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# ISSUE BRIEF

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## COVERCOLORADO

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CoverColorado is a nonprofit public entity that provides health insurance to individuals who cannot obtain coverage in the private health insurance market. The legislature sets policies and determines the level of state funding for the program. In 2008, the legislature adopted a new funding scheme for CoverColorado. The legislature also created a task force to explore long-term funding solutions for the program. This issue brief describes CoverColorado, its current funding structure, and the recommendations of the CoverColorado Long-term Funding Task Force.

### Overview of CoverColorado

**Background.** CoverColorado, formerly known as the Colorado Uninsurable Health Insurance Plan, was created by House Bill 90-1305. CoverColorado provides health coverage to individuals who, because of a preexisting medical condition, are unable to obtain health insurance at a reasonable cost or without significant coverage exclusions in the private market.

CoverColorado is a nonprofit, unincorporated public entity and is overseen by a seven member board of directors. The program contracts with an insurance carrier to perform administrative, eligibility, and claims payment functions.

**Eligibility.** In order to receive coverage through CoverColorado, an individual must be a resident of Colorado, and must meet one of the following requirements:

- the individual applied for private health insurance and:
  - ▶ was rejected because of his or her health condition;
  - ▶ was accepted, but at a premium rate exceeding the rate available through CoverColorado; or
  - ▶ was accepted with a exclusion for a preexisting medical condition for a period longer than six months;
- the individual has a history of any medical or health condition that is on a list of presumptive medical conditions developed by the board of directors, such as cancer, HIV/AIDS, or other chronic conditions; or
- the individual had his or her health insurance involuntarily terminated by an insurer for any reason other than nonpayment of premiums.

Individuals who are eligible for Medicaid, fail to pay program premiums, are residents or inmates of public institutions, or have access to comprehensive health insurance at rates that are similar to those of CoverColorado are not eligible for the program. About 9,200 individuals are currently enrolled in the program.

**Premiums.** Pursuant to state statute, CoverColorado participants pay premiums that are up to 150 percent higher than the industry standard rates. Deductibles for the majority of participants are between \$1,000 and \$5,000 per year. In 2009, the average monthly premium paid by enrollees is \$368 per month, and varies based upon the deductible chosen by the participant.

## Funding for CoverColorado

**Funding history.** Because of the high medical costs of the participants, premiums alone do not cover the cost of providing coverage through the program, and additional state funding for the program has been required since its inception. Over the years, the state has used a variety of funding sources for the state's share.

When CoverColorado was initially created in 1990, the program was funded through premiums collected by participants and a charge on the income tax returns of residents with adjusted gross incomes of \$15,000 and higher. The charge was \$2 for a single return, or \$4 for joint return. The charge was repealed in 1993. The state's share was then funded from a state fund containing money that was unclaimed by businesses.

In 2000, the state began utilizing the interest earned on the Unclaimed Property Trust Fund, a fund that holds money from the sale of items that are abandoned or otherwise go unclaimed, to fund the CoverColorado program. In 2004, the General Assembly also authorized the principal of the fund to be used for CoverColorado.

In 2001, the General Assembly passed legislation authorizing the CoverColorado Board of Directors to assess a special fee against insurance carriers in the state any time there was a projected budget shortfall for the program. These assessments were made twice, the last time being in May 2004. That assessment totaled \$29.8 million, or \$26.37 for each individual insured under a health plan subject to state regulation. In 2004, insurers who made contributions to CoverColorado were authorized to take a deduction against the taxes they pay on premiums.

In 2008, the General Assembly again passed legislation altering the funding sources for the program. Pursuant to House Bill 08-1390, the assessments levied on health insurers became a regular source of funding for the program. As of January 1, 2009, CoverColorado is funded as follows:

- 50 percent from premiums, grants, and donations, including premium tax credits;
- 25 percent from the Unclaimed Property Trust Fund; and
- up to 25 percent from the fee levied against insurers.

**Health insurer assessment.** The CoverColorado Board of Directors sets the annual assessment levied on health insurers in the state based on the amount necessary to fund the program. The current assessment is \$25.13 per insured life per year. Although this assessment is levied against health insurers, many insurers simply pass on the assessment directly to their clients. Insurers who elect to recover the assessment either include the amount of the assessment in the administrative fee portion of the premium or list the amount of the assessment as a line item of premium. State statute requires that all of the moneys collected from the assessment go to fund coverage for individuals insured through CoverColorado, and specifies that the assessment cannot be used to cover the costs of administrative expenses or coverage for dependents of individuals insured through program.

## Recommendations of the CoverColorado Long-term Funding Task Force

The funding structure put in place by House Bill 08-1390 is expected to adequately fund the program for only the next five years. In 2008 and 2009, a task force met to make recommendations on a permanent and stable long-term source of funding for CoverColorado. The task force recommended that both near- and long-term solutions be implemented. Near-term recommendation included:

- establishing provider reimbursement rates based on a multiplier of Medicare reimbursement rates; and
- adjusting the time period in which the carrier assessments are collected.

Long-term recommendations included:

- broadening the base of the carrier assessment by implementing either a health facility fee surcharge in lieu of the insurer assessments or adding third-party administrators on a per covered life basis to the assessment base;
- extending the premium tax credit insurers receive for contributing to CoverColorado until 2024 and raising the current \$5 million cap on the credit; and
- working with state and federal agencies to draw down additional federal matching funds.