



Colorado Legislative Council Staff

Room 029 State Capitol, Denver, CO 80203-1784
(303) 866-3521 • FAX: 866-3855 • TDD: 866-3472
www.colorado.gov/lcs
E-mail: lcs.ga@state.co.us

MEMORANDUM

December 28, 2012

TO: Interested Persons

FROM: Amanda King, Senior Researcher, (303) 866-4332
Bill Zepernick, Fiscal Analyst, (303) 866-4777
Dave DeNovellis, Researcher, (303) 866-3140

SUBJECT: The Health Care System in Colorado

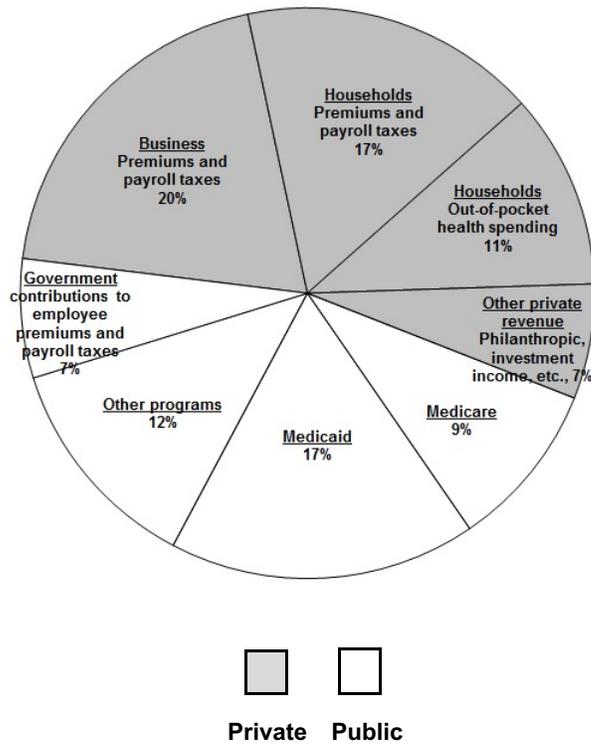
Health care in Colorado is in a period of transition, with federal health care reform and other state-based health initiatives currently being implemented. Federal health care reform, in particular, will result in changes in the way many citizens access and pay for health insurance and health care services. This memorandum is intended to provide an overview of the health care system in Colorado and illustrate the different health coverage options that are available to citizens. Key topics that are discussed include the cost of health care, private health insurance, implementation of federal health care reform, and public health care programs.

Additional information on the public health care programs discussed in this memorandum can be found in the **2012 Health Care Resource Book**, which provides an overview of programs' budgets, eligibility criteria, and populations served, and includes contact information and resources for persons who are interested in applying for or learning more about specific public health care programs. The Health Care Resource Book is [available online](http://www.colorado.gov/lcs) at the Legislative Council website (<http://www.colorado.gov/lcs>) in the "Research and Publications" section.

Health Care Spending

Nationally, health expenditures are projected to grow to \$2.9 trillion dollars in 2013, or about \$9,214 for each person in the country, representing 17.8 percent of the Gross Domestic Product (GDP). Over the last several years, health care spending has grown at a rate of about 4 percent per year. Chart I illustrates the sources of payment for the country's health care costs. Revenues from federal, state, and local governments are estimated to be the source of 46 percent of national health spending in 2013; revenue from households, businesses, and other private sources will make up 54 percent of total spending. The proportion of health care spending paid for by government has increased in recent years and is projected to account for 50 percent of all health care spending in 2021.

**Chart 1
Projected Sources of Payment
for Health Care in the U.S., 2013**



Source: Health Affairs, June 2012

Private Health Insurance

Nationwide, as well as in Colorado, most individuals access private health insurance through their employer. The private health insurance market is broken down into the following categories of health plans: the self-funded, large employer group, small employer group, and individual markets.

Types of health insurance. Self-funded plans, often used by larger employers, are subject to federal laws and regulation and are not regulated by Colorado law. Under self-funded plans, employers assume the risk and pay for all covered services claimed through the health plan by members of the group. On the other hand, fully insured plans are regulated by the state and include individuals in Colorado's small employer group market, persons who seek individual coverage outside of their employer, and large employer groups that do not self-fund their health insurance plans. Under fully insured plans, health insurers assume the risk and pay the health care claims submitted by the covered group. Health insurers set the premiums and cost-sharing amounts paid by employers and covered individuals so as to cover the estimated cost of care and administrative costs. According to an annual survey of Colorado employers, approximately 58 percent of employers offer fully insured plans that are regulated by state law.

