

A Plan for Covering Coloradans: Cost and Coverage Impacts

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The LEWIN GROUP
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A Plan for Covering Coloradans Specifications

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Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering Coloradans

Specifications-Coverage

- Medicaid and CHP+ Expansions
 - ? Expands eligibility for children and parents to 300% FPL and other groups to varying percentages of FPL, automatically enrolls people presumed eligible based on information from other public programs.
- Employer Mandate
 - ? Employers would be required to offer an adequate level of coverage or pay an assessment.
- Individual Mandate
 - ? All Coloradans would be required to maintain a minimum level of health insurance coverage for themselves and their dependents or face a penalty.
- Insurance Market Reform
 - ? Creates a purchasing pool that combines individual, large group and small group markets (except self-funded plans). Requires guaranteed issue and implements a pure community rating within the purchasing pool.

A Plan for Covering Coloradans - Medicaid Expansion

- Combines Medicaid and Child Health Plan Plus.
- Expands eligibility for children and their parents to 300% of the federal poverty level (FPL), phased in over two years.
- Offers Medicaid coverage to non-disabled adults without children up to 100% FPL using state-only dollars.
- Expands eligibility to the elderly and disabled. The plan raises the eligibility limit for Coloradans who receive Supplemental Security Income to 100% FPL.
- Establishes a Medicaid sliding fee “buy-in” for working people with disabilities up to 300% FPL through the federal Ticket to Work and Work Incentives Improvement Act of 1999.
- Adds a medically needy program under Medicaid which will allow children up to age 21, parents, disabled and elderly persons whose incomes are above Medicaid eligibility standards to obtain Medicaid coverage if high medical expenses drop their income to less than 50% of the FPL.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering Coloradans - Medicaid Expansion (continued. . .)

- Seeks federal matching funds to pay COBRA premiums for people in-between jobs with minimal assets whose income is below 100% of FPL (referred hereafter as the “COBRA premium assistance group”).
- Expands coverage to all severely disabled children who qualify under Colorado’s Children’s Home and Community Based Services and Children with Extensive Support waivers.
- Individuals and families who appear to be presumptively eligible in government programs would be presumptively enrolled. Coverage for the elderly population eligible for Medicaid long term care services would remain unchanged.
- All other individuals, families and employers (including self-employed) would be able to buy coverage through a private sector purchasing pool which combines the current individual, small group and large group markets.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering Coloradans

Specifications-Premiums and Subsidies

- Premiums would be charged to obtain coverage through the private plans pool.
 - Premium rates for all covered units (individuals, individuals with spouses, individuals with children and families) in the pool living in the same geographic area would be the same for a specific insurer's plan (i.e., pure community rating).
 - Employers would be required to allow workers to pay their share of premiums through a payroll deduction and would be required to establish a section 125 plan for workers.
 - Premium subsidies would be available to people with incomes up to 400 percent of FPL from a shorter list of plans that participate in premium assistance. The premium assistance would be as follows:
 - ? Full subsidies for individuals and families at or below 200% of FPL;
 - ? Sliding scale up between 201-400% of FPL as follows:
 - 201-250 percent FPL - 90 percent subsidy
 - 251-300 percent FPL - 80 percent subsidy
 - 301-350 percent FPL - 60 percent subsidy
 - 351-400 percent FPL - 25 percent subsidy
 - ? No subsidy for any individuals or families above 400% of FPL.
- Subsidy Example: for people between 201-250% FPL, once the employer makes their contribution, the individual/family would be expected to pay up to 10% of the benchmark premium plus any amount in excess of the benchmark that the plan they select costs. The government would pay the remainder. (We did not model employer response to subsidy i.e., if they would reduce their contribution amount based on the subsidy).
- Subsidies can be used for individual non-group coverage or to pay the employee's share of employer-sponsored coverage.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering Coloradans Specifications- Premiums and Subsidies (continued. . .)

