

Healthy Solutions for Colorado: Cost and Coverage Impacts

July 17, 2007

Draft Report - Version #3

The LEWIN GROUP
an INGENIX.company

Healthy Solutions for Colorado Specifications

Table of Contents

- ✓ Coverage
- ✓ Benefits and Cost-Sharing
- ✓ Premiums and Subsidies
- ✓ Consumer Choice
- ✓ Disposition of State/Local Programs
- ✓ Insurance Market Reforms
- ✓ Employer Provisions
- ✓ Financing
- ✓ Reinsurance
- ✓ Enforcement Provisions
- ✓ Administration
- ✓ Medical Malpractice Reform

Healthy Solutions for Colorado Specifications-Coverage

- All Colorado residents, except those covered under Medicare, Tricare/CHAMPUS and Federal Employee Health Benefits, would be required to obtain coverage with a minimum benefit equal to the Core Limited Benefit Plan (Figure 1). Self-employed individuals would also be required to have coverage.
- Expands eligibility for children in Child Health Plus+ (CHP+) to 250 percent of the federal poverty level (FPL).
- Expands eligibility for parents in Medicaid to 100 percent of FPL.
- For the expansion program, the residency requirements under current law would remain the same. For all others, an individual would be determined a resident subject to the individual mandate if they are a resident for purposes of filing Colorado state income taxes or if they have been in Colorado for at least six-month.
- There is no employer mandate under Healthy Solutions for Colorado.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications- Benefits and Cost-Sharing

- Benefits schedule is provided in Figure 1.
- Eye exams and hearing tests would be covered under routine office visits. Dental services and eyeglasses would be excluded from the Basic Core Limited Benefit package.
- Individuals would be able to purchase coverage in a more comprehensive plan offered in the individual market, through their employer group plan or under CoverColorado (the state's high risk pool) if they qualify.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications-Benefits and Cost-Sharing (Continued. . .)

(Figure 1)

	In Network	Out of Network	
Routine Office Visit	\$15 Copay	\$15 Copay	Limited to 10 visits per year \$200 max per visit
Preventive Care	\$15 Copay	\$15 Copay	Limited to 1 visit per year plus all child and adult preventative
Individual Deductible	\$100	\$200	
Mental Health and Substance Abuse	80%	60%	\$1000 annual maximum
Emergency Benefit	\$100 copay	\$100 Copay	\$3000 annual maximum
Hospitalization Cost	80%	60%	\$3000 per day limit
Outpatient/Ambulatory Surgery	80%	60%	\$2000 annual maximum
Lab & X-Ray	80% Coinsurance	60% Coinsurance	\$2000 annual maximum
CT, MRI, Pet, Nuclear	80% Coinsurance	60% Coinsurance	\$2000 annual maximum
Prescription	\$10 Generic \$20 Preferred Brand 100%	50% Coinsurance	\$300 per month maximum
Durable Medical Equipment	80% coinsurance	60% coinsurance	\$1000 annual maximum
Annual Maximum	\$50,000 In and Out of Network		
Out of Pocket Maximum	\$3,000 annual maximum per individual		

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado

Specifications-Premiums and Subsidies

- The low income population who would receive a subsidy would have guaranteed issue for the Basic Core Limited Benefit package. Premiums would be set using a modified community rate—plans would be allowed to rate based on age and health status in the individual and small group markets.
- Premiums would also be allowed to vary based upon coverage and enrollment (same as under current law). The following premium categories would apply for group coverage;
 - ? Employee only, employee +spouse;
 - ? Employee + one child;
 - ? Employee + two children;
 - ? Employee + three or more children;
 - ? Employee + spouse +one child;
 - ? Employee + spouse +two children;
 - ? Employee + spouse + three or more children; and
 - ? Child only.
- Lewin estimated the PMPM under the Core Limited Benefit package to be \$178 PMPM

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications- Premiums and Subsidies (continued. . .)

