



Final Report for Colorado's Public Option

November 15, 2019

*Submitted by
the Colorado Division of Insurance, part of the Department of Regulatory Agencies
and
the Department of Health Care Policy & Financing*



COLORADO
Department of
Regulatory Agencies
Division of Insurance



COLORADO
Department of Health Care
Policy & Financing

November 15, 2019

To the Members of the Joint Budget Committee, the House Public Health Care and Human Services Committee, the House Health and Insurance Committee, and the Senate Health and Human Services Committee:

The Division of Insurance (DOI) and the Department of Health Care Policy and Financing (HCPF) are pleased to submit the Final Report for Colorado's Public Option dated November 15, 2019. We have prepared and are submitting this report pursuant to HB19-1004, C.R.S § 25.5-1-129, which directed the DOI and HCPF to develop an affordable health care coverage option for Coloradans.

The recommended plan will save money for Coloradans who purchase health insurance on the individual market, and soon, the small group market. On average, premiums will be reduced by 10%; in many parts of the state, Coloradans will save more than 15%. Premium savings are achieved through reductions in the underlying costs of care. In addition, the plan will offer high value, pre-deductible services such as behavioral health and primary care, so consumers can readily access these services.

As described more fully in the final report, the DOI and HCPF recommend that the public option is structured as a public-private partnership. This new plan will increase consumer choice and result in every county having at least two carriers in the individual market. The plan will be administered by private-sector carriers, available statewide to any resident seeking coverage in the individual market, and provide access to federal subsidies, if applicable. This plan will result in very low costs to the State - both start-up and ongoing - and savings for Coloradans.

The recommendations are based on extensive stakeholder engagement over the past six months. Our agencies hosted 20 public listening sessions in Alamosa, Aurora, Boulder, Burlington, Denver, Durango, Edwards, Glenwood Springs, Grand Junction, Greeley, Hugo, Keystone, and Pueblo. We received 260 written comments, conducted three focus groups, released a draft for comment, and publicly posted all materials. Our recommendation responds to the innovative ideas and thoughtful input raised during this process.

Everything in this recommendation is targeted at making health care more affordable for Coloradans, and it asks for collaboration from everyone - hospitals, insurance companies, the pharmaceutical industry - to achieve this goal. We are pleased to submit this recommendation and look forward to partnering with the General Assembly and presenting this report at the annual joint meeting of the House and Senate committees. In the meantime, we are available to answer any questions you have.

Regards,

Michael Conway



Commissioner
Division of Insurance

Kim Bimestefer



Executive Director
Department of Health Care Policy and Financing

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Executive Summary

Ensuring all people have access to affordable health care is a challenge that has vexed public officials and policy experts for decades, despite seemingly constant efforts to address the costs of coverage and care. The Affordable Care Act made great strides in increasing coverage, but it did not address the underlying cost of care. For many - in Colorado and nationally - even the subsidies provided by the federal government are not enough to keep insurance affordable.

HB19-1004 was passed and signed into law in May of 2019 in response to this important and persistent problem. It directed the Colorado Department of Health Care Policy and Financing (HCPF) and the Colorado Division of Insurance (DOI) to make a recommendation to the Legislature on the design of a public option that would be more affordable than current options available to Coloradans seeking care through the Individual and Small Group markets.

In order to ensure that we received input from every corner of the state, we undertook a major outreach and feedback process. Insurance Commissioner Michael Conway, HCPF Executive Director Kim Bimestefer, and Lieutenant Governor Primavera hosted 20 public listening sessions in Alamosa, Aurora, Boulder, Burlington, Denver, Durango, Edwards, Glenwood Springs, Grand Junction, Greeley, Hugo, Keystone, and Pueblo. We received 260 written comments, and conducted three focus groups. To maximize Colorado's collaborative nature, we went beyond what was asked in HB19-1004 and took the additional step of releasing a draft report for public comment so that all stakeholders had the opportunity to further improve the recommendation.

This recommendation directly draws from and responds to the innovative ideas, thoughtful questions, and important concerns raised throughout this process. It asks all of the stakeholders — health care providers, insurance carriers, prescription drug manufacturers, brokers, and Coloradans — to come to the table to do their part to help make care more affordable. It represents a carefully balanced approach that strengthens market competition, while giving State leaders tools to increase affordability. It recognizes the vital role that hospitals play in our community while also acknowledging that hospital costs are one of the leading drivers of the overall rising cost of health care. It initiates a new platform that continues to transform our health care system to one that pays for value, not volume. It provides thoughtful pathways to protect and strengthen our independent, rural, and critical-access hospitals - pathways crafted in collaboration with the hospitals themselves. It recommends a majority of federal savings be used to provide further premium assistance and cost-reductions for currently subsidized Coloradans struggling with affordability. Finally, and most importantly, it reflects our obligation to Coloradans to ensure that individuals, and ultimately small and medium employers, can afford insurance to access needed care. In short, this recommendation draws from an extensive, expansive, multi-stakeholder collaborative process to offer a proposal that will take us one very important step closer to achieving universal coverage for Colorado.

In accordance with HB19-1004, we recommend that Colorado establish a public option that is structured as a public-private partnership and initially sold in the individual market, both on and

off the exchange, starting in the 2022 plan year. In the draft report, our actuaries estimated the proposal would result in plans available in 2022 that are about 9-18 percent less expensive than otherwise available plans. This final recommendation is aligned with that target. We recommend the plan be administered by private-sector carriers, be available statewide to any resident seeking coverage in the individual market, and that people can utilize federal subsidies, if applicable. We recommend it be offered in the catastrophic, bronze, silver, and gold metal tiers, and that it promote quality through standardized benefit designs.

Through an innovative partnership between State government and private carriers, the public option will increase consumer choice and result in every county having at least two carriers in the individual market, solving the troublesome problem of a growing number of single-carrier counties in Colorado - 22 as of January 2020 - where people only have only one carrier option for coverage.

Finally, we recommend that an Advisory Board be established, composed of diverse stakeholders that will make ongoing recommendations to DOI and HCPF on ways to lower costs, increase access, and promote quality through the public option.