- For modeling purposes, we assume the benchmark premium would be set as the average for all plans in the premium assistance pool.
- The net cost of premiums to low income individuals and families would be the difference between the cost of the benchmark plan and the value of the premium subsidy. Those who choose more expensive plans would have to pay the additional cost.
- Workers in self-insured firms who offer a benefits package that meet the minimum benefits package established by the authority would be eligible for subsidies.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering Coloradans

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.
- Individuals not eligible for the expanded Medicaid/CHP+ program would be able to purchase from a variety of standard plans in the purchasing pool. This would include two plans to be available under a premium assistance program and 6-10 plans that would vary based on cost-sharing arrangements and deductibles for people who are not eligible for premium assistance.
- For modeling purposes, plan benefits for people who would not be receiving premium assistance were based on two Colorado Federal Employee Health Benefits Program (FEHBP) plans. Plan choices were as follows:
 - ? One plan based on a Colorado FEHBP benefit package with standard PPO cost-sharing arrangements (Plan A); and
 - ? A less expensive high deductible, higher-cost-sharing health plan (Plan B). For modeling purposes, this least expensive plan would be the plan into which individuals not eligible for premium assistance would be auto-enrolled at time of tax filing.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering Coloradans - Consumer Choice

- Consumers in the private pool would be able to choose among a number of plans based on a limited set of standardized, comprehensive benefits packages and the characteristics of type of plan (e.g., HMO, PPO, etc.), price, and customer service rating.
- Consumers enrolled in the premium assistance programs would be able to select among just two of these plans, one an HMO, the other a PPO, both with low cost-sharing.
- People who are eligible for government sponsored programs (combined Medicaid/SCHIP) would be enrolled in a managed care plan—automatic or passive enrollment would kick in if they do not select a plan.
- Individuals who are not eligible for the Medicaid/CHP+ program who do not select a plan would be assessed a fee by the Department of Revenue equal to the cost of the annual premium in the lowest cost plan and provided enrollment information.
- Individuals would not be disenrolled for non-payment of premiums but would face penalties.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering all Coloradans

Specifications - Financing

- Employers would be required to offer coverage or pay an assessment which can be waived for employers who provide adequate coverage for the employees. Adequate coverage would be defined as offering health benefits that meet or exceed the minimum benefit package defined by the Authority, and contributing at least 85% of the median cost of a standard individual plan. Financing, which includes a set of new tax assessments to fully fund the proposal is as follows:
 - ? **Employer Assessment:** An employer assessment that would be based on the number of full-time equivalents of workers not offered a plan meeting the benchmark benefit, multiplied by the annual per worker assessment.
 - Lewin estimates the annual per worker assessment would be \$347.
 - The amount would be prorated for part-time workers. Business Groups of 1 (BG1), i.e., self-employed and the federal government would be exempt from paying the assessment.
 - ? **Premium Tax:** A premium tax on insurers by redistributing a portion of the insurer's administrative costs savings through the proposal to a premium assistance fund.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering all Coloradans

Specifications - Financing (continued. . .)

- Savings that could be gained from the following could also be used to finance the program:
 - ? Any savings from Medicaid enrollees being required to use 340B drugs;
 - ? Any savings from adopting a formulary similar to Oregon's Medicaid formulary for the Medicaid/CHP+ newly expanded program;
 - ? Savings from requiring that Medicaid/CHP+ population enroll in a mandatory, capitated, statewide managed care program;
 - ? Implementing mandatory case management for high users/high cost individuals; and
 - ? Implementing a statewide nurse advise line.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering all Coloradans Specifications - Financing (continued. . .)

- Additional moneys to fully fund the proposal would be as follows:
 - ? A provider tax on revenues (estimated to approximate the value of average uncompensated care cost-shifting in current prices);
 - ? An increase in tobacco tax—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)
- If there remains a deficit in funding, the following financing options would be modeled:
 - ? Option 1: An increase in the income tax
 - ? Option 2: Property and sales taxes taking into account the higher collection costs
 - ❖ Option 2 is not reflected in these model results.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering all Coloradans

Specifications-Provider Payment Rates

- For services under the newly expanded Medicaid/CHP+ program, providers would be paid Medicaid rates
- Insurer plan payments in the private pool would be risk adjusted by the Authority using claims to account for health risks among enrollees in the plan.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering all Coloradans

Specifications-Insurance Market Reforms

- The proposal retains the private insurance market, but creates a pooling mechanism by combining individual, large group and small group markets through which insurers offer coverage and purchasers buy coverage, to include all insurers, individuals, and employers (except those exempt from state regulation who choose to offer self-funded coverage).
- The proposals requires guaranteed issue and implements a pure community rating—plans would not be allowed to base premium rates based on any attributes related to health status or risk. Dependent adults would be eligible to be covered under their parent’s policies until 26 years old. Plans would not be allowed to develop risk-adjusted rates, but would receive risk adjusted payments from the Authority.

