

Better Health Care for Colorado: Cost and Coverage Impacts

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Better Health Care for Colorado-Specifications

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Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Specifications-Coverage

- Expands Medicaid and CHP+ to children up to 300 percent of FPL;
- Provides private insurance coverage to parents up to 250 percent FPL, through a Health Insurance Exchange;
- Provides private insurance coverage to childless adults up to 225 percent FPL, through an Exchange;
- Includes future expansion for all adults to 300 percent of FPL.
- Allows workers above 300 percent of FPL who are in small firms that do not offer coverage to purchase coverage through the Exchange at full cost.

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado

Specifications-Benefits and Cost-Sharing

- Children up to 300 percent of FPL would receive Medicaid or CHP+ Benefits. Cost-sharing provisions under current law would apply.
- A Core Basic Benefit is required for all plans participating in the exchange (Figure 1).
- Prescription drugs would be provided by through the Colorado Medicaid program, assuming the implementation of a preferred drug list and a specialty pharmacy program.
- Cost-sharing would be enforceable and individuals can be denied service for nonpayment. Cost sharing may be waived as an incentive for wellness/healthy behavior.
- The plan includes cost-share limits for low income people as follows:
 - ? Under 100 percent FPL, no copayments required
 - ? 100-200 percent FPL, 2 percent of income maximum copay; and
 - ? 201-300 percent FPL, 4 percent of income maximum copay.

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Specifications- Benefits and Cost-Sharing (Continued. . .) (Figure 1)

Covered Benefits/Services	Copayments	Limits
All Benefits		<ul style="list-style-type: none"> \$35,000 Annual Maximum
All Outpatient Services		<ul style="list-style-type: none"> \$5,000 Annual Maximum
<ul style="list-style-type: none"> ✓ Physician Services <ul style="list-style-type: none"> • Primary Care (including adult preventive services & specialist monitoring a chronic condition) • Specialist Care ✓ Urgent Care ✓ Outpatient Hospital <ul style="list-style-type: none"> • Surgical Services • Other Outpatient Services ✓ Ambulance (emergency) ✓ Laboratory & X-Ray ✓ Family Planning Services ✓ Mental Health Services ✓ Therapies (consistent w/HMO benefit) 	<ul style="list-style-type: none"> \$10 \$20 \$25 \$50 \$25 \$50 \$0 \$0 Sliding scale \$10 	
Other Services		
<ul style="list-style-type: none"> ✓ Inpatient Hospital Services ✓ Emergency Services ✓ Durable Medical Supplies/Equipment ✓ Prescription Drugs (Medicaid FFS carve-out, if broad-based PDL is implemented) 	<ul style="list-style-type: none"> \$100 \$50* \$50 Generic-\$5 Brand-50% of cost, \$25 minimum 	<ul style="list-style-type: none"> \$25,000 Annual Maximum \$1,000 Annual Maximum \$1,500 Annual Maximum \$2,500 Annual Maximum

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Specifications- Benefits and Cost-Sharing (continued. . .)

- Long Term Care Benefits would continue to be offered separately under the current health care system (e.g., Medicaid for low-income populations), subject to the following LTC reforms:
 - ? Eligibility
 - ? Reimbursement
 - ? Housing
 - ? Right-sizing Strategies
 - ? Promoting Home and Community Based Waivers
 - ? Quality Management
 - ? Leadership and Organizational Structure
 - ? Development of Strategies for Sustaining LTC Programs
- ❖ LTC Reform impact would be addressed separately at a later date.

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado

Specifications-Premiums and Subsidies

- Premiums would be set based on benchmark minimum benefits (Figure 1). The monthly premium for the benchmark plan cannot exceed \$150-\$250. Lewin estimates the monthly premium for the benchmark plan to be \$164.
- Individuals who do not pay premiums would be disenrolled after a 30-day grace period.
- Premium discounts would be offered through wellness and healthy behavior initiatives.
- Premium subsidies would be as follows:
 - ? Under 100 percent FPL - full subsidy;
 - ? 100-200 percent FPL - 98 percent premium subsidy;
 - ? 201-300 percent FPL- 96 percent premium subsidy;
 - ? Above 300 percent FPL - no subsidy.
- Low income individuals who enroll in a higher cost plan would be responsible for any additional premiums in excess of the subsidy, except for people eligible for CoverColorado.