To hit the savings targets outlined by our actuarial analysis, savings will be achieved through three primary strategies. First, we recommend raising the carrier medical loss ratio (MLR) for the public option from 80 percent to 85 percent, matching the MLR in the large group market. This would mean that an additional 5 cents of every premium dollar will be required to go towards patient care rather than administration and other non-care expenses.

Second, we recommend that hospital reimbursement rates be set through a public and transparent formula that ensures sustainability and helps to stabilize our rural hospitals, while preventing the price inflation currently taking place in some markets. This formula would be applied on a hospital-by-hospital basis, resulting in reimbursement rates that can be expressed as a percentage of Medicare, just as reimbursement rates from private carriers can also be expressed as a percentage of Medicare. This will drive more rational pricing and hospital accountability to the communities served, while assisting policy makers in comparing reimbursement rates across markets.

Third, we recommend that carriers be required to ensure that all compensation from prescription drug manufacturers (like rebates) paid to insurance carriers or their pharmacy benefit managers (PBMs) are passed through to consumers. This will help to deter misaligned incentives between manufacturers and carriers that encourages the use of the highest cost drugs.

Colorado has historically been at the forefront of designing and implementing strategies to improve health care access and quality. We are pleased to submit this recommendation that represents the next bold step forward for the state. The details of how these pieces will work, the data and feedback we used to inform this recommendation, and descriptions of what legislation we believe is required for successful implementation are described below.

The public option is an innovative approach that will make a tangible difference for Coloradans -- and eventually the state's small employers. It will accelerate delivering affordable health care by working in tandem with other existing and proposed policies to expand access and lower costs. While similar debates are happening in other states and at the national level, we believe this public-private solution — designed by and for Colorado — is the right one for our state, and can serve as a leading national model. Everything in this recommendation is targeted at making high quality health care more affordable for Coloradans.

We look forward to partnering with the General Assembly and the greater health community as you consider this recommendation and continue to take steps to make health care more affordable for Coloradans.

Introduction

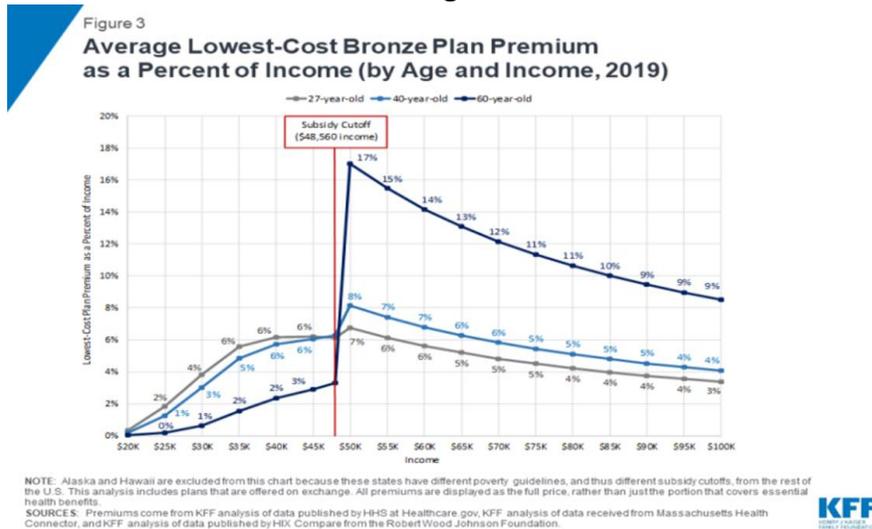
Recognizing that affordability is one of the largest barriers to accessing health care, Governor Polis and the Colorado General Assembly have taken a number of steps to improve affordability, including establishing the Office of Saving People Money on Health Care, passing a reinsurance program, supporting community purchasing alliances, rolling out a Health Care Affordability Roadmap in communities around the state, creating new incentives for hospitals to transform their practices to better meet the needs of their communities, and designing and recommending a public insurance option.

Affordability is a critical and persistent problem across the state. New data from the 2019 Colorado Health Access Survey (CHAS) show that 90 percent of uninsured Coloradans cite “cost” as the reason they are not covered.¹ Even those *with* health insurance coverage are concerned about affordability. Stakeholders in every single meeting we held raised serious concerns about their inability to afford their out-of-pocket costs - their deductibles, co-insurance and co-pays.

Coloradans are paying a hefty percentage of their incomes on health care, and this is especially true for people who are not eligible for federal subsidies. As demonstrated in the image below, the portion of income spent on health insurance skyrockets for individuals making more than \$48,560 a year — about 400 percent of the federal poverty line, or the threshold where subsidies stop.

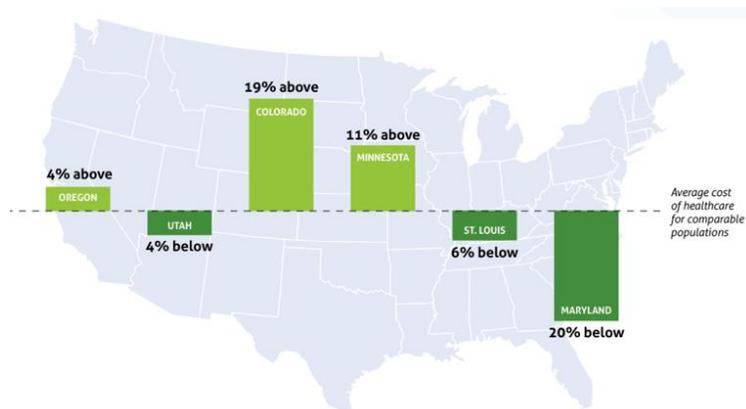
¹Colorado Health Institute (2019). 2019 Colorado Health Access Survey: Progress in Peril. Available from The CHAS Launch Powerpoint at coloradohealthinstitute.org/research/CHAS. See also Ingold, J. (2019, Sep. 25). Colorado's Uninsured Rate is Holding Steady, but a New Study Shows Troubling Trends in the State's Health Care Market. The Colorado Sun. Available from <https://coloradosun.com/2019/09/25/colorado-health-access-survey-results/>.

Image 1.