- A premium subsidy, in the form of a voucher, would be provided to individuals up to 250% of FPL. The subsidy amounts would be as follows:
 - ? 90% of the premium for a core benefit plan to individuals between Medicaid eligibility and 150% of FPL;
 - ? 70% subsidy to those between 150% and 200% of FPL;
 - ? 50% for those between 200% and 250% of PFL; and
 - ? Above 250% FPL no subsidy
- Individuals would be allowed to use their subsidies to purchase insurance from their employer or towards purchase of a higher cost plan.
- Individuals who purchase coverage in a plan that is more comprehensive than the Core Limited Benefit plan would be responsible for the full premium difference between the core benefit plan and the enhanced plan they select.
- Premiums would be collected in the current fashion by payment directly to the entity or carrier providing the health plan.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications- Consumer Choice

- All licensed products providing at least the Basic Core Limited Benefit would be able to participate in the Connector by paying a fee to register with the Connector. Consumers would have a choice of plans through the Connector.
- The plan proposes an initial 6 to 12-month open enrollment window with surcharges for enrollment beyond this period and pre-existing condition limits.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications- Disposition of State/Local Programs

- The program increases eligible of children in CHP+ to 250% of FPL.
- Eligibility for parents under Medicaid is increased to 100% of FPL.
- There are no changes to CoverColorado or other government programs.
- The plan provides outreach through the Connector, which includes an internet based tool and brokers, to provide outreach to improve enrollment or individuals and families who are eligible but not enrolled in government-sponsored programs such as Medicaid and SCHIP.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications- Insurance Market Reforms

- All health insurance carriers doing business in Colorado would be required to offer a Limited Core Benefit Plan.
- Low income individuals who are eligible for a subsidy would have guaranteed issue for the Basic Limited Care Benefit plan.
- A standardized, modified community rating would be imposed for pricing—the plan would be allowed age and health status rating flexibility. The only exception would be that health status could not be utilized as a rating or underwriting factor on the guaranteed issue core benefits plan.
- Health status and claims could be utilized in a +10% to -25% range in the small group market.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications- Insurance Market Reforms (continued. . .)

- The plan proposes that any mandates that affects less than one percent of the insured population by contributes to more than one percent of the costs of coverage should be eliminated.
- The plan recommends creation a safe harbor for employers by adopting rating changes which would permit employers who implement such programs to receive premium savings.
- The plan proposes no changes to the large group market.
- The plan proposes to eliminate the following barriers:
 - ? Requiring the purchase of life insurance when purchasing health insurance;
 - ? Imposing a 35% penalty on individuals and businesses for coming back into the fully insured market;
 - ? Requiring high employee participation in group coverage; and
 - ? Excluding dedicated 1099 employees from group-sponsored health care coverage.
 - ? Insurers would continue to perform their current roles in the areas of plan administration, claim processing, network development, marketing and implementation of disease management, transparency and customer service tools.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications- Employer Provisions

- Pre-tax (Section 125 POP plan) would be encouraged but not mandated. Employer contributions would not be mandated though they would be allowed.
- Employers who currently have group medical plans would be required to accept premium subsidy vouchers in payment of part or all of a low wage worker's share of employer sponsored medical coverage.
- Employers would not be required to offer a selection of medical plans.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications-Financing

- Healthy Solutions for Colorado would be financed as follows:
 - ? Redirection of Colorado Indigent Care Program funding from providers to fund premium subsidies; and
 - ? A Nutrition Sales Tax on all consumable food items that have little or no nutritional value to finance the costs that are not covered by participant premiums, including a 5% sales tax on all nutritional fountain sodas and walk-up coffee locations.
- The plan presumes federal law would allow income tax deduction for the premiums paid by individuals.
 - ? Lewin assumes that Federal tax code would not be changed.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications-Reinsurance

- All insurers, except self-funded plans, would be required to pay a reinsurance premium into a reinsurance pool.
- The reinsurance would be as follows:
 - ? The pool would retain 100% of each claim up to a cap amount (e.g., \$50,000);
 - ? Between \$50,000-\$100,000 20% would be retained by the primary insurer and between \$100,000-\$200,000, 10% retained; and
 - ? The reinsurance would cover 100% of claims above \$100,000 but no more than \$500,000 or \$1 million.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications— Mandate Enforcement Provisions

- The plan proposes an income tax credit for those who have coverage and a penalty for those who do not.
- Colorado residents would be required to file proof of coverage with their individual tax return as well as with vehicle registration and application for drivers' license or state identification card. Individuals who do not have evidence of coverage at time of application would be referred to the Connector to obtain coverage and would have 30 days to obtain coverage.
- Individuals would be denied vehicle registrations, licenses and identification cards if they do not have proof of coverage.
- In addition tax filers with no proof of coverage would receive a State Income Tax penalty of \$500 per person up to \$1,500 per household

