Colorado Model 5: Cost and Coverage Impacts

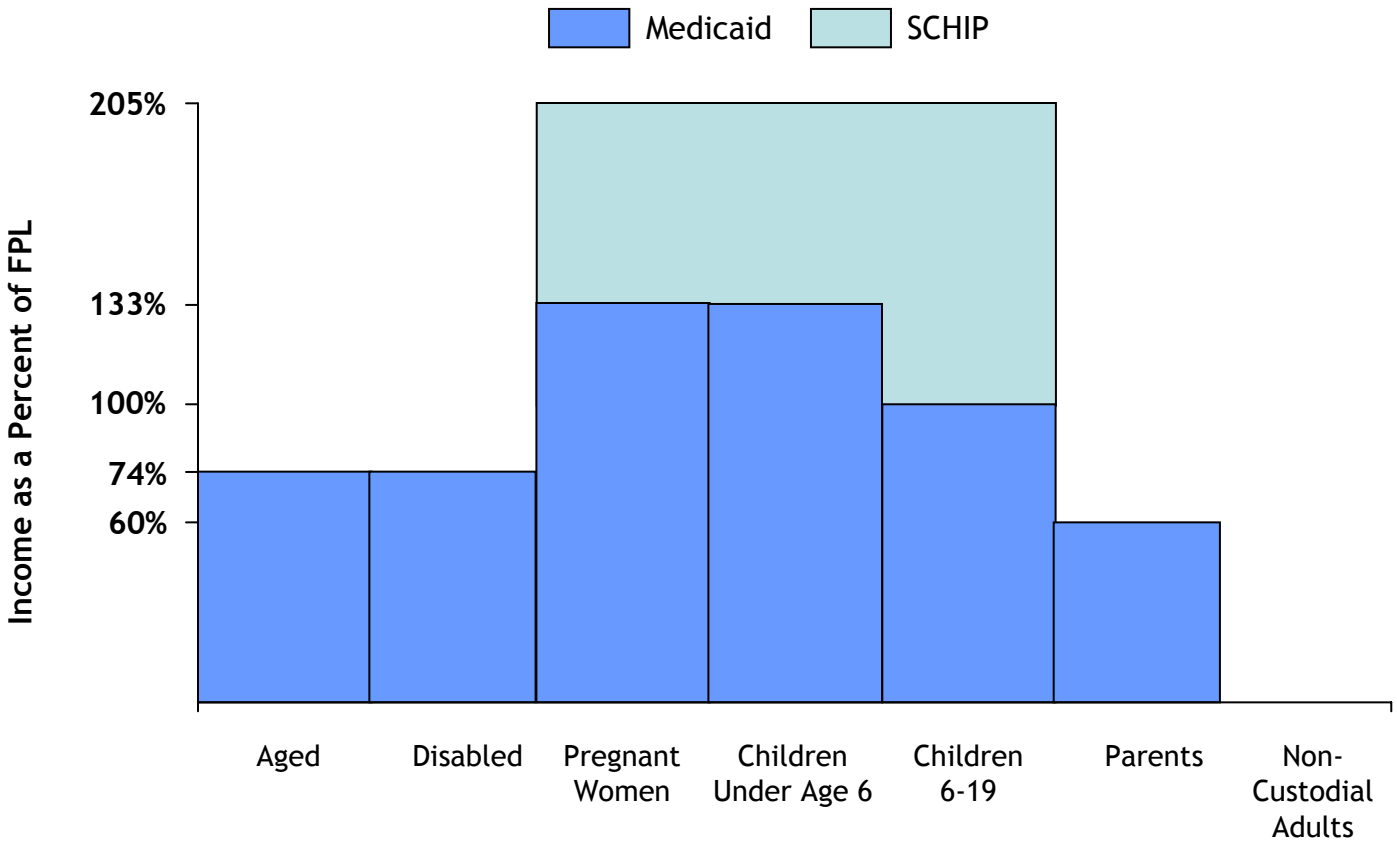
October 18, 2007

Preliminary Findings, Subject to Revision, Not for Citation

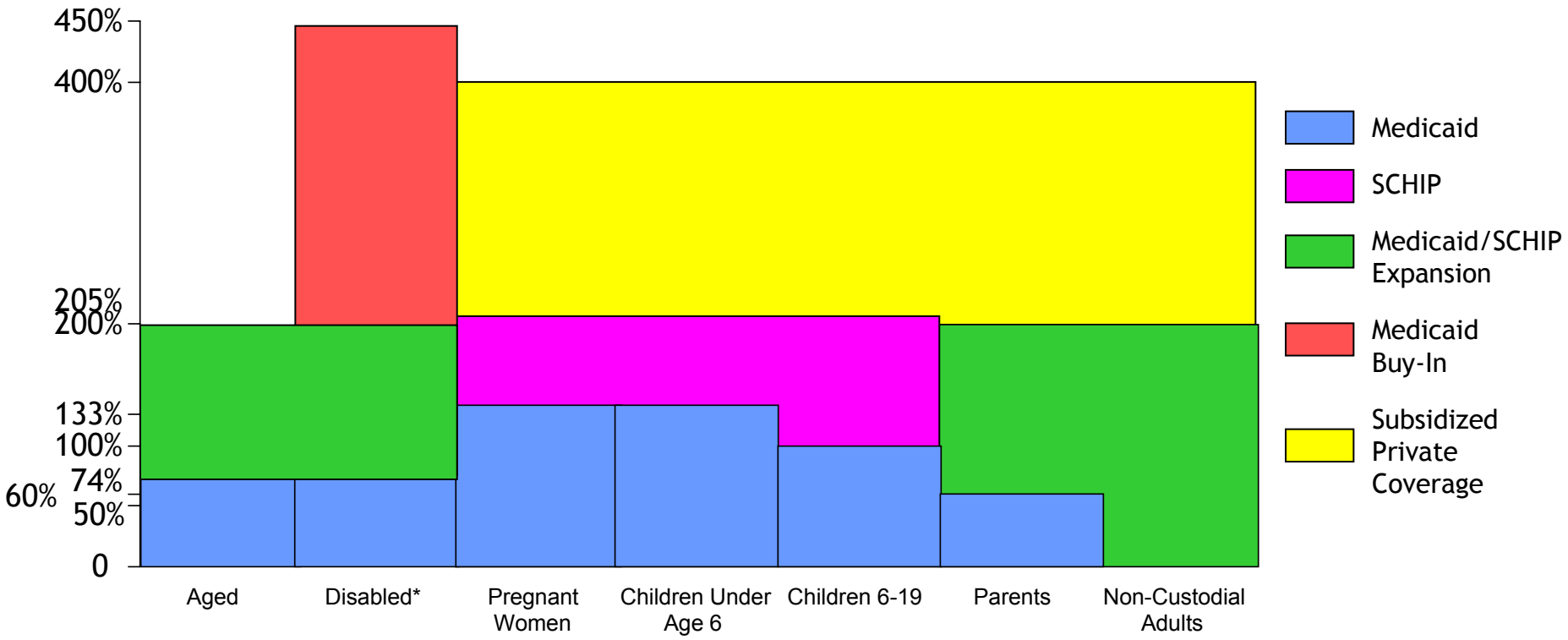
Draft Report

The Lewin Group
an INGENIX company

Current Eligibility for Colorado Medicaid and CHP+



Eligibility under Colorado Model 5



* Includes medically needy up to 50% FPL.

Private Coverage Benefits a/

Covered Benefits/Services	Copayments	Limits
All Outpatient Services		$8,500 Annual Maximum
Physician Services: ▪Primary Care (including adult preventive services & specialist monitoring a chronic condition) ▪Specialist Care	 $10 $20	
Urgent Care	$25	
Outpatient Hospital: ▪Surgical Services ▪Other Outpatient Services	 $50 $25	
Ambulance (emergency)	$50	
Laboratory & X-Ray	$0	
Family Planning Services	$0	
Mental Health Services	Sliding scale	
Therapies (consistent w/HMO benefit)	$10	
Inpatient Hospital Services	$100	$35,000 Annual Maximum
Emergency Services	$50	$1,000 Annual Maximum
Durable Medical Supplies/Equipment	$50	$2,000 Annual Maximum
Prescription Drugs *(Medicaid FFS carve-out, if broad-based PDL is implemented)*	Generic-$5 Brand-50% of cost, 25 min	$3,500 Annual Maximum

a/ Plans would be allowed to offer a $50,000 maximum annual limit for all services and enhanced benefits.