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Specifications - Consumer Choice

- Children up to 300 percent of FPL would be enrolled in Medicaid or CHP+ .
- All others individuals would have the choice of health plans that provide at least the minimum core benefits, offered through an Exchange.
- People with chronic conditions who qualify for CoverColorado and would be eligible to receive a subsidy based on their income can apply the subsidy towards their CoverColorado premiums.
- There would be an initial 60-day enrollment period, and an annual enrollment period thereafter.
- There would be a one-year lock-in, with exceptions such as change in employment, income or marital status.

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Specifications - Provider Payment

- Rates for providers of Medicaid and CHP+ services would be set as under current law.
- Medicare rates as an upper limit would be used for Private plans in the Exchange.
- The following pay-for-performance incentives would be offered for future rate increases:
 - ? Hospitals: future increases for specific hospitals would be indexed against average increase amounts based on a score.
 - ? Medicaid Managed Care Organizations: rates would be set initially at the lowest rate range with performance incentives up to the mid-point of the range.
 - ? Physician P4P would be required for Medicaid MCOs and Primary Care Case Management vendors and all plans offered through the Exchange.
- ❖ These increases are not reflected in the current estimates.

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Specifications - Employers and Insurer Provisions

- Employers would be required to cooperate with the Exchange for work site enrollment, payroll withholding, and establishing Section 125 plans would be voluntary.
- Insurers would be certified to participate in the Exchange.
- Insurer's role in marketing, outreach, information sharing, and other enrollment functions would be reduced as these functions would be facilitated by the Exchange.

Preliminary Findings, Subject to Revision, Not for Citation

Better Health for Colorado Assumptions - Administrative Costs

- Program, Exchange and Plan administration are assumed to be as follows:

? Exchange Administration	4.5 percent
? <u>Health Plan Administration</u>	<u>14.5 percent</u>
? Total Administration	19.0 percent

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

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Specifications - Financing

- The program would be financed as follows:
 - ? Redirection of Colorado Indigent Care Program funding from providers to fund premium subsidies;
 - ? Savings from proposed Medicaid 1115 Demonstration waiver provisions;
 - ? Medicaid program savings from implementing disease management programs;
 - ? An increase in tobacco—from \$.84 up to \$2.00 per pack; and
 - ? An increase in alcohol taxes as follows
 - Spirits: from \$.60 to \$5.63 for a liter (or from \$2.28 to \$21.30 per gallon)
 - Wine: from \$.07 to \$.66 per liter (or from \$.32 to \$2.50 per gallon)
 - Beer: from \$.05 to \$.15 per 6-pack (or \$.08 to \$.26 per gallon)

Preliminary Findings, Subject to Revision, Not for Citation

Better Health Care for Colorado Cost and Coverage Impacts Estimates in 2007/2008-Table of Contents

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- ✓ Changes in Health Spending (millions)
- ✓ Enrollment and Costs (millions)
- ✓ Change in State and Local Government Spending (millions)
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- ✓ Change in Private Employer Benefits Costs (billions)
- ✓ Change in Private Employer Health Spending for Currently Insuring Firms
- ✓ Impact on Family Health Spending (millions)
- ✓ Change in Average Family Health Spending by Income Group
- ✓ Change in Average Family Health Spending by Age of Family Head
- ✓ Change in Uninsured (in 1,000s)