There are many drivers of health care costs. But, at its core, cost is a two-part equation: the combination of the price you are charged and how much care you use. Numerous studies show that Americans do not use more care than the rest of the world.² In fact, Colorado ranks as one of the healthiest states, favorably impacting how much care Coloradans need. Still, our overall costs are significantly higher than in other states.³ To get at the root of the problem — something stakeholders resoundingly asked — we have to get a grip on the high price of care.

Image 2.



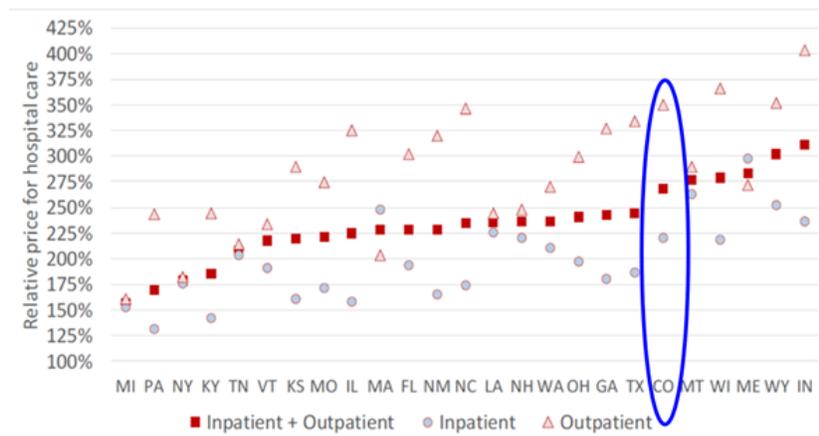
In this regard, it is clear that Colorado is ripe for positive change. According to a recent report by the RAND Corporation and as seen in Image 3 below, Colorado ranks as one of the highest

² See, e.g., Papanicolas I., Woskie, L.R., & Jha A.K. (2018). Health Care Spending in the United States and Other High-Income Countries. *JAMA*. 319(10):1024–1039. Available from <https://doi.org/10.1001/jama.2018.1150>.

³ Center for Improving Value in Health Care (2019, Nov. 8). Colorado's Health Care Costs Continue to Rise Above Other States. Available from <https://www.civhc.org/2018/11/08/colorados-health-care-costs-continue-to-rise-above-other-states/>.

states for hospital prices in the nation.⁴ Indeed, hospitals in most other states charge individuals and employers lower prices than are charged in Colorado, and they do so successfully, without disruptions.

Image 3.



There are also wild variations for hospital pricing across our state. A recent report published by the Center for Improving Value in Health Care (CIVHC) showed variation of more than 400 percent across Colorado for the same group of services.⁵ For example, delivering a baby in Routt County costs an average of \$17,160 versus \$6,000 at a Denver area hospital.⁶

Alongside these unjustifiable price variations, Coloradans in many parts of our state only have one carrier as an option. In single-carrier counties, Coloradans have limited choice without the benefit of competition to drive prices down.

Costs are also high when looking at the costs of prescription drugs. In a 2019 report, the Kaiser Family Foundation found that nearly 8 in 10 Americans believe prescription drugs costs are unreasonable and that 1 in 4 Americans who are taking medications are struggling to afford them.⁷ Unfortunately, the high cost of prescription drugs also has a direct impact on patient compliance with their medications: 29 percent of all adults either did not fill a prescription or did not take their medicine as prescribed in order to save money, which often costs both the individual and the system more in the long run.⁸

⁴ White, C. & Whaley, C. (2019). Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely: Findings from an Employer-Led Transparency Initiative. Santa Monica, CA: RAND Corporation. Available from https://www.rand.org/pubs/research_reports/RR3033.html.

⁵ Center for Improving Value in Health Care (2019, Sept. 5). Regional Price Information as a Percent of Medicare Now Available. Available from <https://www.civhc.org/2019/09/05/regional-price-information-as-a-percent-of-medicare-now-available/>.

⁶ Data extracted using the Center for Improving Value in Health Care Shop for Care Tool. Center for Improving Value in Health Care (undated). Shop for Care. Available from <http://www.civhc.org/shop-for-care/>.

⁷ Kirzinger, A., Lopes, L., Wu, B., & Brodie, M. (2019, Mar. 1). KFF Health Tracking Poll - February 2019: Prescription Drugs. Available from <https://www.kff.org/health-reform/poll-finding/kff-health-tracking-poll-february-2019-prescription-drugs/>. Kaiser Family Foundation (2019, Mar. 1). Poll: Nearly 1 in 4 Americans Taking Prescription Drugs Say It's Difficult to Afford Their Medicines, including Larger Shares Among Those with Health Issues, with Low Incomes and Nearing Medicare Age. Available from <https://www.kff.org/health-costs/press-release/poll-nearly-1-in-4-americans-taking-prescription-drugs-say-its-difficult-to-afford-medicines-including-larger-shares-with-low-incomes/>.

⁸ Kirzinger, A., Lopes, L., Wu, B., & Brodie, M. (2019, Mar. 1). KFF Health Tracking Poll - February 2019: Prescription Drugs. Available from <https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-february-2019-prescription-drugs/>.

We consistently heard in stakeholder meetings and comments that people want the public option to make health care more affordable, but this must be carefully balanced with preserving and expanding access to care, and with recognizing that our hospitals play important economic and public health roles in our communities. It is within this context that we developed this recommendation to reduce costs, increase competition, leverage our state's existing infrastructure, and create a model for affordable health insurance.

Overview of HB 19-1004

The Department of Insurance (DOI) and Department of Health Care Policy and Financing (HCPF) were charged with developing a proposal that identifies the most effective implementation of a public option that accomplishes the goals of:

- Developing an innovative, proactive, and Colorado-specific, approach to increasing consumer access to affordable, high-quality health care coverage;
- Providing an additional health care coverage option for those living in one of the now 22 counties in the state that have only one health insurance carrier offering individual plans;
- Increasing competition in the state among health insurance carriers to put downward pressure on health insurance premiums and increase consumer choice;
- Considering the feasibility and costs of implementing a public option for health care coverage that leverages current state infrastructure; and
- Utilizing the expertise of HCPF – which manages Colorado Medicaid, also known as Health First Colorado - the DOI, and various experts in health care and health care policy.