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Specifications— Administration

- The plan establishes an internet-based, public/private Colorado Health Insurance Connector to provide information to consumers about government programs as well as private insurance plans called the Health Care Coverage Matrix.
- The plan establishes a Connector through which insurance brokers would be available to provide personalized expert advice on insurance choices, including government sponsored programs.
- Members of the Colorado State Association of Health Underwriters who choose to participate in the program would receive training on government programs. The plan would provide increase outreach to individuals who are eligible but not enrolled in government sponsored programs.
- The plan proposes implementation of Health IT to reduce system inefficiencies.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Plan in 2007/2008 Administrative Spending Estimates

- 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

Healthy Solutions for Colorado Specifications— Medical Malpractice Reform

- The plan recommends comprehensive medical malpractice reform including:
 - ? Limiting non-economic damage awards;
 - ? Allocating damages in proportion to degree of fault;
 - ? Placing reasonable limits on punitive damages and attorney fees with a statute of limitations on claims; and
 - ? Implementing stricter disciplinary rules on physicians as a means to reduce costs associated with medical errors.
- ❖ Medical malpractice reform provisions are not reflected in current estimates.

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Cost and Coverage Impacts Estimates in 2007/2008-Table of Contents

- ✓Transitions in Coverage
- ✓Changes in State Health Spending (millions)
- ✓Enrollment and Costs (millions)
- ✓Change in State and Local Government Spending (millions)
- ✓Change in Federal Government Spending (millions)
- ✓Change in Private Employer Benefits Costs (billions)
- ✓Change in Private Employer Health Spending per Worker in Currently Ensuring 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)
- ✓Optional Specification-Provider Payment
- ✓Enrollment and Costs (with modified payment rates)
- ✓Change in State Health Spending (with modified payment rates)

Preliminary Findings, Subject to Revision, Not for Citation

Transitions in Coverage under Healthy Solutions for Colorado in 2007/2008 (in 1,000s)

Transitions in Coverage Under the Policy

Base Case Coverage	Total	Private Coverage		Public Coverage			Uninsured
		Employer	Non-Group	CHAMPUS	Medicare (incl. dual eligibles)	Medicaid / CHP+	
Employer	2,767.8	2,762.5	0.0	0.0	0.0	5.3	0.0
Non-Group	182.1	44.0	132.5	0.0	0.0	5.6	0.0
CHAMPUS	89.9	0.0	0.0	89.9	0.0	0.0	0.0
Medicare (incl. dual eligibles)	438.6	0.5	0.0	0.0	438.1	0.0	0.0
Medicaid / CHP+	349.7	0.0	0.0	0.0	0.0	349.6	0.0
Uninsured	791.8	129.0	479.9	0.0	0.0	106.4	76.4
Total	4,619.9	2,936.1	612.4	89.9	438.1	467.0	76.4

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 Healthy Solutions for Colorado in 2007/2008 (millions)

Current State Health Spending		\$30,100
Change in Health Services Expenditures		\$945
Change in utilization for newly insured	\$878	
Change in utilization for currently insured	\$67	
Reimbursement Effects		\$129
Payments for previously uncompensated care	\$215	
Reduced Cost Shifting ^{a/}	(\$86)	
Change in Administrative Cost of Programs and Insurance		\$153
Change in Insurer Administration	\$38	
Administration of Subsidies ^{b/}	\$115	
Total Change in State Health Spending		\$1,227

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/ 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 Healthy Solutions for Colorado in 2007/2008