Health insurance regulations. Federal and state law require health plans to cover certain benefits. For example, there are state mandates to cover pregnancy and childbirth, newborn children, mental illness, diabetes, and prostate cancer screening. Health insurers are required to comply with other state laws, including a requirement that carriers file proposed premium changes with the Division of Insurance in the Department of Regulatory Agencies to ensure that they are not excessive, inadequate, or unfairly discriminatory. Beginning in 2012, federal law requires fully insured health plans in the individual and small employer group markets to refund a portion of the premiums paid by employers and covered individuals if more than 20 percent of the premiums collected are used for nonmedical purposes, such as administration and advertising. For large employer groups with more than 50 persons, refunds are required if more than 15 percent of revenue goes to nonmedical expenses.

Persons without health insurance. The Colorado Health Access Survey estimates that approximately 829,000 persons in Colorado, or approximately 16 percent of the state's population, do not have health insurance. The significant number of persons without insurance is thought to increase the cost of health care in the state, both for public and private health care payers. The state may cover a portion of the health care costs of uninsured persons, but not the entire burden. As a result, the costs of treating the uninsured may be shifted to other private payers.

In Colorado, there are several consistent characteristics of the uninsured population. According to the Colorado Health Access Survey data, about 71 percent of uninsured individuals are in a family with one or more workers. However, many uninsured individuals either do not earn high enough incomes to afford their portion of health insurance premiums, work in jobs that do not provide health insurance, or do not qualify for health insurance because they are part-time or contract workers. Over half of the individuals who are working and unable to obtain health insurance work for small businesses.

In Colorado, uninsured individuals may be found at all income levels; however, persons with the lowest incomes make up the largest share of persons without health insurance, with nearly 88 percent of uninsured Coloradans having incomes below 300 percent of the Federal Poverty Level (FPL). Young adults between 18 and 34 years of age are the most likely not to carry health insurance, comprising 41 percent of uninsured individuals in Colorado. In contrast, the elderly, because of the availability of Medicare, are less likely to be uninsured than any other age group.

Federal Health Care Reform

In March 2010, federal health care reform, also known as the Patient Protection and Affordable Care Act (PPACA), was adopted by the U.S. Congress and signed by the President. PPACA expands health care coverage by increasing access to private health insurance and expanding eligibility for Medicaid.

Effect on health insurance. The health reform law increases regulations on health insurance providers and makes changes to how the health insurance market operates. PPACA also requires individuals to have health care coverage and certain employers to offer health insurance to employees. Changes that have already taken effect under PPACA include:

- prohibiting lifetime and annual caps on health insurance benefits;
- allowing children to stay on their parents' health insurance through age 26;
- prohibiting health insurance providers from rescinding coverage, except in cases of fraud; and
- prohibiting health insurance providers from denying coverage to children because of preexisting conditions.

Beginning in 2014, health insurance providers cannot deny coverage to adults with preexisting conditions and cannot set rates based on a person's health status or medical condition. Factors such as age, family size, geographic area, and tobacco use may still be considered when determining rates. In 2014, providers must offer health insurance coverage to all persons who apply or wish to renew their coverage. Subsidies to purchase health insurance will be available to individuals who have incomes between 100 and 400 percent of the FPL who are not offered affordable health coverage through their employer.

Colorado Health Benefit Exchange. An important step associated with federal health reform in Colorado is the creation of the Colorado Health Benefit Exchange. The exchange is a state-chartered nonprofit organization that is responsible for creating a health insurance marketplace that allows consumers to get information, compare health plans, and purchase coverage. The exchange will screen clients for eligibility for other public health care programs and determine federal subsidy amounts for eligible persons who wish to purchase insurance through the exchange. The exchange will begin selling health plans in October 2013, with these plans first taking effect in January 2014. All health insurance sold both inside and outside the exchange must provide a minimum level of benefits, known as essential health benefits, and meet standards of cost effectiveness and value in terms of premiums paid versus medical claims paid.

Public Health Care Programs

State health care programs in Colorado take a variety of forms, including public health insurance programs, direct services, contracted provider services, managed care programs, and public health initiatives. Eligibility for public health care programs is typically based on income level, as well as population category (e.g., elderly, children, disabled, etc.) or service need (e.g., mental health, substance abuse). The main groups that are eligible for health care programs in Colorado are highlighted below. Chart II shows eligibility by income level for the major public health insurance programs in Colorado — Medicaid and the Child Health Plan Plus (CHP+) — as well as for the Colorado Indigent Care Program (CICP). As mentioned above, for more detailed information on the eligibility criteria, budgets, and populations served for these programs, please refer to the [2012 Health Care Resource Book](#).

Low-income populations. Medicaid is the largest health care program in the state with a projected caseload of more than 687,000 enrollees in FY 2012-13. Medicaid serves multiple low-income populations, including the elderly, children, parents, persons with disabilities, and to a limited extent, adults without dependent children.

Children and pregnant women. In addition to Medicaid, children and pregnant women may be eligible for health coverage under CHP+. Generally, CHP+ serves persons with higher incomes relative to the Medicaid population and has higher premiums and cost sharing than Medicaid.