Stakeholder Outreach and Feedback

HCPF and the DOI gathered input from stakeholders for the development of this Colorado public option by accepting 260 public letters and comments, conducting focus groups, and hosting 20 listening sessions in communities throughout the state.

The stakeholders who participated in the sessions included community representatives, health care providers, hospitals, county health and human services agencies, insurance companies, insurance brokers, consumers, businesses, non-profits, and elected officials. Stakeholders offered their thoughts on populations to be served, cost containment strategies, affordability, needs, gaps, and priorities.

Some common themes identified in these stakeholder meetings included:

- Addressing underlying health care costs, in particular hospital costs;
- Simplifying processes and products;
- Offering a public option statewide to all who want it;
- Utilizing Connect for Health Colorado's infrastructure;
- Reducing costs beyond premiums, e.g. co-pays, deductibles, and out-of-pocket limits;
- Caring for uninsured populations and subsidy-eligible populations;

- Understanding the impacts of participation requirements;
- Balancing reduced rates with the importance of health care access, and,
- Including a dental benefit.

What is the Public Option?

The public option is a new insurance plan maximizing public and private industry strengths, designed by Colorado, for Colorado. The plan will be sold by licensed insurance companies and will cover a comprehensive, standardized set of benefits. The public option will provide Coloradans with more affordable, high-value coverage.

Our latest actuarial modeling estimates that average premium savings statewide will be approximately 10.6 percent. In some areas of the state, they will be significantly higher.

Image 4.

Table 1: Difference between 2022 Baseline Average ACA Premiums and the Public Option by Region

	Statewide	Urban - Rating Areas 1, 2, 3	Rural West - Rating Areas 5, 9	Rural East - Rating Areas 4, 6, 7, 8
Baseline Projected 2022 ACA Premium	\$538.78	\$502.28	\$668.55	\$576.40
State Coverage Option Estimated 2022 ACA Premium	\$481.69	\$463.19	\$566.07	\$479.19
Difference	-10.6%	-7.8%	-15.3%	-16.9%

Who Will Be Able to Enroll in the Public Option?

The public option will be available to all Colorado residents. Any Colorado resident, statewide, will be able to purchase the public option. It should be noted, however, that persons who qualify for Medicare, Medicaid, Tricare, VA and employer-sponsored coverage may be better served by staying in those programs.

The public option will also be available to Coloradans who receive federal subsidies. Given the importance of federal tax credit subsidies to the affordability of coverage for hundreds of thousands of Coloradans, the public option will be offered as a Qualified Health Plan (QHP) through Connect for Health Colorado, the state’s Health Insurance Marketplace (the exchange). Coloradans eligible for tax credits and other subsidies will be able to utilize tax credits to purchase the public option. Licensed brokers will be eligible to be paid under the public option for their services, providing valuable guidance to consumers through the purchasing process.

The public option will be available regardless of eligibility for subsidies. All Coloradans will be able to enroll in the public option. It will be offered both on and off the exchange, although we will encourage consumers to begin the application process on the exchange to ensure that they receive any subsidies that may be available to them.

The public option will be an additional choice, alongside other options in the market. The public option will be offered alongside the plans currently offered for sale, which will increase competition and choice for Coloradans. There will not be a requirement to buy it.

Specifically, there will be a standardized public option offering for each metal tier on the exchange provided by carriers in the individual market. In other words, there will be at least a catastrophic, bronze, silver, and gold public option plan, in addition to the cost-sharing reduction variant levels for the silver plan, offered by each carrier. In practical terms, in many areas this means dozens of additional choices for Coloradans. Consumers will be able to clearly identify the public option on the exchange.

Some stakeholders expressed concerns about a lack of competition. As noted above, this recommendation brings more choice to the individual market, especially in regions where there is only one carrier offering policies now. The public option will simply create more options, not less.

What Benefits Will Be Covered?

The public option will cover Essential Health Benefits. Because the public option will be offered as a QHP, the plan will cover all of the essential health benefits covered by plans sold on Connect for Health Colorado. These benefits include hospital care, prescription drugs, maternity coverage, preventive services and mental health care. As with other plans in the individual market, preventive services such as annual check-ups, well-child visits, cancer screenings and contraceptive options will be provided at no additional cost to patients.

The public option will define more benefits that can be used pre-deductible. Many stakeholders expressed concerns with current plan offerings because high deductibles make it hard for Coloradans to access their benefits. Consumers may delay seeking more routine care due to high cost-sharing requirements. The public option will be designed to provide a greater set of high-value primary and preventive care services that individuals and families can rely on without needing to meet their deductible.

The public option will feature innovative designs. HCPF and DOI will incentivize and reward the provision, reimbursement, and utilization of high-value care, and disincentivize low-value care. For example, value based payments can be used to reward providers and carriers that address social influences of health or deliver effective interventions to prevent diabetes. Bundled payments could be used to incentivize coordination and efficiency. The public option will provide a platform that continues to transform our health care system to one that pays for value, not volume.

The Advisory Board will make recommendations on specific benefit design inclusions, enabling a coordinated, collaborative approach to achieve shared goals across the state. Non-public option plans will remain non-standardized, as carriers have expressed interest in continuing innovations through their unique plan designs.

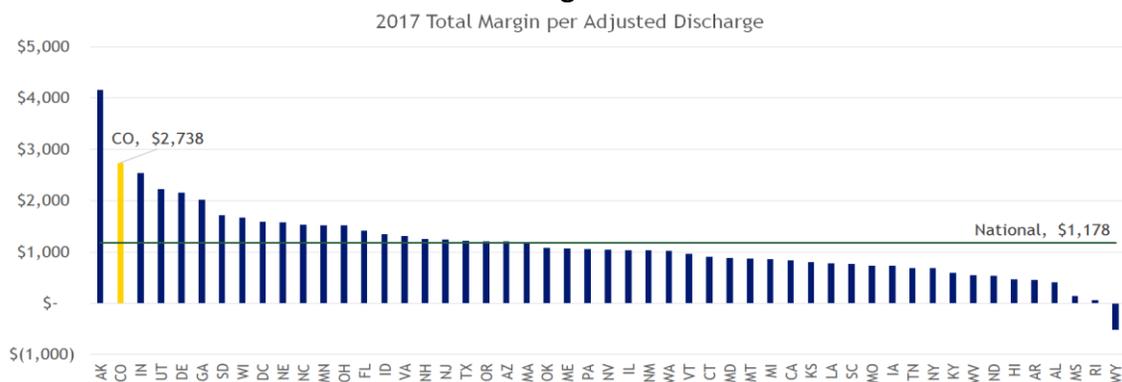
How Will the Public Option Be More Affordable?