Transitions in Coverage Under The Proposal in 2007/2008 (in 1,000s)

Transitions in Coverage Under the Policy

Base Case Coverage		Private Coverage				Public Coverage			
		Employer*	Non-Group - Subsidy	Non-Group - Non-Subsidy	Cover Colorado	CHAMPUS	Medicare (incl. Dual Eligibles)	Medicaid/ CHP+	Uninsured
Employer	2,767.8	2,561.7	58.7	29.1	4.0	0.0	0.0	114.3	0.0
Non-Group	182.1	50.9	80.2	30.3	8.0	0.0	0.0	12.7	0.0
CHAMPUS	89.9	0.0	0.0	0.0	0.0	89.9	0.0	0.0	0.0
Medicare (incl. Dual Eligibles)	438.6	0.0	0.0	0.0	0.0	0.0	438.6	0.0	0.0
Medicaid/CHP+	349.7	0.0	0.0	0.0	0.0	0.0	0.0	349.7	0.0
Uninsured	791.8	68.1	143.0	61.0	6.9	0.0	0.0	406.2	106.6
Total	4,619.9	2,680.7	281.9	120.4	18.9	89.9	438.6	882.9	106.6

* Includes people who use their subsidy for ESI coverage.

Source: The Lewin Group estimates using the Health Benefits Simulation Model.

Preliminary Findings, Subject to Revision, Not for Citation

Changes in Statewide Health Spending under the Proposal in 2007/2008 (millions)

Current Statewide Health Spending for All Payers		**$30,100**
Change in Health Services Expenditures		**$782**
Change in utilization for newly insured **Change in utilization for currently insured**	$723 $59	
Reimbursement Effects		**($30)**
Net Payments for previously uncompensated care **Increase Medicaid Physician Payment Rates to 75% of Medicare** **Reduced payment levels for Privately Insured moving to Medicaid** **Increased Cost Shifting**	$109 $18 ($177) $20	
Change in Administrative Cost of Programs and Insurance		**$109**
Change in Insurer Administration **Administration of Subsidies** a/	$24 $85	
Total Change in Statewide Health Spending		**$861**

a/ Assumes premium subsidies will be administered at a cost of $171 per family for determining eligibility.
Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

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Enrollment and Costs under Medicaid Expansions in 2007/2008 (at modified payment rates)

	Eligible (1,000s)	Enrollment (1,000s)	Reduction in Uninsured (1,000s)	Total Costs (millions)	State Costs (millions) a/	Federal Costs (millions)
Increase Medicaid Physician Payment Rates to 75% of Medicare Levels						
Rate Increase	0.0	0.0	0.0	$17.4	$8.7	$8.7
Auto-enrollment for Uninsured Currently Eligible but not Enrolled						
Medicaid Children	22.1	22.1	22.1	$39.2	$19.6	$19.6
SCHIP Children	24.5	24.5	24.5	$43.5	$15.2	$28.3
Adults	9.0	9.0	9.0	$28.6	$14.3	$14.3
Total	55.6	55.6	55.6	$111.4	$49.2	$62.2
12 Month Certification and Eligibility Simplification						
12 Month Certification	11.9	11.9	11.9	$21.2	$10.6	$10.6
Expansion to 200% FPL for Parents and Childless Adults						
Parents	247.8	154.0	124.6	$475.9	$237.9	$237.9
Childless adults	364.5	218.4	164.3	$710.6	$355.3	$355.3
Total	612.3	372.4	288.9	$1,186.6	$593.3	$593.3

a/ Assumes Federal waiver to receive matching funds for childless adults.
Source: The Lewin Group estimates using the Health Benefits Simulation Model.

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Enrollment and Costs under Medicaid Expansions in 2007/2008 (at modified payment rates)

	Eligible (1,000s)	Enrollment (1,000s)	Reduction in Uninsured (1,000s)	Total Costs (millions)	State Costs (millions) a/	Federal Costs (millions)
SCHIP Expansion to 250% FPL						
Children	73.2	29.6	13.9	$52.6	$18.4	$34.2
Medicaid Look-Alike for Legal Non-Residents to 200% FPL						
Children	21.6	13.9	9.9	$24.6	$24.6	$0.0
Parents	18.8	12.3	8.9	$38.1	$38.1	$0.0
Childless adults	25.0	17.4	14.1	$56.5	$56.5	$0.0
Total	65.4	43.6	32.9	$119.2	$119.2	$0.0
Buy-in for Disabled						
Buy-in for Disabled	16.3	8.9	3.0	$36.8	$18.4	$18.4
Medically Needy Program to 50% FPL						
Families	2.6	2.6	0.0	$11.0	$5.5	$5.5
Childless adults	8.6	8.6	0.0	$94.6	$47.3	$47.3
Total	11.2	11.2	0.0	$105.6	$52.8	$52.8
Total						
Total	845.9	533.2	406.2	$1,650.4	$870.4	$780.0

a/ Assumes Federal waiver to receive matching funds for childless adults.
Source: The Lewin Group estimates using the Health Benefits Simulation Model.