	Number Enrolled (1,000s)	Total Costs (millions)	State Costs (millions)	Federal Costs (millions)
Medicaid Program				
Children's Expansion to 250% FPL	30.0	\$52.6	\$18.4	\$34.2
Parent's Expansion to 100% FPL	24.4	\$63.9	\$31.9	\$31.9
Enrollment due to mandate				
Medicaid Children	25.1	\$44.0	\$15.4	\$28.6
CHP+ Children	27.7	\$48.5	\$24.3	\$24.3
Medicaid Adults	10.0	\$26.2	\$13.1	\$13.1
Total Medicaid	117.2	\$235.1	\$103.1	\$132.0
Premium Subsidy Program				
Non-Group Premium Subsidies	338.9	\$524.7	\$524.7	\$0.0
Employee Premium Subsidies	609.9	\$399.3	\$399.3	\$0.0
Premium Subsidy Administration	n/a	\$115.0	\$115.0	\$0.0
Total Premium Subsidies	948.5	\$1,039.0	\$1,039.0	\$0.0
Total Program				
Total	1,065.7	\$1,274.1	\$1,142.1	\$132.0

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 Healthy Solutions for Colorado in 2007/2008 (millions)

		Change in Spending
New Program Costs		\$1,142
Medicaid Expansion and Individual Mandate	\$103	
Premium Subsidies	\$1,039	
Offsets to Existing Programs		\$255
Savings to CICP and Other Safety Net Programs ^{a/}	\$199	
Tax Penalty for remaining uninsured	\$19	
State & Local Government Employee Health Benefits		
Workers and Dependents	\$21	
Wage Effects ^{b/}	(\$21)	--
Nutrition Sales Tax	\$41	
Tax Revenue Due to Wage Effects ^{c/}	(\$4)	
Net Cost/(Savings) to State and Local Government		\$887

a/ 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.

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 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 Healthy Solutions for Colorado in 2007/2008 (millions)

	Change in Spending
Federal Program Costs	
Medicaid/CHP+ Programs	\$132
Federal Programs Revenues and Offsets	
Federal Employee Health Benefits	\$0
Workers and Dependent	\$2
Wage Effects ^{a/}	(\$2)
Tax Revenue Due to Wage Effects ^{b/}	(\$13)
Total Federal Program Revenues and Offsets	(\$13)
Net Cost/(Savings) to Federal Government	\$145

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

b/ 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.

Preliminary Findings, Subject to Revision, Not for Citation

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

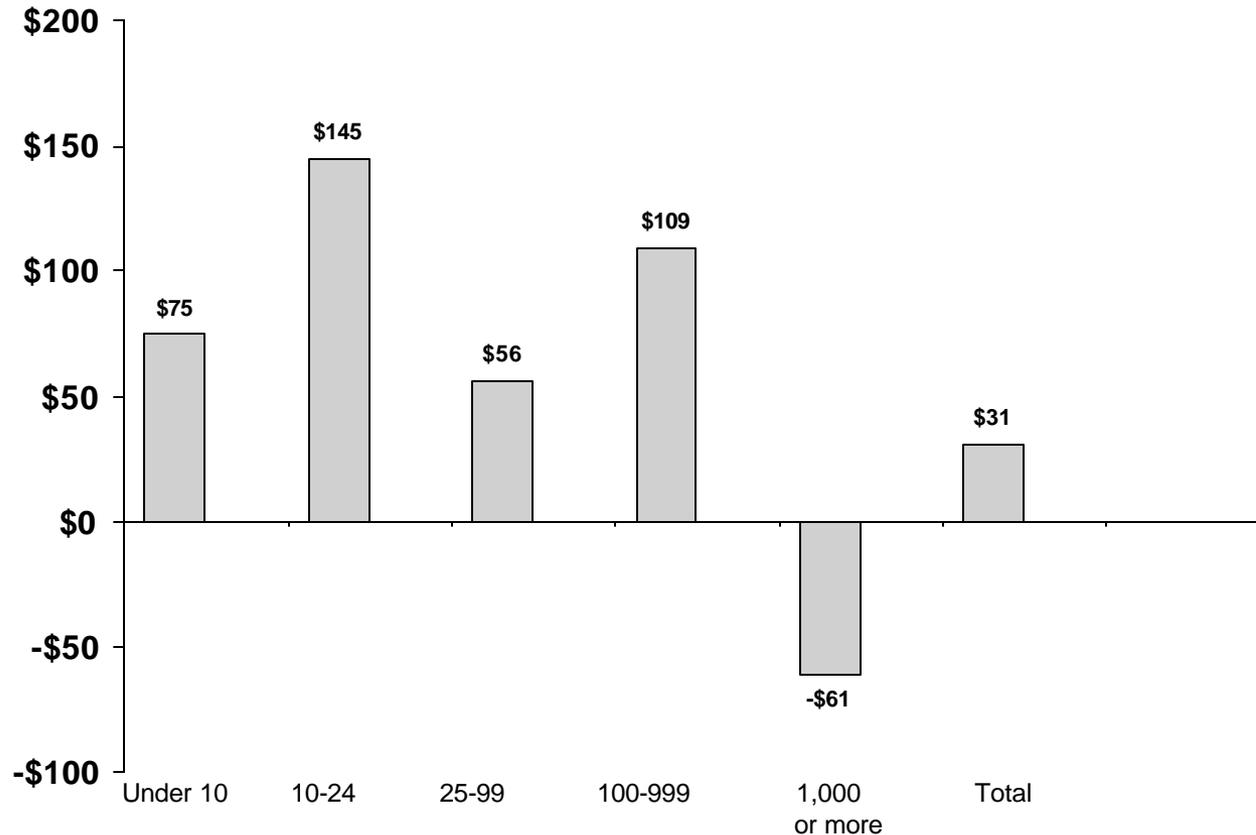
	Currently Insuring Employers	Currently Non-Insuring Employers ^{a/}	All Employers
Private Employer Spending Under Current Law			
Current			
Workers & Dependents	\$6,498	--	\$6,498
Retirees	\$542	--	\$542
Total	\$7,040	--	\$7,040
Change in Private Employer Spending Under the Policy			
Employees Previously Decline Coverage	\$83	--	\$83
Cost Shift Savings	(\$39)	--	(\$39)
Net Change (before wage effects)	\$44	--	\$44