Preliminary Findings, Subject to Revision, Not for Citation

Transitions in Coverage under Better Health Care for Colorado in 2007/2008

Assumes Program is Fully Phased in with Expansions for Adults to 300% FPL

Transitions in Coverage Under the Policy

Base Case Coverage	Total	Exchange		Private Coverage		Public Coverage			Uninsured
		Limited Benefit	Comprehensive Benefit	Employer	Non-Group	CHAMPUS	Medicare (incl. dual eligibles)	Medicaid / CHP+	
Employer	2,767.8	20.0	9.0	2,724.0	0.0	0.0	0.0	14.9	0.0
Non-Group	182.1	13.0	2.5	0.0	158.2	0.0	0.0	8.3	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	245.6	36.3	0.0	0.0	0.0	0.0	42.8	467.2
Total	4,619.9	278.6	47.8	2,724.0	158.2	89.9	438.6	415.7	467.2

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

Preliminary Findings, Subject to Revision, Not for Citation

Changes in State Health Spending under Better Health for Colorado in 2007/2008 (millions)

Current State Health Spending		\$30,100
Change in Health Services Expenditures		\$374
Change in utilization for newly insured	\$366	
Change in utilization for currently insured	\$8	
Reimbursement Effects		\$65
Payments for previously uncompensated care	\$109	
Reduced Cost Shifting ^{a/}	(\$44)	
Medicaid Utilization Measures		(\$8)
Pharmacy Rebate for Adult Expansion Program ^{b/}	(\$8)	
Change in Administrative Cost of Programs and Insurance		\$164
Change in Insurer Administration	\$125	
Administration of Subsidies ^{d/}	\$39	
Total Change in State Health Spending		\$595

a/ Assumes 40 percent of change in provider payment rates are passed on to private health plans in the form of lower negotiated rates.

b/ Pharmacy program for adults in the Exchange will be administered through Medicaid in order to utilize the pharmacy rebates under Medicaid (about 20%).

c/ Assumes 1% savings on acute care spending for case management for high cost recipients.

d/ Assumes \$171 per family for determining income eligibility for subsidies.

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

Preliminary Findings, Subject to Revision, Not for Citation

Enrollment and Costs under Better Health Care for Colorado in 2007/2008

	Number Enrolled (1,000s)	Reduction in Uninsured (1,000s)	Subsidy Costs (millions) ^{a/}	State Costs (millions)	Federal Costs (millions)
Children					
Medicaid Eligible Children ^{b/}	4.5	3.2	\$7.8	\$3.9	\$3.9
Medicaid Limit - 300% FPL ^{c/}	61.5	39.6	\$107.8	\$37.7	\$70.0
Parents					
Under 250% FPL	137.2	123.7	\$322.3	\$161.2	\$161.2
250%-300% FPL	16.5	13.9	\$48.2	\$24.1	\$24.1
Childless Adults ^{d/}					
Under 225% FPL	141.5	116.6	\$347.5	\$173.7	\$173.7
225%-300% FPL	24.6	21.1	\$72.0	\$36.0	\$36.0
Cost Sharing Subsidies and Administration of Subsidies	n/a	n/a	\$74.0	\$37.0	\$37.0
Workers in small firms ^{e/}	6.6	6.6	\$0.0	\$0.0	\$0.0
Total Program					
Total Initial Expansion ^{f/}	351.2	289.7	\$859.4	\$413.5	\$445.8
Total All Under 300% FPL	392.3	324.6	\$905.6	\$473.6	\$505.9

a/ Includes premium subsidies for adults in the exchange and CHP+ expansion group costs.

b/ Assumes children eligible for Medicaid will be enrolled as parents become eligible and enroll.

c/ Assumes enhanced FMAP and additional SCHIP allotment funds become available.

d/ Assumes Medicaid 1115 demonstration waiver is approved and program savings is sufficient to cover expansion for childless adults.

e/ Workers above 300% FPL who are employed by small firms (under 50 employee) that have not offered coverage in the past year are eligible for the program, but are not eligible for a subsidy.

f/ Initial expansion group includes children to 300% FPL, parents to 250% FPL, childless adults to 225% FPL and workers in small non-insuring firms. Expansion for adults to 300% FPL will be added in the future.