Preliminary Findings, Subject to Revision, Not for Citation

Premium Subsidy Costs for Private Insurance for People Below 400% FPL in 2007/2008

	Number Who Use Subsidy (1,000s)	Subsidy Costs - Families (millions)	Subsidy Costs - Childless Adults (millions)	Subsidy Costs - Total (millions)	State Costs a/ (millions)	Federal Costs (millions)
Subsidy Schedule A (100%, 90%, 80%)						
Subsidies for ESI Premiums	841.4	$445.2	$399.5	$844.8	$422.4	$422.4
Subsidies for Non-Group Premiums	288.5	$253.0	$384.2	$637.2	$318.6	$318.6
Total	1,129.9	$698.1	$783.8	$1,482.0	$741.0	$741.0
Subsidy Schedule B (100%, 80%, 50%)						
Subsidies for ESI Premiums	615.9	$339.7	$304.8	$644.6	$322.3	$322.3
Subsidies for Non-Group Premiums	282.0	$219.7	$333.6	$553.4	$276.7	$276.7
Total	897.9	$559.3	$638.5	$1,197.8	$598.9	$598.9
Subsidy Schedule C (80%, 50%, 20%)						
Subsidies for ESI Premiums	321.7	$124.0	$111.3	$235.4	$117.7	$117.7
Subsidies for Non-Group Premiums	273.7	$148.4	$225.5	$374.0	$187.0	$187.0
Total	595.4	$272.4	$336.8	$609.2	$304.6	$304.6

a/ Assumes Federal waiver to receive matching funds for subsidies to families and childless adults.
Source: The Lewin Group estimates using the Health Benefits Simulation Model.

Preliminary Findings, Subject to Revision, Not for Citation

Distribution of Subsidies by Current Insuring Status Under the Proposal in 2007/2008 a/

	Number Receiving Subsidies (1,000s)	Total Amount of Subsidies (millions)	State Share b/ (millions)	Federal Share (millions)
Medicaid Expansion				
Currently Insured	127.0	$470.3	$245.1	$225.2
Currently Uninsured	406.2	$1,180.1	$625.3	$554.8
Total	533.2	$1,650.4	$870.4	$780.0
Premium Subsidies				
Currently Insured	728.9	$890.2	$445.1	$222.5
Currently Uninsured	168.9	$307.8	$153.9	$77.0
Total	897.8	$1,198.0	$599.0	$299.5
All Subsidies				
Currently Insured	855.9	$1,360.5	$690.2	$447.7
Currently Uninsured	575.1	$1,487.9	$779.2	$631.8
Total	1,431.0	$2,848.4	$1,469.4	$1,079.5

a/ Includes premium subsidies and public program costs under the Medicaid expansions.
b/ Assumes Federal Medicaid waiver to receive matching funds for childless adults.
Source: The Lewin Group estimates using the Health Benefits Simulation Model.

Preliminary Findings, Subject to Revision, Not for Citation

Catastrophic Pool for Subsidy Population that Exceed the $50,000 Benefit Limit

Estimated Spending for Services Over The $50,000 Limit.
Assumes All Subsidy Population Purchases the Limited Benefits Package

	Total Spending (in millions)	
Amount Over The $50,000 Benefit Limit		**$325.6**
Covered by Medically Needy Program	$105.5	
Covered by Catastrophic Pool	$20.0	
Paid Out of Pocket	$66.6	
Uncompensated Care	$133.5	

Source: The Lewin Group estimates using the Health Benefits Simulation Model.