The public option will make sure that more premium dollars go toward care. Current federal law requires that a minimum of 80 cents of every dollar collected as premium in the individual market be spent on patient care. The public option plan will increase that requirement to 85 cents, ensuring that more of a person’s premium dollar is going towards their health care. Massachusetts has taken a similar approach by requiring 88 cents of every dollar to go to care in both their combined individual and small group market. The administration is in discussions with the federal government about the increase of the Medical Loss Ratio (MLR) and will update the Legislature as we learn more.

The public option will ensure prescription drug rebates directly benefit consumers. Carriers will be required to ensure that pharmaceutical rebates and all other compensation from prescription drug manufacturers paid to carriers or their PBMs (such as market share allowances, discounts, etc.) are applied to the consumers’ benefit. This means all such compensation must be passed to consumers either through reduced overall premiums or reduced plan design cost shares. This will begin the process of correcting misaligned incentives across the system that reward middlemen for encouraging the use of higher cost drugs.

The public option will create an inpatient and outpatient hospital reimbursement fee schedule that results in savings as well as a more reasonable prices for consumers and soon small and medium employers.⁹ The main reason health insurance is so expensive is that health care itself is expensive. This is particularly true when looking at hospital prices. Hospital expenses are the largest component of health care premiums, representing between 40-50 percent of insurance premium rates.¹⁰ Colorado has some of the highest hospital prices in the nation. We rank 4th for highest administrative expenses, 2nd highest for hospital construction, and 2nd for the highest profits, according to reports filed by hospitals with the federal government.¹¹ As you can see in this chart, Colorado is surpassed only by Alaska in total margins, reflecting the excess of revenues, both patient and nonpatient related, over total operating costs.¹²

Image 5.



⁹ Effective January 1, 2016, Colorado State law defines ‘small employer’ as an employer with up to 100 employees (C.R.S. 10-16-102(61)(b)); however, many consider employers with over 50 employees as medium sized. Therefore, we reference small and medium employers here.

¹⁰ Appendix I, Wakely Actuarial Report.

¹¹ Medicare Cost Reports, data extracted by the Department of Health Care Policy & Financing in 2019

¹² Medicare Cost Reports, data extracted by the Department of Health Care Policy & Financing in 2019.

Further, hospitals spend on average only 54 cents of every dollar on patient care, based on a report released by the Colorado Hospital Association.¹³ Hospitals have an opportunity to improve affordability by increasing efficiency and the amount of money actually spent on care related activities.

This is in part because hospital reimbursement rates are set through private, individual negotiations with health insurance carriers. Hospitals have significant power in these negotiations, particularly because of their size and market share due to the increase in hospital mergers and acquisitions in Colorado over the last several years and regional monopolies and oligopolies.¹⁴ This contributes to price increases as carriers fail to control hospital reimbursements, which ultimately impact premiums or cost shares paid by consumers. The nation’s five largest insurance carriers - all serving Colorado - have failed to prevent Colorado’s hospital prices from reaching some of the highest levels across the country.¹⁵ The public option intervenes to address this problem - bringing affordability first to Coloradans who purchase their own insurance, and soon to small and medium sized businesses.

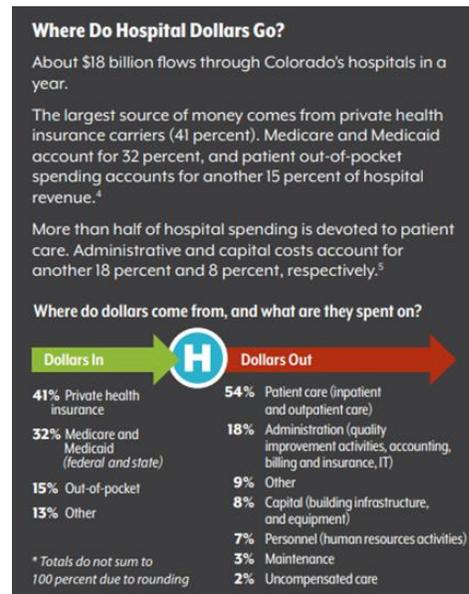


Image 6

We are proposing that the amount a hospital be reimbursed for services to patients covered by the public option be set by a **clear, public, and transparent formula**.

This formula will take into account important variables that reflect the diversity of Colorado hospitals, and will be applied on a hospital-by-hospital basis, resulting in reimbursement rates that can be expressed as a percentage of Medicare, just as reimbursement rates from private carriers can also be expressed as a percentage of Medicare. This will help improve efficiency across the state, and reduce the wild variation in prices across the state, while reining in exorbitant prices, creating savings that can be passed on to Coloradans.

Free-standing Psychiatric Hospitals, Institutions for Mental Disease (IMD), Acute Long Term Hospitals, and those hospitals licensed or certified as rehabilitation hospitals will be excluded from this formula.

The reimbursement formula will be set through a diligent and careful process. This recommendation outlines a structure for how hospital reimbursement rates should be set, and recommends that additional work be completed to ensure the methodology will appropriately

¹³ Colorado Hospital Association & Colorado Health Institute (undated). Affordability In Colorado: Answers About Health Care Costs. Available from <https://cha.com/wp-content/uploads/2018/12/Affordability-in-Colorado-Report.pdf>.

¹⁴ Ingold, J. (2017, July 4). In Colorado’s drumbeat of medical mergers, rural hospitals often trade independence for better care. The Denver Post. Available from <https://www.denverpost.com/2017/07/04/colorado-rural-hospitals-merge-with-big-city-health-economic-concerns/>.