Preliminary Findings, Subject to Revision, Not for Citation

A Plan for Covering Coloradans Cost and Coverage Impacts in 2007/2008

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Preliminary Findings, Subject to Revision, Not for Citation

Transitions in Coverage under A Plan to Cover Coloradans in 2007/2008

Coverage Under Current Law	Transitions in Coverage Under the Policy						
	Total	Employer	Non-Group	CHAMPUS	Medicare (excl. dual eligibles)	Medicaid / CHP+	Uninsured
Employer	2,767.8	2,678.6	0.0	0.0	0.0	89.3	0.0
Non-Group	182.1	54.8	110.9	0.0	0.0	16.4	0.0
CHAMPUS	89.9	0.0	0.0	89.9	0.0	0.0	0.0
Medicare (excl. dual eligibles)	438.6	0.0	0.0	0.0	438.6	0.0	0.0
Medicaid / CHP+	349.7	0.0	0.0	0.0	0.0	349.7	0.0
Uninsured	791.8	82.7	275.7	0.0	0.0	386.8	46.6
Total	4,619.8	2,816.1	386.6	89.9	438.6	842.1	46.6

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 A Plan for Covering Coloradans in 2007/2008 (millions)

Current State Health Spending		\$30,100
Change in Health Services Expenditures		\$940
Change in utilization for newly insured	\$877	
Change in utilization for currently insured	\$63	
Reimbursement Effects		\$0
Payments for previously uncompensated care	\$246	
Provider Tax	(\$246)	
Reduced Cost Shifting ^{a/}	\$0	
Medicaid Utilization Measures		(\$24)
Mandatory Case Management for High Cost Recipients ^{b/}	(\$24)	
Change in Administrative Cost of Programs and Insurance		\$69
Change in Insurer Administration	\$43	
Administration of Subsidies ^{c/}	\$26	
Total Change in State Health Spending		\$985

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

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

c/ Premium subsidies will be administered solely through the tax collection process. We assume a 50% increase in the budget for the taxation business group of the Department of Revenue for 2007/2008.

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

Preliminary Findings, Subject to Revision, Not for Citation

Enrollment and Costs under A Plan to Cover Coloradans in 2007/2008

	Enrollment (1,000s)	Net Costs (millions)	State Costs (millions)	Federal Costs (millions)
Medicaid Expansion & Individual Mandate ^{1a}				
Children to 300% FPL	140.3	\$211	\$74	\$137
Parents to 300% FPL	191.8	\$538	\$269	\$269
Childless Adults to 100% FPL	160.4	\$480	\$480	\$0
Total New Medicaid Enrollment	492.5	\$1,229	\$822	\$406
Premium Subsidies				
Employer Plans (employee share only)	1,184.8	\$706	\$706	\$0
Non-Group Plans	261.5	\$751	\$751	\$0
Administration of Subsidies	n/a	\$26	\$26	\$0
Total Premium Subsidies and Administration	1,446.3	\$1,483	\$1,483	\$0
Total Public Program Costs	1,938.8	\$2,712	\$2,305	\$406

a/ Net costs includes benefits and administrative costs less premium collections. We estimate about \$46 million in premium contributions for families between 200% and 300% of FPL.

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 A Plan to Cover Coloradans in 2007/2008 (millions)

		Change in Spending	
New Program Costs		\$2,305	
Medicaid and CHP+ Programs		\$822	
Premium Subsidies		\$1,483	
New Revenues and Offsets to Existing Programs		\$2,305	
Savings to Current Safety Net Programs ^{/a}		\$228	
Medicaid Program Cost Savings Measures ^{/b}		\$12	
Mandatory Case Management for High Cost Recipients	\$12		
State & Local Government Employee Health Benefits		--	
Workers and Dependents	\$27		
Wage Effects ^{c/}	(\$27)		
Program Financing		\$2,063	
Employer Assessment	\$163	Premium Tax	\$240
Tobacco Tax Increase	\$210	Provider Tax	\$246
Alcohol Tax Increase	\$126	Income Tax	\$1,078
Tax Revenue Gain Due to Wage Effects ^{d/}		\$2	
Net Cost/(Savings) to State and Local Government		\$0	

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 1% savings on acute care spending for case management for high cost cases.

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

d/ Increases 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.

