level (FPL)
- Provides private insurance coverage for “working poor” adults
 - Choice of plans offered through health insurance exchange (i.e., a “one stop shop” that offers information, guidance and education to help consumers make informed choices)
 - Offers subsidies for private insurance purchase to parents and childless adults up to 300% FPL
 - Individuals may use subsidy to purchase employer-sponsored insurance
- Uninsured workers who earn above 300% FPL and small businesses that do not offer health insurance can purchase coverage through the exchange without a subsidy
- All plans offered through the exchange must provide at least a “core” minimum benefits package
 - Annual benefit maximum = \$35,000
 - Monthly premium cannot exceed \$150-250 depending on income
 - Modified community rating for the minimum benefit package
 - No deductible
 - Cap annual benefits at \$35,000
- Medicaid reform
 - Medicaid managed care; Primary Care Case Management in rural areas
 - Pay-for-performance for Medicaid hospitals and Medicaid long-term care facilities
 - Consumer-directed home care for Medicaid recipients
- Long-term care reforms
 - Increased access to home and community-based services for people with disabilities and seniors
 - Achieve cost savings through placing recipients in least restrictive settings
 - Improves home and community-based workforce to meet growing needs of consumers

Cost containment strategies (highlights)

- Preventive care
- Medicaid managed care
- Medicaid preferred drug list and specialty pharmacy program
- Home and community-based long term care

NOTE: Each proposal contains various investments (e.g., increased use of health information technology, changes to provider reimbursement, etc.) that represent up-front costs but potential downstream savings. Those are not included in these lists of cost containment strategies but are important tools for reducing overall system costs.

Proposal 2

Key elements

- All Coloradans required to have insurance. Those with insurance get income tax credit; those without pay tax penalty
- Core limited benefit plan for individual insurance
 - All carriers must offer core benefit plan
 - Annual benefit maximum of \$50,000
 - Guaranteed issue
 - Limited health status rating
- Subsidies for those up to 250% FPL
- Expands CHP+
 - Covers children up to 250% FPL
- Expands Medicaid
 - Covers parents up to 100% FPL
- In addition to employer-sponsored plans, individuals will have a choice of plans offered through health insurance connector (see “exchange” definition above)
- Any benefit mandate that affects less than 1% of the population and contributes more than 1% of the cost of claims would be eliminated
- Establishes reinsurance pool to cover cost of high-dollar claims (>\$100,000)
- Uniform/standardized payments to providers
- Reforms medical malpractice laws, including limits on non-economic damages

Cost containment strategies (highlights)

- Pay-for-performance for providers
- Medical malpractice reform
- Preventive care and wellness

NOTE: Each proposal contains various investments (e.g., increased use of health information technology, changes to provider reimbursement, etc.) that represent up-front costs but potential downstream savings. Those are not included in these lists of cost containment strategies but are important tools for reducing overall system costs.

Proposal 3

Key elements

- All Coloradans required to have insurance or pay assessment through income tax filing if they do not
- All employers required to either contribute to employee coverage or pay assessment
- Merge individual and small business purchasers into one pool
 - Require guaranteed issue, pure community rating for plans offered through the pool
- Subsidies for those up to 400% FPL
 - Safety net providers must be included in subsidy program
- Minimum benefit package
 - Comprehensive coverage (including dental, mental health, substance abuse, prescription drugs, other benefits)
 - Standardized benefit plans to allow consumers to compare plans
- Expand public programs for disabled (buy-in for those up to 300% FPL), elderly (up to 100% FPL), medically needy (50% FPL), children and parents (up to 300% FPL) and childless adults (up to 100% FPL); merge Medicaid and CHP+

Cost containment strategies (highlights)

- Standardized claims forms, billing and payment
- Preventive care, wellness and early interventions
- Disease management programs
- Medicaid Preferred Drug List and 304b pricing

NOTE: Each proposal contains various investments (e.g., increased use of health information technology, changes to provider reimbursement, etc.) that represent up-front costs but potential downstream savings. Those are not included in these lists of cost containment strategies but are important tools for reducing overall system costs.

Proposal 4

Key elements

- Single-payer program governed and administered like a public trust
 - Governing board sets annual budget and determines provider rates
 - Create Colorado Health Trust insulated from general state budget
 - Index funding to rate of growth (e.g., GDP)
- Funded through income tax and payroll deductions
 - Employers may pay for employees
- Covers everyone who has lived in the state at least 3 months, including those enrolled in federal programs such as Medicare, TRICARE, FEHBP, etc.
- Basic benefit package for all based on current Medicaid benefits
 - Cover primary care, hospitalization, lab, emergency, auto and workers' comp, mental health, substance abuse, dental and other benefits; eventually add long-term care
 - Long-term care (room and board excluded for higher income)
 - Minimal co-pays assessed for services
- Statewide patient health information network for cost, utilization and quality information
 - Use data to reward providers for high-quality care and identify and fund training needs

Cost containment strategies (highlights)

- Administrative savings through consolidation
- Preventive care and early interventions
- Single statewide formulary
- Home-based long-term care

NOTE: Each proposal contains various investments (e.g., increased use of health information technology, changes to provider reimbursement, etc.) that represent up-front costs but potential downstream savings. Those are not included in these lists of cost containment strategies but are important tools for reducing overall system costs.