¹⁵ White, C. & Whaley, C. (2019). Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely: Findings from an Employer-Led Transparency Initiative. Santa Monica, CA: RAND Corporation. Available from https://www.rand.org/pubs/research_reports/RR3033.html.

reduce prices while promoting the financial sustainability of our rural, critical-access and independent hospitals. We have initiated work with experts at Johns Hopkins University who are providing technical assistance in developing methodologies for implementation of the formula.

In our draft report, we proposed setting the benchmark between 175 percent and 225 percent of Medicare. In this final report, we are proposing that reimbursement rates be determined by a clear, public, and transparent formula, which may very well fall in that range, but importantly, will be applied on a hospital-by-hospital basis to incentivize efficiency and results.

This is because we recognize that averages do not tell the whole story, particularly in our state. For example, a rural hospital on the Eastern Plains has a profoundly different business model than larger health systems on the Front Range, which are among the most profitable hospital systems in the state.¹⁶ Many critical access hospitals throughout our state have thin margins, which limit their ability to evolve their services and capabilities in this dynamic health care ecosystem. Similarly our independent hospitals are lifelines to their communities, with missions tied to their independence.

Our goal is to reduce prices where possible, while solidifying the financial sustainability and health of providers, and so a one-size-fits-all approach simply does not fit. That is why we are proposing that we develop a public and transparent formula that takes into account numerous variables and adjusts the rate accordingly to drive market prices toward a more reasonable range over time. This latter point is critical. Hospitals represent the largest part of the health care system; a multi-year approach to achieving more rational market prices will enable the industry to properly plan and adapt.

The reimbursement formula will factor in variables like:

- a hospital's payer mix (how many of its patients are covered by Medicaid, Medicare, commercial insurance, or are uninsured)
- whether the hospital is critical access, rural, urban independent, or part of a larger system
- patient margins, total margins (which take into account investment income and other earnings), and accumulated earnings over time
- administrative expenses compared to national norms

Over the next few months, we will be considering other value-based payment models to drive behaviors that support affordability or increase investments in areas of underserved and needed care.

In addition, HCPF and DOI will conduct in-depth actuarial, cost, and margin analysis, including price modeling on unique hospitals such as critical access hospitals or independents like Denver

¹⁶ Baumgarten, A. (2019, Sept. 12). Colorado Hospitals Post Record Profits; Health Insurers are Profitable Again, Add Members. Available from <https://allanbaumgarten.com/colorado/>.

Health, Boulder Community Health, Grand Junction Community, and Parkview Medical Center to ensure that we have fully accounted for the diversity of all of our hospitals in our methods.¹⁷ Ultimately, the model will address the burdens imposed by high prices charged by some of the Front Range and mountain area hospitals, protect our independent hospitals, and help our rural and critical-access hospitals thrive. This additional analysis is expected to be finalized by early February.

This revised model allows us to achieve these goals, and it reflects stakeholder feedback that emphasized the need to put downward pressure on prices while protecting our state’s more vulnerable hospitals. This process will give us the ability to test our assumptions in partnership with our stakeholders, and avoid unintended consequences that can be identified with further analysis. Further, this process will ensure that we provide significant advance notice of the established reimbursements to allow hospitals to thoughtfully forecast the financial impact, plan, and adapt.¹⁸

We are collaborating with rural and critical access hospitals and their representatives to ensure their financial sustainability through the public option. More than 150 rural hospitals have closed across the country since 2005, according to a recent report by the Cecil G. Sheps Center for Health Services Research.¹⁹ Effectively battling this trend — and helping our rural and critical hospitals thrive — is a key consideration of the public option.

To achieve this goal, we have had numerous meetings and discussions with rural and critical access hospital leadership to better understand their challenges and to address them through the public option. Ensuring sustainability for rural and critical-access hospitals is and will continue to be a priority as we develop the reimbursement formula.

Further, the public plan design is being integrated into other state efforts that intentionally and thoughtfully boost the financial sustainability of rural hospitals. For example, HCPF is establishing a \$12 million Hospital Transformation Rural Support Fund to provide funding for rural and critical access hospitals to hire actuaries and consultants to model and implement new value-based payment methodologies; help with strategic planning to meet the emerging needs of rural communities, including their growing population of older Coloradans; secure federal and other grants; and more. The public option will work in alignment with this and many other strategies to craft solutions that help rural providers thrive, and firmly buck the national trend of rural hospital closings.

¹⁷ This includes independent urban hospitals, defined as a general hospital within an urban county not owned or operated by a health care system.

¹⁸ In the interim, we have provided an attachment of all Colorado hospitals and the variables noted above, with the exception of “accumulated earnings over time”, which is in process. Further, HB1001, Hospital Transparency, was passed into law during the 2019 legislative session. Through that legislation and the approved rules, seven years of financial information on Colorado hospitals will be provided to HCPF in January 2020.

¹⁹ The Cecil G. Sheps Center for Health Services Research, University of North Carolina (undated). 161 Rural Hospital Closures: January 2005 - Present (119 since 2010). Available at <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>.

How Will the Advisory Board Work?

The Advisory Board will ensure that stakeholder voices continue to inform the ongoing evolution of the public option. The Advisory Board will help continue and maximize the stakeholder talent, insights, and experience that helped craft and refine this public option recommendation, propelling the public option's long term, collaborative success. It is our recommendation that the Advisory Board be established at the DOI in a similar structure as the Primary Care Collaborative established in HB 19-1233.

The Board will advise on significant policy issues throughout the implementation of the public option, including benefits, affordability, cost control methodologies, value-based innovation, plan rates, out-of-pocket costs, and the development of quality metrics. It will ensure that the public option meets its intended goals of increasing access to high-quality, affordable coverage, and will consider how the public option can further promote affordability across the health insurance market.

We recommend that the Board benefit from a wide variety of viewpoints and reflect the diversity of the state. That will ensure that the most important constituents — Coloradans — are well-represented. We also recommend that the Board include a strong focus on diversity of consumers, specifically those who the data show have the highest barriers to accessing affordable, high-quality health care due to income, geographic location, language, race/ethnicity, sexual orientation, gender identity, or disability status.²⁰

For example, it is vital that we recognize that health care markets operate very differently in the Front Range than in many of our rural communities. As such, we need to structure the Advisory Board to grapple with these important differences perhaps through efforts like a Rural Advisory Subcommittee, or other steps. Indeed, our rural communities, rural hospitals, critical access hospitals and frontier communities have unique needs, and such needs must be uniquely addressed.