Preliminary Findings, Subject to Revision, Not for Citation

Change in Federal Government Spending Under A Plan to Cover Coloradans in 2007/2008 (millions)

		Change in Spending
Medicaid and CHP+ Programs		\$406
Medicaid Program Cost Savings Measures		(\$12)
Mandatory Case Management for High Cost Recipients	\$12	
Federal Employee Health Benefits		\$0
Workers and Dependent	\$10	
Wage Effects ^{a/}	(\$10)	
Tax Revenue Loss Due to Wage Effects ^{b/}		\$6
Net Cost/(Savings) to Federal Government		\$400

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

b/ Losses in tax revenue are 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 A Plan to Cover Coloradans 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 and Dependents choosing Medicaid	(\$168)	--	(\$168)
New Employer Coverage	\$37	\$115	\$152
Impact of Purchasing Pool ^{/a}	(\$163)	--	(\$163)
Employer Assessment ^{/b}	\$65	\$85	\$150
Premium Tax Pass Through Effect ^{/c}	\$91	\$5	\$96
Net Change (before wage effects)	(\$138)	\$205	\$67

a/ Includes impact of reduced administrative costs under a mandatory purchasing pool and the impact of pure community rating in the purchasing pool.

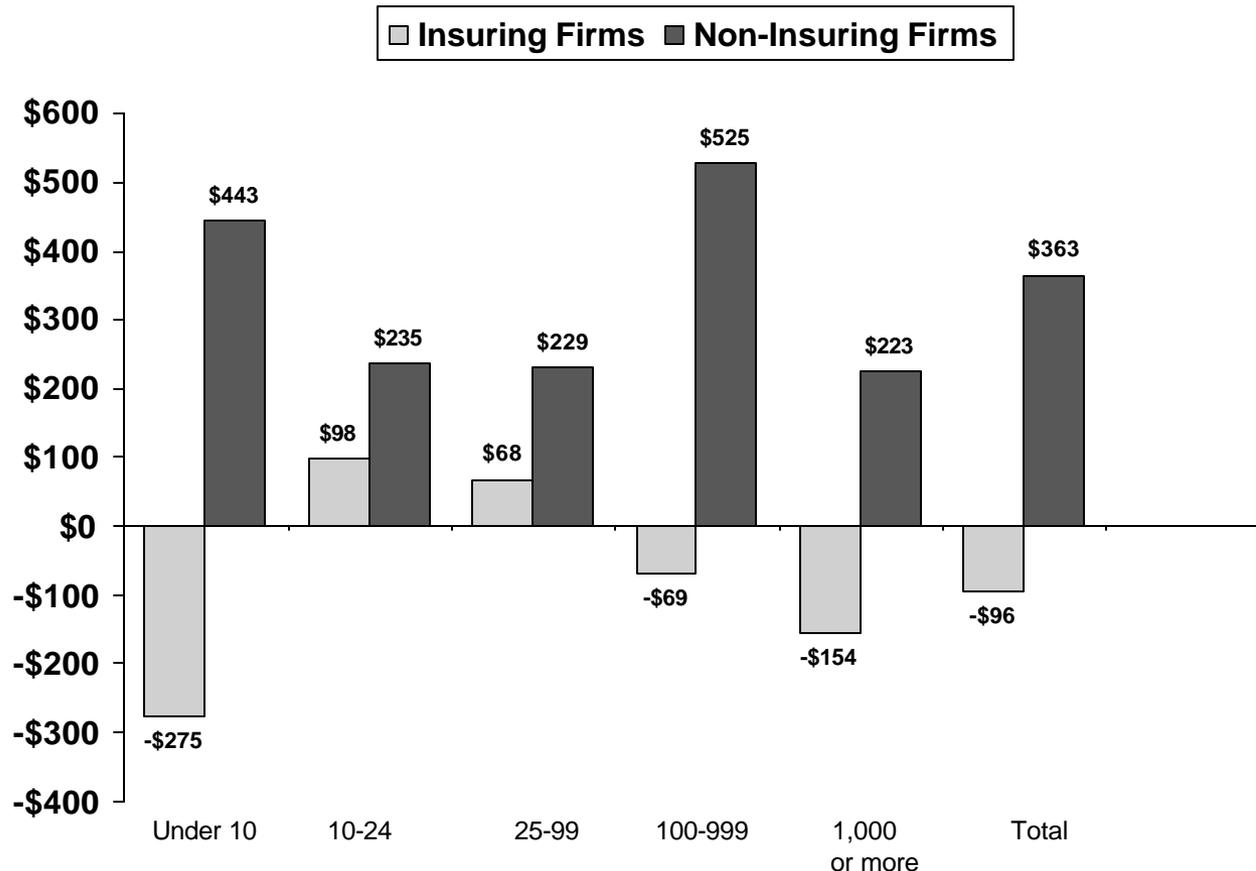
b/ \$347 annual assessment for each worker without employer coverage, prorated for part-time workers.

c/ Assumes premium taxes are passed through to consumers.

