



Blue Ribbon Commission for Health Care Reform

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Blue Ribbon Commission for Health Care Reform Reviews Cost/Coverage Impacts of Four Health Reform Proposals

Denver, Colo., Aug. 23, 2007 – Today, the Blue Ribbon Commission for Health Care Reform was briefed on the results of the cost and coverage analysis performed on four health reform proposals.

In May, the Commission identified four proposals – out of 31 submitted – to undergo detailed “modeling” analysis in order to understand their potential impacts on health spending and coverage in Colorado. Today’s presentation reviewed the results of that analysis.

“This analysis is important, but should be kept in perspective,” said William N. Lindsay III, chair of the Commission. He noted the following considerations:

- This analysis is just one of the Commission's deliverables in a process which will inform the Commission’s final report and recommendations to the General Assembly. The Commission is developing a fifth proposal which will undergo the same kind of detailed evaluation. The Commission is also soliciting public input through statewide community meetings and stakeholder task forces; that input will also inform the Commission’s report.
- While it's crucial to get a general sense of how much each proposal is likely to cost, it is not possible to understand detailed cost impacts upon specific groups (e.g., families, state government, employers) without knowing exactly how each proposal will be financed. Those decisions will be made by the legislature.
- Some important impacts of each proposal – such as potential impacts on quality of care from better integrated health systems – simply aren't modelable. The numbers in this report cannot reflect that kind of richness.

Overviews of the results for each proposal may be found on the following pages.

About the Commission

Colorado has approximately 792,000 uninsured residents with nearly 180,000 of them children. Public opinion polls show concern about health care as the top issue for Americans. Coloradans, like most Americans, are anxious for solutions to the rising cost of health care and the growing number of people who cannot afford health insurance or who do not have adequate coverage.

The Blue Ribbon Commission for Health Care Reform was created by the Colorado Legislature in 2006. The Commission is charged with making recommendations for comprehensive health care reform with the goal of increasing health care coverage and decreasing costs for Colorado residents, with particular emphasis on the issues of the uninsured, underinsured, and those at risk of financial hardship due to the costs of medical care. The Commission is required to make final recommendations for comprehensive health care reform to the General Assembly by January 31, 2008.

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Overview of plans and estimated impacts

For the complete analysis, please go to www.colorado.gov/208commission or call
1-888-776-2332

All estimates generated by The Lewin Group

Better Health Care for Colorado

Key elements of proposal

- No mandates 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 (approx. \$60,000 annual income for family of 4)
 - 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

Broad cost and coverage impacts – From The Lewin Group Analysis

- Estimated to cost \$595 million (on top of current combined public/private health spending of \$30.1 billion)
 - Estimated state and federal spending of \$980 million.
 - Assumes current state spending of \$85 million
 - Assumes federal contribution of \$506 million
 - Requires new state revenues of \$389 million
 - Spending increases from additional utilization of health care services, subsidies to low-income populations, payments for previously uncompensated care, administrative costs
 - Savings from reduced cost shifting and pharmacy rebates
- Estimated that 41% of currently uninsured will be covered
 - Currently uninsured in Colorado = 792,000
 - Number estimated to remain uninsured under this plan = 467,000
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Solutions for a Healthy Colorado

Key elements of proposal

- Individual mandate – all Coloradans must 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
 - Modified community rating
- Subsidies for those up to 250% FPL
- Expands CHP+
 - Covers children up to 250% FPL
- Expands Medicaid
 - Covers parents up to 100% FPL (approx. \$20,000 annual income for family of 4)
- 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 provider reimbursement
- Reforms medical malpractice laws, including limits on non-economic damages
- Establishes transparency standards to control and maintain costs

Broad cost and coverage impacts – From The Lewin Group Analysis

- Estimated to cost \$271 million (on top of current combined public/private health spending of \$30.1 billion)
 - Estimated state and federal spending of \$1.366 billion.
 - Assumes current state spending of \$233 million.
 - Assumes federal contribution of \$280 million.
 - Requires new state revenue of \$853 million.
 - Spending increases from additional utilization of health care services, subsidies to low-income, payments for previously uncompensated care, increased Medicaid payment rates, administrative costs
 - Savings from reduced cost shifting, reduced private payment rates, lower medical malpractice costs
- Estimated that 83% of currently uninsured will be covered
 - Currently uninsured in Colorado = 792,000
 - Number estimated to remain uninsured under this plan = 138,000

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A Plan for Covering Coloradans

Key elements of proposal

- Individual mandate – all Coloradans must have insurance or pay assessment through income tax filing if they do not
- Employer mandate – either contribute to employee coverage or pay assessment
- Create pool of all purchasers except self-funded employers, Medicaid/CHP+ and Medicare
 - 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+

Broad cost and coverage impacts – From The Lewin Group Analysis

- Estimated to cost \$1.3 billion (on top of current combined public/private health spending of \$30.1 billion).
 - Estimated \$3.1 billion total state and federal spending.
 - Assumes current state spending of \$245 million.
 - Assumes federal contribution of \$887 million.
 - Requires new state revenues of \$2 billion.
 - Spending increases from additional utilization of health care services, subsidies to low-income, payments for previously uncompensated care, increased Medicaid payment rates, administrative costs
 - Savings from reduced cost shifting, increased case management
- Estimated that 87% of currently uninsured will be covered
 - Currently uninsured in Colorado = 792,000
 - Number estimated to remain uninsured under this plan = 109,000

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Colorado Health Services Program (single payer)

Key elements of proposal

- 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

Broad cost and coverage impacts – From The Lewin Group Analysis

- Estimated to save \$1.4 billion (from current combined public/private health spending of \$30.1 billion)
 - Estimated \$26.5 billion federal and state spending
 - Assumes current state spending of \$3.1 billion (eliminates Medicaid and other state programs)
 - Assumes federal contribution of \$8.4 billion (eliminates Medicare and other federal programs)
 - Requires new revenues of \$15 billion (eliminates employer-sponsored coverage, individual coverage and all other private insurance products)
 - Individuals and employers pay taxes instead of premiums.
 - Spending increases from additional utilization of health care services, payments for previously uncompensated care
 - Savings from reduced cost shifting, bulk purchasing of prescription drugs and durable medical equipment, substantially reduced administrative costs
- Estimated that all currently uninsured will be covered

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