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 Better Health Care for Colorado in 2007/2008 (millions)

Assumes Program is Fully Phased in with Expansions for Adults to 300% FPL

		Change in Spending Assuming 1115 Waiver is Approved ^{a/}	Change in Spending Assuming 1115 Waiver is <i>not</i> Approved	
New Program Costs			\$474	\$704
Medicaid Expansion for Children		\$42	\$42	
Premium Subsidies		\$432	\$662	
Offsets to Existing Programs			\$421	\$421
Savings to Current Safety Net Programs ^{b/}		\$82	\$82	
State & Local Government Employee Health Benefits		--	--	
Workers and Dependents	\$51			
Wage Effects ^{c/}	(\$51)			
Program Financing		\$336	\$336	
Tobacco Tax Increase	\$210			
Alcohol Tax Increase	\$126			
Tax Revenue Gain Due to Wage Effects ^{d/}		\$3	\$3	
Net Cost/(Savings) to State and Local Government			\$53	\$283

a/ Assumes Medicaid 1115 demonstration waiver is approved and program savings is sufficient to cover expansion for childless adults.

b/ 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.

c/ Assumes reduced employer costs are passed on to workers in the form of higher wage increases.

d/ Increase in tax revenue is counted as a reduction in State and Local Government health spending.

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

Preliminary Findings, Subject to Revision, Not for Citation

Change in Federal Government Spending Under Better Health Care for Colorado in 2007/2008 (millions)

Assumes Program is Fully Phased in with Expansions for Adults to 300% FPL

	Change in Spending Assuming 1115 Waiver is Approved ^{a/}	Change in Spending Assuming 1115 Waiver is Not Approved
Federal Program Costs		
Medicaid/CHP+ Programs	\$74	\$74
Federal Matching Funds for Premium Subsidies	\$432	\$202
Total Federal Program Costs	\$506	\$276
Federal Programs Revenues and Offsets		
Federal Employee Health Benefits	\$0	\$0
Workers and Dependent Wage Effects ^{b/}	\$6 (\$6)	
Tax Revenue Gain Due to Wage Effects ^{c/}	\$34	\$34
Total Federal Program Revenues and Offsets	\$34	\$34
Net Cost/(Savings) to Federal Government	\$472	\$242

a/ Assumes Medicaid 1115 demonstration waiver is approved and program savings is sufficient to cover expansion for childless adults

b/ Assumes reduced employer costs are passed on to workers in the form of higher wage increases.

c/ Increase in tax revenue is counted as a reduction in Federal Government health spending.

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

Preliminary Findings, Subject to Revision, Not for Citation

Changes in Private Employer Health Benefits Costs Under Better Health Care for Colorado in 2007/2008 (millions)