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 by Current Insuring Status Under A Plan to Cover Coloradans 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 A Plan to Cover Coloradans on Family Health Spending in 2007/2008 (in millions)

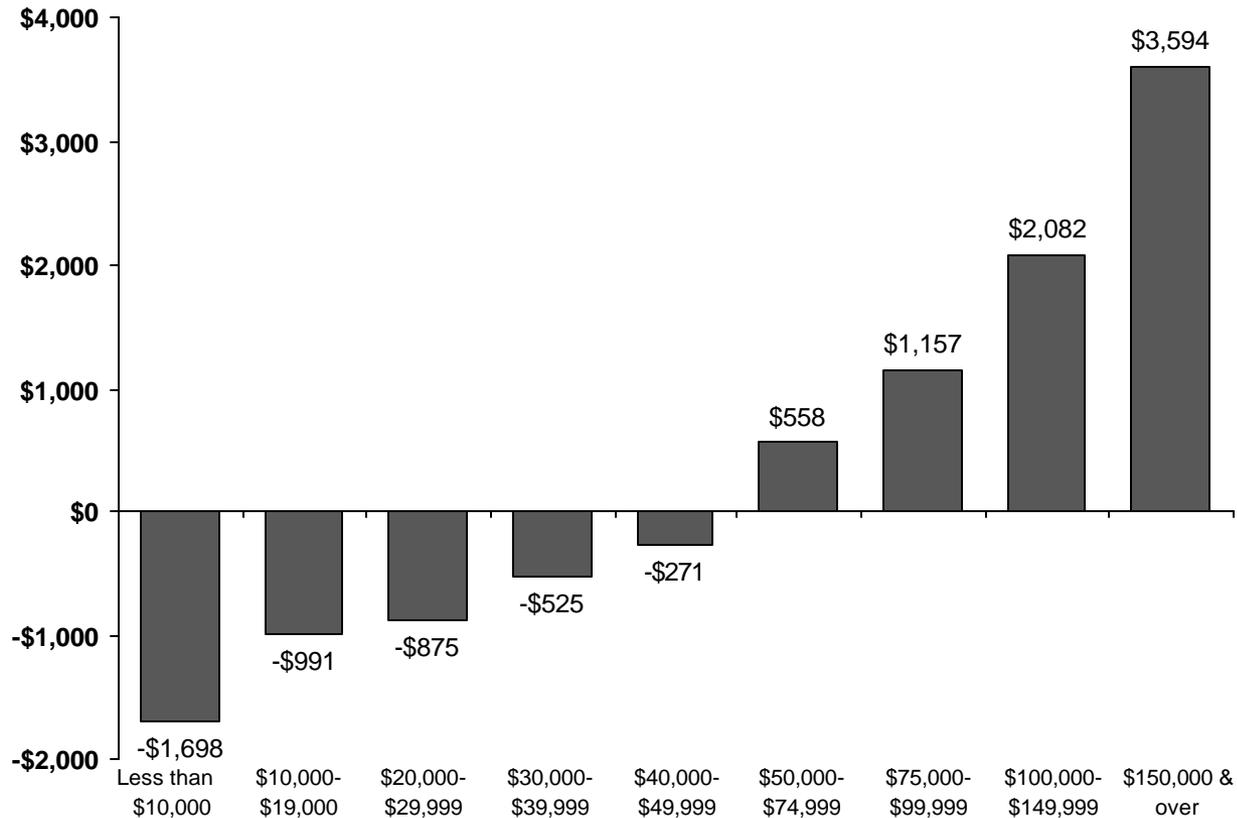
		Change in Spending
Change in Premiums		(\$332)
Change in Family Premiums	\$981	
Premium Tax Pass Through	\$144	
Premium Subsidies	(\$1,457)	
Change in Out-of-pocket Payments		(\$543)
Program Financing		\$1,414
Tobacco Tax Increase	\$210	
Alcohol Tax Increase	\$126	
Income Tax	\$1,078	
After Tax Wage Effects ^{a/}		\$46
Net Change		\$585