a/ We estimate that 89,000 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).

Preliminary Findings, Subject to Revision, Not for Citation

Change in Private Employer Health Spending Per Worker for Currently Insuring Firms Under Healthy Solutions 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 Healthy Solutions for Colorado on Family Health Spending in 2007/2008 (in millions)

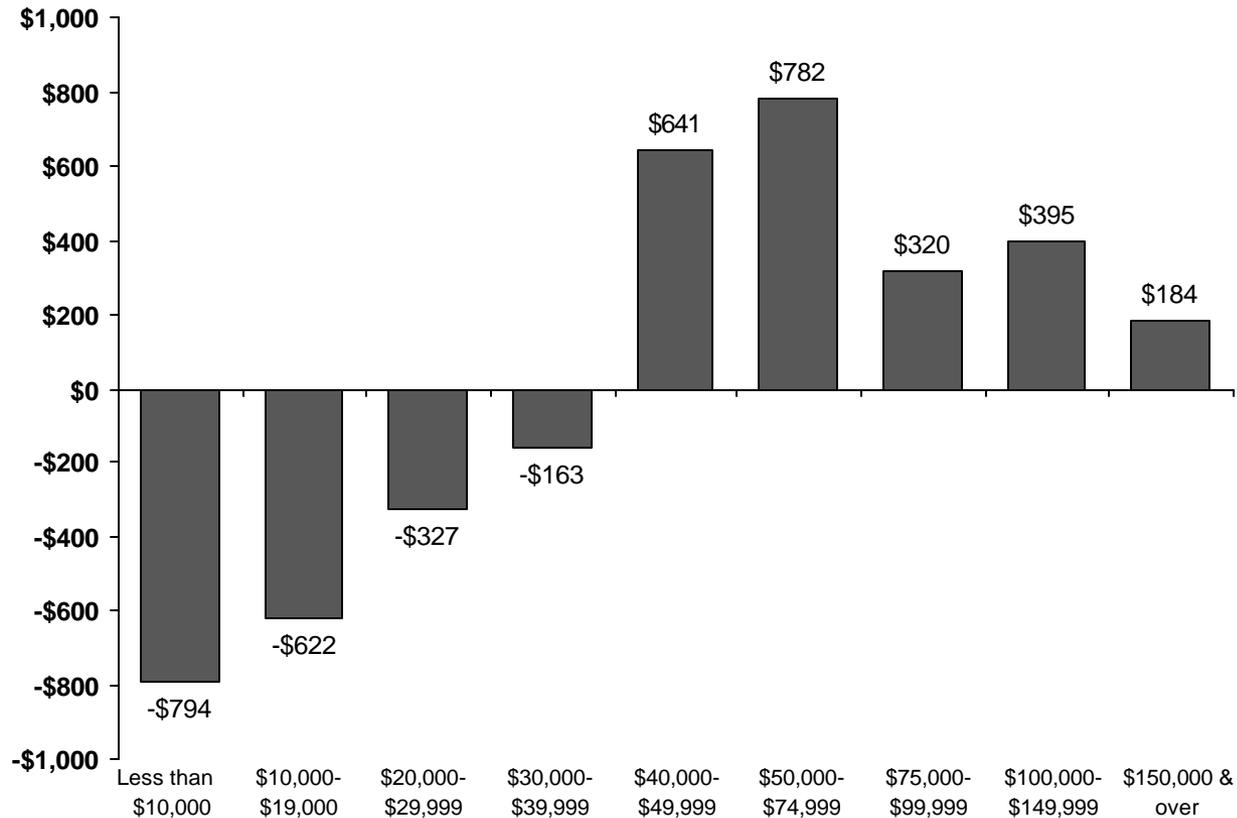
		Change in Spending
Change in Premiums		\$116
Change in Family Premiums	\$1,040	
Premium Subsidies	(\$924)	
Change in Out-of-pocket Payments		\$15
Tax Penalty for Remaining Uninsured		\$19
Nutrition Sales Tax		\$41
After Tax Wage Effects ^{a/}		\$4
Net Change		\$195