Elderly. The most common source of health coverage for elderly adults is the federal Medicare program. The state of Colorado has no role in Medicare, which is solely operated by the federal government. Persons who have worked in Medicare-covered employment for ten years and their spouses who are 65 years old or over qualify for Medicare. However, nonmedical long-term care, such as assisted living and nursing home care, is generally not covered by the federal Medicare program. Elderly adults requiring long-term care who have low incomes and limited assets can receive services under Colorado Medicaid.

Elderly persons with low incomes who are disabled and not eligible for Medicaid may be able to receive health coverage through the Old Age Pension Health and Medical Care Program. Also, elderly persons requiring assistance living independently may be eligible for adult assistance programs through the Department of Human Services, which partners with 16 Area Agencies on Aging in Colorado.

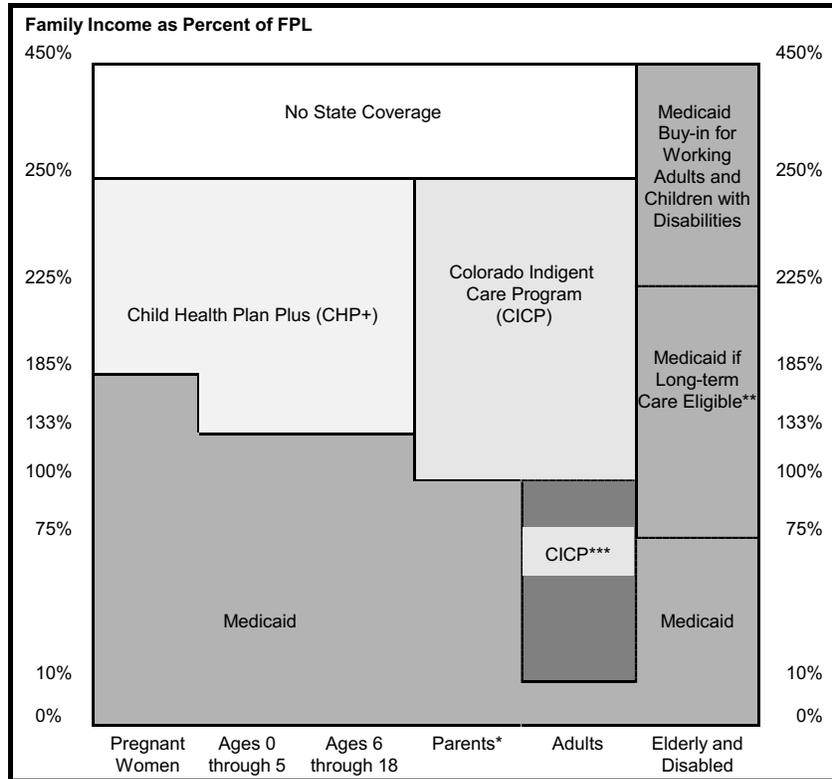
Persons with disabilities. Medicaid offers health coverage to persons deemed permanently and totally disabled according to federal law (i.e., persons who are eligible for federal Social Security Income benefits). Persons with developmental disabilities can receive residential and family support services through the Department of Human Services.

Mental health services. Persons who are eligible for Medicaid can receive mental health services through several regional care providers throughout the state. Persons who are not Medicaid-eligible and do not have private insurance that covers mental health services may be able to receive assistance through the Department of Human Services at community mental health providers or at one of the state mental health institutes, depending on the level of services required.

Substance abuse treatment. Persons requiring treatment for alcohol or drug use who do not have health insurance or who have health insurance that does not cover substance abuse treatment may be eligible for treatment through several regional treatment providers that contract with the Department of Human Services to offer prevention, intervention, and treatment services.

Public health programs. The Department of Public Health and Environment (DPHE) operates programs in areas such as suicide prevention, tobacco prevention and cessation, dental hygiene, vaccinations, and children's and maternal health. The DPHE does not offer services directly and instead works to improve health care access and availability. Often these public health programs provide funds to organizations that offer services to certain populations or in areas where there are unmet public health needs. Several public health programs that support health-related services for individuals include suicide prevention, nurse home visitation for first-time mothers, and tobacco prevention and cessation.

**Chart II
Eligibility for Public Health Care Programs by Income Level
and Population, 2012**



* Parents of children enrolled in Medicaid or CHP+.

** Eligibility for Medicaid long-term care is based on multiples of the Supplemental Security Income limit (SSI) of \$698, which corresponds to about 75% of the FPL. Three-times the SSI is equal to about 225% of the FPL.

*** HB09-1293 authorizes Medicaid to serve childless adults with incomes up to 100% of FPL. However, current funding limits eligibility to persons with incomes up to 10% of FPL with an enrollment cap of 10,000 individuals. Hospitals may be reimbursed for care provided to adults without dependent children who have incomes between 11% and 100% of the FPL through the Colorado Indigent Care Program.