Proposal 5

Key elements

- Individual mandate – all Coloradans must have insurance or pay assessment through income tax filing if they do not
- Employers not required to offer insurance
 - Required to offer payroll deduction/pre-tax plans to help employees to purchase insurance themselves
- “Connector” for individuals and small employers to purchase insurance
- Reform individual insurance market
 - “Healthy” people can’t be turned down
 - Premiums can vary by age, geography
 - Equivalent coverage for mental and physical health
 - Expand Cover Colorado to cover more people with chronic conditions
- Subsidies up to 400% FPL
 - Subsidies for purchase of basic benefit plan
 - Catastrophic care fund for those eligible for subsidy
- Combine and expand Medicaid/CHP+
 - Cover children up to 250% FPL
 - Cover parents and childless adults up to 205% FPL
 - Buy-in program for disabled
 - “Medically Needy” and “Medically Correctable” programs
 - Increase funding for home and community-based service waiver programs
- Optional “Continuous Coverage Portable Plan” similar to Medicare
- 24-hour coverage option for employers

Cost containment strategies (highlights)

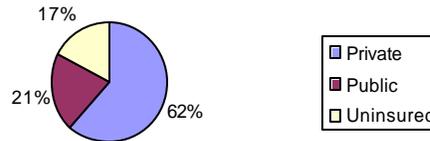
- Administrative savings: Uniform eligibility and coverage systems, streamlined provider credentialing, standardized prior authorization procedures and claims processes
- Chronic care management
- Preventive care and wellness
- Asset test for new parents and childless adults in Medicaid/CHP+ and subsidy program

NOTE: Each proposal contains various investments (e.g., increased use of health information technology, changes to provider reimbursement, etc.) that represent up-front costs but potential downstream savings. Those are not included in these lists of cost containment strategies but are important tools for reducing overall system costs.

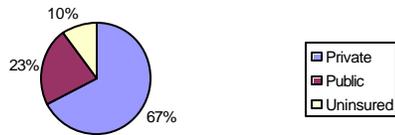
Impact of Proposals on Uninsured

Coverage Under Current Law

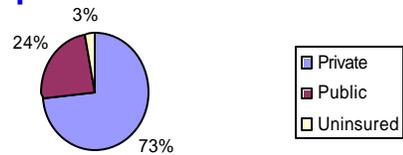
Colorado Residents by Source of Coverage
(Public, Private, Uninsured) 2007-08



Proposal 1



Proposal 2



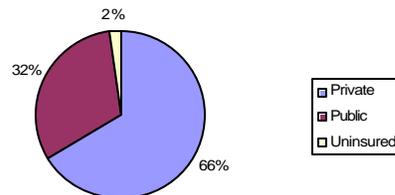
Proposal 3



Proposal 4



Proposal 5



Impact of Proposals on Costs

Current total annual health care spending in Colorado: \$30.1 b*

Estimated annual spending for each proposal:	Proposal 1: \$30.7 b
	Proposal 2: \$30.4 b
	Proposal 3: \$31.4 b
	Proposal 4: \$28.7 b
	Proposal 5: \$31.1 b

* Total annual spending includes public and private, individual and employer, etc.

Estimated new state spending required:	Proposal 1: \$389 m
	Proposal 2: \$853 m
	Proposal 3: \$2 b
	Proposal 4: \$15 b
	Proposal 5: \$1.1 b

Differences in cost and coverage impacts are driven by program elements, for example:

- Proposal 1 does not require individuals to have insurance, thus has a smaller impact on reducing the number of uninsured than other proposals, even though it expands public programs and facilitates the purchase of private insurance. It has a limited benefit package, so costs less than the others.
- Proposal 2 requires individuals to have insurance, expands public programs and facilitates the purchase of private insurance, thus has a significant impact on reducing the number of uninsured. It has a limited benefit package and lower subsidy levels, so costs less than some of the others.
- Proposal 3 requires individuals to have insurance and employers to provide it, expands public programs and facilitates the purchase of private insurance, thus has a significant impact on reducing the number of uninsured. It has comprehensive benefits and high subsidy levels, so is more expensive than some of the others.
- Proposal 4 covers everyone automatically. Because it eliminates many administrative layers it brings overall system costs down. However, because it is publicly administered, it represents higher new costs to the state than other proposals.
- Proposal 5 requires individuals to have insurance, expands public programs and facilitates the purchase of private insurance, thus has a significant impact on reducing the number of uninsured. It has comprehensive benefits and high subsidy levels, so is more expensive than some of the others.

Inputs to the Commission's Final Report