a/ The reduction in after-tax wage income resulting from increased costs to employers are counted here as an increase in family health spending.

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

Preliminary Findings, Subject to Revision, Not for Citation

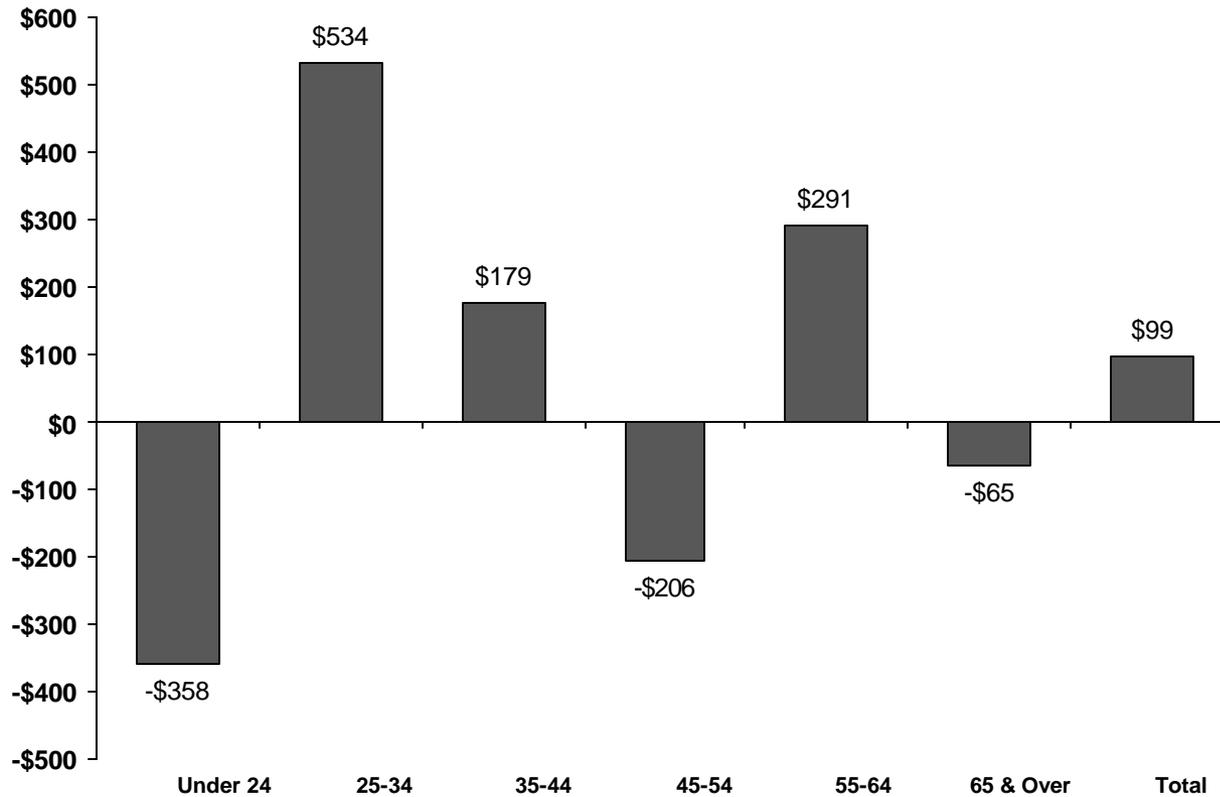
Change in Average Family Health Spending by Income Group Under Healthy Solutions for Colorado in 2007/2008