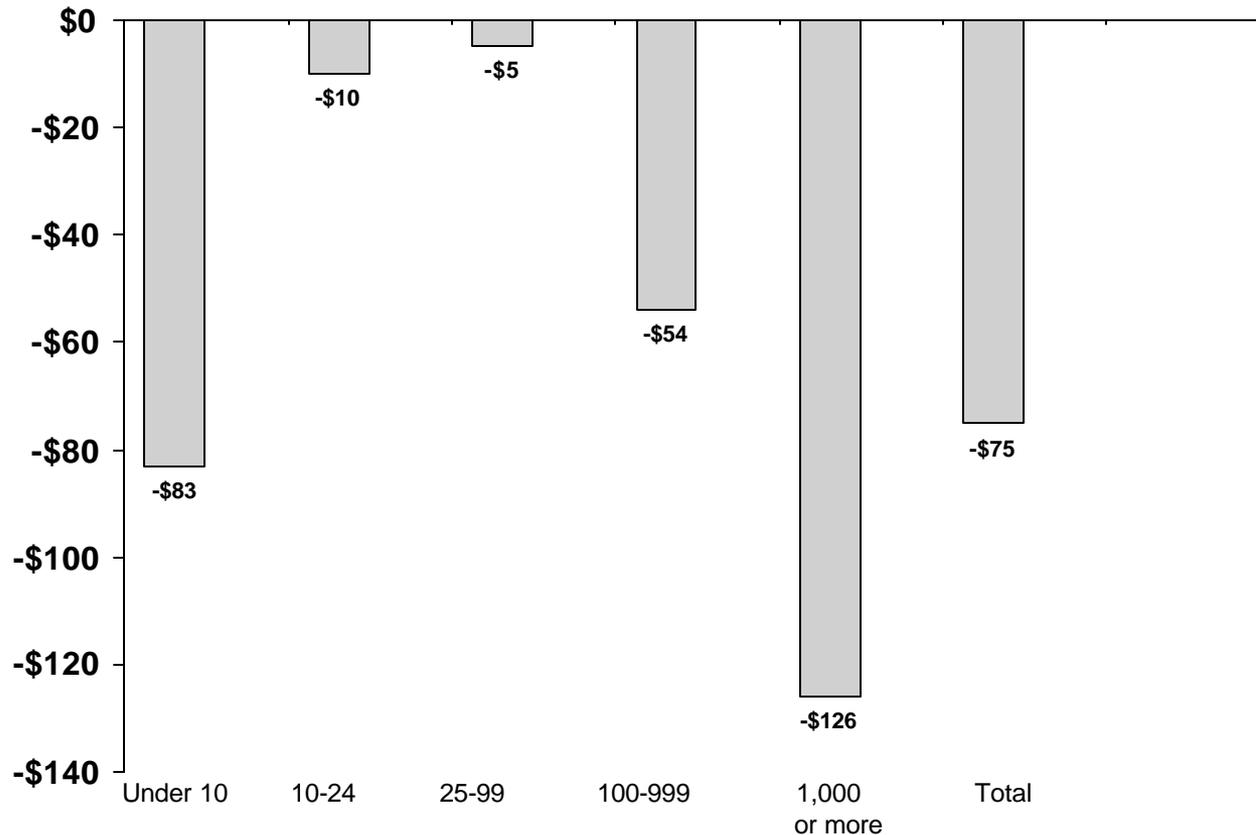
Assumes Program is Fully Phased in with Expansions for Adults to 300% FPL

	Currently Insuring Employers	Currently Non-Insuring Employers ^{a/}	All Employers
Private Employer Spending Under Current Law			
Current			
Workers & Dependents	\$6,498	--	\$6,498
Retirees	\$542	--	\$542
Total	\$7,040	--	\$7,040
Change in Private Employer Spending Under the Policy			
Employees and Dependents choosing Medicaid or Exchange	(\$86)	--	(\$86)
Cost Shift Savings	(\$21)	--	(\$21)
Net Change (before wage effects)	(\$107)	--	(\$107)

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

Preliminary Findings, Subject to Revision, Not for Citation

Change in Private Employer Health Spending Per Worker for Currently Insuring Firms Under Better Health Care for Colorado in 2007/2008



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

Preliminary Findings, Subject to Revision, Not for Citation

Impact of Better Health Care for Colorado on Family Health Spending in 2007/2008 (in millions)