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Individual Market Coverage for Coloradans Over 400% FPL

- Non-Group products will be guarantee issue at modified community rates for individuals not eligible for CoverColorado (estimate 120,400).
- Cover Colorado will be available for people who qualify based on an extended health conditions list (18,900 enrollment) at 100% of indexed premium rate based on age and geography.
- We estimate CoverColorado will operate at a deficit under the proposal:

CoverColorado Enrollment and Costs	Enrollees (1,000s)	Beg. Fund Balance + Interest (millions)	Premium Payments (millions)	Property Fund Revenue Grants (millions)	Total Revenue (millions)	Claims and Admin. Costs (millions)	Ending Balance (millions)
Current Program	7.0	$34.8	$28.7	$27.0	$90.5	$67.2	$23.3
Coverage and Costs Under the Proposal							
Current Enrollees	7.0	$34.8	$19.1 a/	$27.0	$80.9	$67.2	$13.7
New Enrollees	11.9	--	$32.5 a/	--	$32.5	$89.9	($57.4)
Total	18.9	$34.8	$51.6 a/	$27.0	$113.4	$157.1	($43.7)

a/ Premium payment will be assessed at 100% of indexed rate instead of 150% index rate.
Source: The Lewin Group estimates using the Health Benefits Simulation Model.

Preliminary Findings, Subject to Revision, Not for Citation

Change in State and Local Government Spending Under the Proposal in 2007/2008 (millions)

	Change in Spending with Waiver		Change in Spending without Waiver	
New Program Costs		**$1,610.4**		**$2,354.9**
Medicaid/CHP+ Expansion	**$870.4**		**$1,273.0**	
Premium Subsidies a/	**$598.9**		**$918.1**	
Administration of Subsidies	**$42.6**		**$65.3**	
Cover Colorado b/	**$78.5**		**$78.5**	
Catastrophic Pool	**$20.0**		**$20.0**	
Offsets to Existing Programs		**$228.5**		**$228.5**
Savings Current Safety Net Programs b/	**$212.8**		**$212.8**	
State & Local Government Employee Health Benefits Workers and Dependents $42.1 Wage Effects c/ ($42.1)	--		--	
Tax Revenue Gain Due to Wage Effects d/	**$15.7**		**$15.7**	
Net Cost/(Savings) to State and Local Government		**$1,381.9**		**$2,126.4**

a/ Premium subsidy amounts based on subsidy schedule B. Assumes state can receive federal match for families without a waiver.
b/ Assumes Cover Colorado will operate at a deficit and require state funding. Estimate of $78.5 million assumes no beginning fund balance from prior year as program operates in deficit.
c/ Includes care currently paid for by other safety net programs. Assumes waiver is approved to allow state to continue to receive Federal DSH funding to be used for the program.
d/ Assumes reduced employer costs are passed on to workers in the form of higher wage increases.
e/ Increase in tax revenue is counted as an offset to State and Local Government health spending.
Source: The Lewin Group estimates using the Health Benefits Simulation Model.

Change in Federal Government Spending Under The Proposal in 2007/2008 (millions)

		Change in Spending With Waiver	Change in Spending Without Waiver
Federal Program Costs			
Medicaid/CHP+ Expansion		**$780.0**	**$377.4**
Premium Subsidies [a/]		**$598.9**	**$279.7**
Administration of Premium Subsidies		**$42.6**	**$19.9**
Mandated Section 125 Plans		**$391.4**	**$391.4**
Total Federal Costs		**$1,812.9**	**$1,068.4**
Federal Program Revenues and Offsets			
Federal Employee Health Benefits		**$0**	**$0**
Workers and Dependent	$11.1		
Wage Effects [b/]	($11.1)		
Tax Revenue Due to Wage Effects [c/]		**$139.4**	**$139.4**
Total Federal Program Revenues and Offsets		**$139.4**	**$139.4**
Net Cost/(Savings) to Federal Government		**$1,673.5**	**$929.0**

a/ Premium subsidy amounts based on subsidy schedule B. Assumes state can receive federal match for families without a waiver.
b/ Assumes reduced employer costs are passed on to workers in the form of higher wage increases.
c/ Reduction in tax revenue is counted as an increase in Federal Government health spending.
Source: The Lewin Group estimates using the Health Benefits Simulation Model.