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 Healthy Solutions 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 Healthy Solutions 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	67	23
\$10,000-\$19,999	109	98	11
\$20,000-\$29,999	127	115	12
\$30,000-\$39,999	118	108	11
\$40,000-\$49,999	79	73	6
\$50,000-\$74,999	123	116	6
\$75,000-\$99,999	66	62	5
\$100,000-\$149,999	48	46	2
\$150,000 & over	30	30	1
Age			
Under 6	59	56	3
6-18	99	90	9
19-24	123	102	21
25-34	192	177	15
35-44	147	136	10
45-54	112	104	8
55-64	58	50	9
65 and over	1	1	1
Total	792	716	76

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

Preliminary Findings, Subject to Revision, Not for Citation

Healthy Solutions for Colorado Optional Specification - Provider Payment

- Medicaid reimbursement levels would be increased to the Medicare payment levels.
- Payment rates for the private sector would be 120%-150% of Medicare. Future increases would take into account account quality ratings ranging from Average to Superior Quality as follows:
 - ? Level one—125% of Medicare (entry level)
 - ? Level two-130% of Medicare (average quality measures)
 - ? Level three-140% of Medicare (above average quality measures)
 - ? Level four-150% of Medicare (superior quality measures)
 - ❖ These quality incentive payments are not reflected in the current estimates.
- For out-of-network services, plans must pay providers at 120% of Medicare rate.
- No provider can charge the patient above the difference between the provider’s reasonable and customary charge and the provider’s Medicare payment level.

Assumed Provider Payment Rate Adjustments

	Medicaid to Medicare	Private to 130% Medicare
Hospital	+15%	-26%
Physician	+35%	+5%

Preliminary Findings, Subject to Revision, Not for Citation

Enrollment and Costs under Healthy Solutions for Colorado in 2007/2008 (modified payment rates)

	Number Enrolled (1,000s)	Total Costs (millions)	State Costs (millions)	Federal Costs (millions)
Medicaid Program				
Increased Medicaid Payment Rates	n/a	\$249.0	\$124.5	\$124.5
Children Expansion to 250% FPL	30.0	\$58.9	\$20.6	\$38.3
Parents Expansion to 100% FPL	24.4	\$88.4	\$44.2	\$44.2
Enrollment due to mandate				
Medicaid Children	25.1	\$49.3	\$17.3	\$32.0
CHP+ Children	27.7	\$54.4	\$27.2	\$27.2
Medicaid Adults	10.0	\$36.2	\$18.1	\$18.1
Total Medicaid	117.2	\$536.3	\$251.9	\$284.4
Premium Subsidy Program				
Non-Group Premium Subsidies	338.9	\$483.0	\$483.0	\$0.0
Employee Premium Subsidies	609.6	\$361.3	\$361.3	\$0.0
Total Premium Subsidies	948.5	\$844.4	\$844.4	\$0.0
Total Program				
Total	1,065.7	\$1,380.6	\$1,096.3	\$284.4

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 Healthy Solutions for Colorado in 2007/2008 with Modified Payment Rates (millions)

Current State Health Spending		\$30,395
Change in Health Services Expenditures		\$945
Change in utilization for newly insured	\$878	
Change in utilization for currently insured	\$67	
Reimbursement Effects		(\$280)
Payments for previously uncompensated care	\$215	
Increase Medicaid Payment Rates to Medicare Levels	\$298	
Reduce Private Payment Rates to 120%-150% Medicare	(\$979)	
Reduced Cost Shifting ^{a/}	\$186	
Change in Administrative Cost of Programs and Insurance		\$153
Change in Insurer Administration	\$38	
Administration of Subsidies ^{b/}	\$115	
Total Change in State Health Spending		\$818

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/ 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