How Will the Public Option Fit In With Other Health Care Initiatives?

The public option will advance primary care in Colorado. At the same time the public option is being developed, Colorado is embarking on a process to build a modernized primary care system. The Primary Care Collaborative, created by the Legislature in 2019, will support the growth of advanced primary care practices in Colorado by ensuring that the part of the health care system that focuses on keeping people healthy to begin with has the resources it needs. The public option will align with this work by utilizing payment structures that manage chronic conditions, coordinate across providers, and support the physical and emotional health and wellbeing of all enrollees.

²⁰ National Academies of Sciences, Engineering, and Medicine; Health and Medicine Division; Board on Population Health and Public Health Practice; Committee on Community-Based Solutions to Promote Health Equity in the United States; Baciu A, Negussie Y, Geller A, et al., editors. (2017, Jan. 11). *Communities in Action: Pathways to Health Equity.*, *The State of Health Disparities in the United States*. Washington, D.C.: National Academies Press. Available from: <https://www.ncbi.nlm.nih.gov/books/NBK425844/>.

The public option will leverage value-based payments and innovative delivery models that more effectively control costs. HCPF and DOI are continually working to drive health care innovation, reduce prices, and improve quality and outcomes. The public option will align with this work, particularly when doing so can promote sustainability for rural and critical access hospitals.

For example, HCPF is developing a model, in partnership with hospitals, to promote “Centers of Excellence” or “CoE,” which are concentrations of expertise and resources that support consolidated, interdisciplinary care. In rural areas, CoE is intended to help increase access to care by expanding coordinated services offered, which also propels sustainability. In areas of excess capacity and price variation, CoE can increase patient volume at the higher quality, lower cost sites, while reducing utilization of the higher cost, lower quality sites. In short, insurance premiums go down, patient outcomes improve, and hospitals that perform better grow their business. HCPF and DOI will collaborate with a variety of stakeholders to craft quality target metrics each year and related value-based payments that create the right incentives across the health care system.

The public option builds on reinsurance savings. In the 2019 Legislative session, lawmakers passed HB 19-1168, establishing a two-year reinsurance program for plan years 2020 and 2021. For 2020, the program reduced premiums 20.2 percent on average in the individual market. The State may choose to further extend the reinsurance program beyond 2021. While the public option is anticipated to go into effect in 2022, the federal waivers for both programs will take each other into account.

While no one thinks they are paying too little for health insurance, some stakeholders have asked if individual consumers need further savings through a public option, given the favorable reinsurance impact. Given that the cumulative family premium increases over the last four years on the Individual market totaled more than 80 percent (2009: \$11,952 compared to 2017: \$19,339), it is important that we continue to bring affordability solutions to Coloradans who purchase insurance in the individual market.

How Will This Impact Costs for Employers?

Special efforts will be undertaken to monitor and prevent cost shifting. Some stakeholders voiced a fear of cost shifting by hospitals onto the small and large group markets, if lower rates were established for the public option. This is because while empirical evidence in economic studies show that there is little or no relationship between the rates charges to private carriers and what hospitals receive from Medicare and Medicaid, it is superficially thought that those programs reimburse below cost, and hospitals recover that difference through increased negotiated rates with private insurance.

While this issue is raised whenever there are attempts to improve health care markets, it is important to recognize a few things. First, HB19-1004 calls for the public option to respond to both the individual and small group markets, and this report outlines a pathway to enter the

small group market as soon as possible, which helps prevent cost shifting and helps small and mid-sized businesses save money on health care.

Second, the initial impact to hospitals — over the first few years — will be quite measured. The individual market only serves about 7 percent of the state’s population at the time of this report. The transition of membership into the public option will be gradual as will the transition of reimbursement rates to the ultimate targets.

Further, by creating a public and transparent formula, employers will have an additional model to utilize in their negotiated rates. We believe that this offers employers a new tool to decrease costs.

It is important that concerns about cost shifting do not prevent us from spearheading meaningful change. In some cases where the concern is legitimate, we have policy tools to address it. But often cost shifting is raised as a way to stall efforts to disrupt the status quo — even when doing so will benefit Coloradans. We must recognize that cost shifting only happens if we let it. We invite hospitals and carriers to work intentionally and methodically to avoid cost shifting. They have partners in HCPF and DOI in doing so.

The Insurance Commissioner has additional tools to prevent cost-shifting. By publishing the public option rates, we are giving carriers, employers, business associations, and communities an important data point in their negotiations. For example, we expect that efforts like the Peak Health Alliance and other purchasing cooperatives will use this information to help lower their costs too.²¹

However, if we see cost-shifting as a result of the public option, the Commissioner has the authority to intervene. HB19-1233 provides new authority for the Commissioner to analyze the total underlying costs of care. In doing so, DOI will be able to better assess and respond to any cost-shifting attempts.

How Will This Impact the State Budget?

The public option will not put the State budget at risk. Insurance companies - not the State - will bear the risk for the payment of health claims, as they currently do in the existing Individual market.²²

The public option will require minimal State funding. It will cost about \$750,000 to launch over two fiscal years, and then less than \$1 million annually for agencies to oversee and manage the public option -- a tiny fraction of the projected savings for consumers. The public option does not require the State of Colorado to cover any costs of care, unless the Legislature specifically

²¹ Tozzi, J. & Recht. H. (2019, June 21). Colorado’s Ski Towns Could Fix the High Cost of American Health Care. Bloomberg. Available from <https://www.bloomberg.com/graphics/2019-colorado-new-healthcare-cost-plan/>.

²² Insurance carriers in Colorado are required to maintain financial reserves to ensure that all claims can be paid; their financial strength and reserve adequacy is audited and monitored by the DOI.

chooses to fund new benefits above and beyond the required Essential Health Benefits and the benefits covered by the State's benchmark plan. Minor additional funding may be required to complete the State's application for a 1332 waiver related to the public option.