Assumes Program is Fully Phased in with Expansions for Adults to 300% FPL

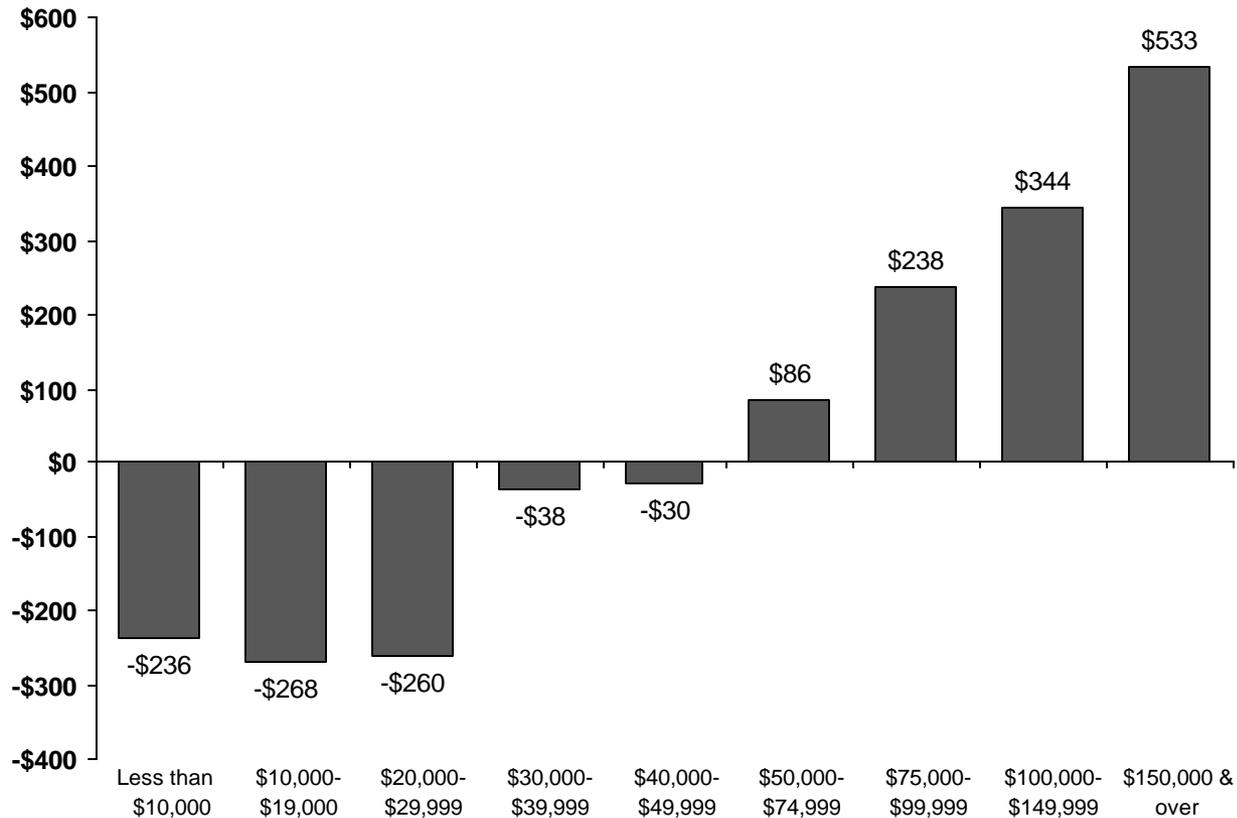
		Change in Spending
Change in Premiums		
Change in Family Premiums	\$786	(\$13)
Premium Subsidies	(\$799)	
Change in Out-of-pocket Payments		(\$126)
Program Financing		\$336
Tobacco Tax Increase	\$210	
Alcohol Tax Increase	\$126	
After Tax Wage Effects ^{a/}		(\$127)
Net Change		\$70

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).