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

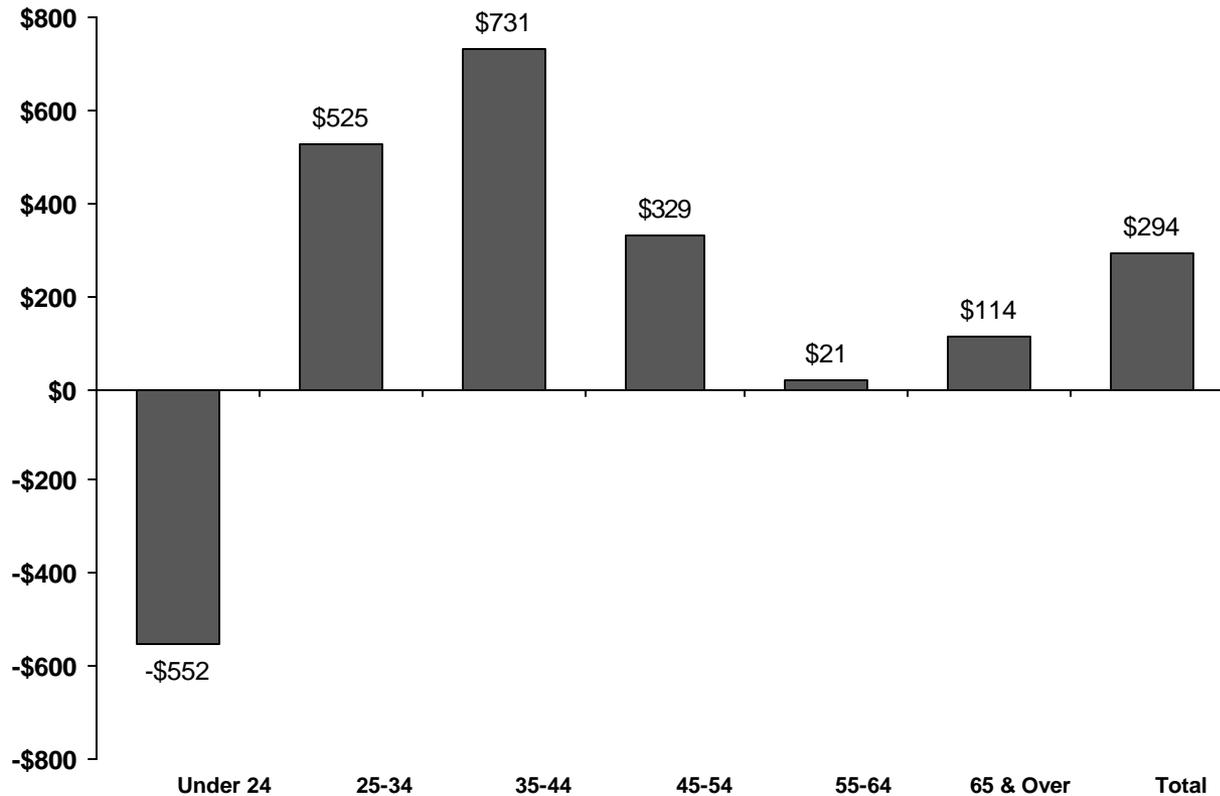
Change in Average Family Health Spending by Income Group Under A Plan to Cover Coloradans in 2007/2008



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 A Plan to Cover Coloradans 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 A Plan to Cover Coloradans 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	79	11
\$10,000-\$19,999	109	100	9
\$20,000-\$29,999	127	120	7
\$30,000-\$39,999	118	111	8
\$40,000-\$49,999	79	77	3
\$50,000-\$74,999	123	120	3
\$75,000-\$99,999	66	64	3
\$100,000-\$149,999	48	47	2
\$150,000 & over	30	28	2
Age			
Under 6	59	56	2
6-18	99	92	7
19-24	123	110	13
25-34	192	182	10
35-44	147	140	6
45-54	112	108	4
55-64	58	56	3
65 and over	1	1	1
Total	792	745	47

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

Preliminary Findings, Subject to Revision, Not for Citation