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Changes in Private Employer Health Benefits Costs Under The Proposal in 2007/2008 (millions)

	Currently Insuring Employers	Currently Non-Insuring Employers a/	All Employers
Private Employer Spending Under Current Law			
Current			
Workers & Dependents	$7,720	--	$7,720
Retirees	$350	--	$350
Total	**$8,070**	--	**$8,070**
Change in Private Employer Spending Under the Policy			
Employees Previously Decline Coverage	$55	--	$55
Employers Dropping Coverage	($515)	--	($515)
Increase Cost Shifting	$14		$14
Net Change (before wage effects)	**($446)**	**--**	**($446)**

a/ We estimate that 68,900 workers and dependents will be covered by firms not currently offering coverage that will decide offer coverage due to the individual mandate. However, we assume these employers will not contribute to the cost of the premium.
Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

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Impact of the Proposal on Family Health Spending in 2007/2008 (in millions)

		Change in Spending Before Wage Effects	Change in Spending After Wage Effects
Change in Premiums		($972.1)	($972.1)
Change in Family Premiums	$304.2		
Premium Subsidies	($1,197.8)		
Cover Colorado Subsidies	($78.5)		
Change in Out-of-Pocket Payments		($486.8)	($486.8)
Section 125 Plans		($391.4)	($391.4)
After Tax Wage Effects [a/]		--	($344.1)
Net Change		**($1,850.3)**	**($2,194.4)**

a/ The increase in after-tax wage income resulting from reduced costs to employers are counted here as a reduction in family health spending.
Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

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Change in Uninsured Under The Proposal in 2007/2008 (in 1,000s)

	Uninsured Under Current Law (1,000s)	Newly Covered Under Program (1,000s)	Number Remaining Uninsured (1,000s)
Family Income			
Under $10,000	90.1	79.7	10.4
$10,000-$19,999	108.9	95.3	13.6
$20,000-$29,999	127.0	111.1	15.9
$30,000-$39,999	118.3	105.6	12.7
$40,000-$49,999	79.3	66.7	12.6
$50,000-$74,999	122.9	105.7	17.3
$75,000-$99,999	66.5	55.2	11.3
$100,000-$149,999	48.5	41.0	7.4
$150,000 & over	30.4	25.0	5.4
Age			
Under 6	58.8	52.2	6.7
6-18	98.7	91.0	7.7
19-24	123.3	104.0	19.3
25-34	192.4	164.8	27.6
35-44	146.6	124.7	21.9
45-54	112.1	95.2	16.9
55-64	58.5	52.5	5.9
65 and over	1.4	0.8	0.5
Total	**791.8**	**685.2**	**106.6**

Source: The Lewin Group estimates using the Health Benefits Simulation model (HBSM)

Preliminary Findings, Subject to Revision, Not for Citation

Cost of Medicaid Expansion to 200% FPL Extended to Medicare Aged and Disabled in 2007/2008 a/

Cost Estimates Are Not Included in Results Presented Above

	Eligible (1,000s)	Enrollment (1,000s)	Reduction in Uninsured (1,000s)	Total Costs (millions)	State Costs (millions)	Federal Costs (millions)
Aged	92.9	41.8	0	$157.0	$78.5	$78.5
Disabled	9.3	4.2	0	$35.2	$17.6	$17.6
Total	102.2	46	0	$192.2	$96.1	$96.1

a/ Assumes program would provide wraparound coverage for Medicare acute care services and additional services not covered by Medicare. Excludes nursing home and waiver services.
Source: The Lewin Group estimates using the Health Benefits Simulation model (HBSM)

Preliminary Findings, Subject to Revision, Not for Citation

Transitions in Coverage with the Optional Continuous Coverage Portable Plan in 2007/2008 (in 1,000s)

Transitions in Coverage Under the Policy

Coverage Under the Proposal without the Optional Continuous Coverage Portable Plan		No Change in Coverage	Optional Continuous Coverage Portable Plan
Employer*	2,680.7	2,569.6	111.1
Non-Group - Subsidy	281.9	261.4	20.5
Non-Group - Non-Subsidy	120.4	98.9	21.5
Cover Colorado	18.9	13.3	5.6
CHAMPUS	89.9	89.9	0.0
Medicare (incl. Dual Eligibles)	438.6	438.6	0.0
Medicaid/CHP+	882.9	851.8	31.1
Uninsured	106.6	104.0	2.6
Total	4,619.9	4,427.5	192.4

* Includes people who use their subsidy for ESI coverage.

Source: The Lewin Group estimates using the Health Benefits Simulation Model.