Preliminary Findings, Subject to Revision, Not for Citation

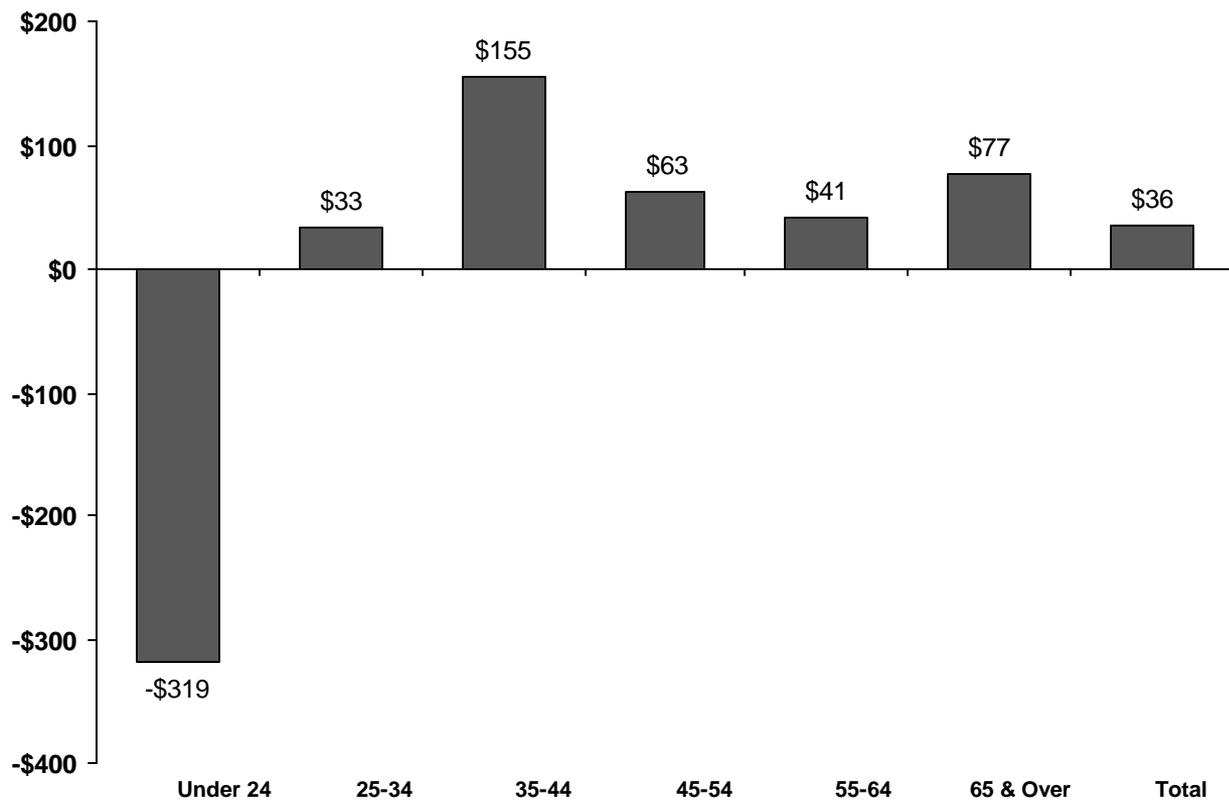
Change in Average Family Health Spending by Income Group Under Better Health Care for Colorado in 2007/2008



Source: the Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

Preliminary Findings, Subject to Revision, Not for Citation

Change in Average Family Health Spending by Age of Family Head Under Better Health Care for Colorado in 2007/2008



Age of Family Head

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

Preliminary Findings, Subject to Revision, Not for Citation

Change in Uninsured Under Better Health Care for Colorado in 2007/2008 (in 1,000s)

	Uninsured Under Current Law	Reduction in Uninsured	Number Remaining Uninsured under the Policy
Family Income			
Under \$10,000	90	36	54
\$10,000-\$19,999	109	60	49
\$20,000-\$29,999	127	68	59
\$30,000-\$39,999	118	49	69
\$40,000-\$49,999	79	37	43
\$50,000-\$74,999	123	42	81
\$75,000-\$99,999	66	16	50
\$100,000-\$149,999	48	7	41
\$150,000 & over	30	9	21
Age			
Under 6	59	17	42
6-18	99	26	73
19-24	123	44	79
25-34	192	92	100
35-44	147	73	74
45-54	112	47	65
55-64	58	25	33
65 and over	1	0	1
Total	792	325	467

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

Preliminary Findings, Subject to Revision, Not for Citation