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Optional Continuous Coverage Portable Plan Coverage and Costs in 2007/2008

	Assumes Employers Pay Into The Program [a/]		Assumes Employers Do Not Contribute [b/]	
	Premium = 8.1% Income Tax	Premium = Monthly Premium Payment	Premium = 8.1% Income Tax	Premium = Monthly Premium Payment
Enrollment (1,000s)	192.4	227.4	192.4	227.4
Program Costs (millions)				
Benefit Costs	$1,029.1	$1,078.6	$1,029.1	$1,078.6
Administration	$13.5	$15.9	$13.5	$15.9
Total Costs	**$1,042.6**	**$1,094.5**	**$1,042.6**	**$1,094.5**
Revenues and Offsets (millions)				
Premium	$311.5	$484.3	$311.5	$484.3
Employer Contribution	***$417.3***	***$825.7***	***$0.0***	***$0.0***
Medicaid/CHP+	$192.2	$11.0	$192.2	$11.0
Other Safety Net Programs	$4.7	$7.4	$4.7	$7.4
Total	**$925.7**	**$1,328.4**	**$508.4**	**$502.7**
Net Program Costs/(Savings) in millions				
Net Program Costs	**$116.9**	**($233.9)**	**$534.2**	**$591.8**
Savings to Premium Subsidies that would have been paid Under the Proposal (millions)				
State	$34.2	$13.0	$34.2	$13.0
Federal	$34.2	$13.0	$34.2	$13.0
Total	**$68.4**	**$26.0**	**$68.4**	**$26.0**

a/ Assumes employers pay into the program what they currently contribute to employee premiums.
b/ Assumes some employers drop coverage and do not contribute to the program.
Source: The Lewin Group estimates using the Health Benefits Simulation model (HBSM)

Average Cost per Person in Two Consecutive Years by Percentile Ranking of First Year Expenditures

Percentile of Year 1 Cost per Person	2006	2007
10 Percents	$0	$811
20 Percent	$64	$864
30 Percent	$226	$1,263
40 Percent	$411	$1,481
50 Percent	$649	$1,606
60 Percent	$988	$2,526
70 Percent	$1,523	$2,986
80 Percent	$2,471	$3,631
90 Percent	$4,579	$5,122
95 Percent	$8,752	$5,623
97.5 Percent	$9,084	$7,647
98.75 Percent	$24,235	$7,842
100 Percent	$67,488	$26,138
Average	$3,053	$2,993
Median	$649	$604

Source: The Lewin Group analysis of the Medial Expenditures Panel Survey (MEPS).

Example Administrative Savings Under Voluntary vs. Mandatory Single-Payer Savings

	Current Spending	Single-Payer Savings	
		Mandatory	Optional
Physician Administration (millions)			
Managed Care Administration	$60.1	$60.1	$0 - $5
Information Technology	$150.2	$75.0	$0 - $10
Hospital Administration (millions)			
Credit and Collections	$17.8	$16.0	$0 - $3
Social Work Services	$7.6	$3.8	$0 - $5
Admitting	$30.5	$12.2	$0 - $2

Example Savings Under a Mandatory vs. Voluntary Single-Payer Plan (millions)

	Single-Payer Savings	
	Mandatory	Voluntary
Bulk Purchasing		
Prescription Drugs	$296 million	$0
Durable Medical	$32 million	$0
Insurer Administration (millions)	$1.8 billion	$39 million
Insurer Administrative Savings per Enrollee	$403 per person	$212 per person

24-Hour Coverage

	Spending
Worker's Comp Health Benefits	$484 million
Administration	$230 million
Potential Administrative Savings with 24-hour Coverage	$100 - $150 million
Auto Coverage	Estimates in process

Items in Proposal Not Completed

Description	Recommendation
Financing Strategies Increase in tobacco & alcohol taxes Implement snack & soda pop tax Increase in state income tax Possible increased funds from insurer assessments to fund CoverColorado If additional funds needed, implement provider taxes.	#27
Administration through the Connector/Coverage Clearinghouse	#4 & 28
Coverage for Legal Non-citizen Residents < 5 years the U.S. in state-funded Medicaid look alike program	#9
Inclusion of Elderly and Disabled in expansion of Medicaid/CHP+ to 200 percent of PFL	#9
Benefits Add targeted case management benefit Eliminate Prior Authorization for OTC products up to $100	# 12 (TCM) #10 (Prior Auth)
Medicaid wrap-around for current CHP+ population	#10
Enroll parents, childless adults and children in current CHP+ delivery system including managed care and managed FFS network	#9
Implement chronic care management, care coordination and medical home	#10
Provide telemedicine in Medically Underserved Areas	#10
Program Administrative Simplification: Fast-track eligibility Presumptive eligibility	#11
Create a Medically Correctable Program	#9
Access and Quality	#17-27
24-hour Coverage	#15