Why is Medicaid Buy-In an Alternative?

Building the public option as a public private partnership is an innovative path to universal coverage. Some stakeholders suggested that the public option be built upon Medicaid's infrastructure. Specifically, it was suggested that HCPF should expand and evolve its infrastructure to administer the public option in addition to Medicaid, the Child Health Plan Plus (CHP+) program, and other safety net programs. HCPF and DOI did consider this opportunity, but ultimately decided not to pursue it at this stage because of the unique benefits of the innovative public-private partnership model.

However, building upon the strengths of our Medicaid program is a viable path forward towards universal coverage, if this recommended plan is not implemented. Indeed, HB19-1176's Health Care Cost Savings Analysis Task Force, initiated last month, could logically consider this as a back-up option. There are about 13 other states also considering some form of a Medicaid buy-in that we can learn from if this plan does not garner the required support.

The recommended approach reduces financial risks to the state budget. For HCPF to administer the State plan, the State would have to fund the start up expenses, the initial and growing reserves associated with a health plan and bear the financial risk associated with the evolving public option. This may challenge the annual State budgeting process.

What is the Role of the Division of Insurance?

DOI will maintain regulatory authority. As the primary agency responsible for regulating the private health insurance market in Colorado, DOI will continue to approve rates and plan designs of carriers and plans, including public option plans. DOI will be responsible for ensuring that the public option plans meet the benefits and rate requirements of Colorado law and regulation, while protecting the interests of consumers.

DOI currently reviews the rates that health insurance plans wish to charge on the individual market to ensure that they are justified based on the cost of providing health care and other factors. We recommend that DOI, as part of the rate review process discussed above, ensure that public option plans are complying with the established payment benchmarks - by hospital - to ensure program compliance as well as the affordability benchmark. Further, DOI will publicly report annually on and act to prevent any cost-shift through the rate review process, including cost-shifting to the large group market. This provider behavior can then be addressed through the affordability standards rulemaking process as defined in HB 19-1233.

What is the Role of the Department of Health Care Policy and Financing?

HCPF will partner with DOI to chart the goals, operational requirements, plan designs, reimbursement benchmarks, reporting and monitoring of the public option. Commercial insurers will be empowered to administer the public option.

In addition, HCPF can partner with the public option to leverage its membership volume, expertise, and resources to impact Colorado's emerging best practices in cost control strategy, alternate payment methodologies, delivery system influence, rural insights, evolving transparency reporting, and technology innovations. The public option will also benefit from HCPF expertise and best practices in hospital performance reporting, as well as claim and utilization analytics that identify carrier inefficiencies and gaps to best practices, driving carrier accountability and lower premiums to the benefit of consumers. Ultimately, this partnership between HCPF, especially Medicaid, and the public option is intended to benefit the public option, employers and all Coloradans.

What is the Role of Connect for Health Colorado?

Connect For Health will utilize its infrastructure for enrollment. Because the public option will be sold as a QHP in the individual market, Connect for Health Colorado will play a pivotal role in connecting Coloradans to the public option. Leveraging Connect for Health Colorado for eligibility and enrollment makes the best use of the state's existing marketplace, an established and known distribution channel for affordable health coverage in the state. By offering the public option, Connect for Health Colorado will further the original purpose in creating a state-based exchange – to fit the unique needs of Colorado, seek Colorado-specific solutions, and explore the maximum number of options available to the state of Colorado.

Offering the public option through Connect for Health Colorado enables the State to use the consumer-friendly shopping platform already established. Additionally, Connect for Health Colorado can more easily and quickly adapt to support the initial rollout of the public option and any future improvements to the program. Importantly, using Connect for Health Colorado ensures that those Coloradans who qualify for federal tax subsidies and cost-sharing assistance can continue to access those affordability programs.

Connect for Health will conduct outreach and marketing. Connect for Health Colorado has a State and federal mission to conduct outreach and assistance to consumers – efforts that continue throughout the year. Connect for Health Colorado works to encourage active shopping to ensure customers are finding the best coverage options available for their needs. Adding the public option to the products on the marketplace will provide the Marketplace a new opportunity to offer consumers a plan that is more affordable and designed with them in mind.

Connect for Health Colorado's outreach is achieved via multiple channels. Connect for Health Colorado partners with trusted community-based organizations to raise awareness, encourage enrollment and answer questions – an effort that includes over 400 assisters, 600 brokers, and

176 partner organizations. During Open Enrollment, Connect for Health Colorado deploys a paid and earned media plan to amplify these messages online, in the news, and via social media.

The public option will be a core element of this outreach and marketing effort, highlighting both the affordability and the new choices in current single-carrier counties. Individuals shopping for coverage on Connect for Health will be able to identify the public option plans through co-branding that includes both the brand of the public option and the carrier's brand. Licensed brokers will be eligible to be paid under the public option for their services, providing valuable guidance to consumers through the purchasing process.

Will Hospitals and Carriers Be Required to Participate?

The public option will ensure access and network adequacy. A key concern with all policies that focus on coverage affordability is ensuring a robust network of providers willing to participate. There are limited numbers of providers in certain parts of the state, and if those providers choose not to participate in the public option, the insurance carrier administering the public option may not be able to offer a product.

A successful public option will require that all stakeholders come to the table to do their part to deliver affordable health care to Coloradans. We are hopeful that providers will recognize their important role and partner with carriers to ensure adequate networks. However, if there are areas where networks are not adequate, the State could implement measures to ensure that health systems participate and provide cost effective, quality care to covered individuals. HCPF and DOI seek an open dialogue with providers and carriers in order to achieve this goal. We believe that our formula which recognizes the unique needs of independent, rural, and critical access hospitals should significantly reduce the risk of hospital disengagement.

The public option will increase statewide access and competition. Insurance carriers are a key component of the public option plan. Further, HB19-1004 instructs HCPF and DOI to consider how to increase competition through the public option. Our goal is to ensure that the public option is available statewide, and that each county has at least two carriers to ensure consumer choice as well as the competition among carriers that is necessary to drive down insurance premiums.

In the draft proposal, we recommended carriers over a certain market share be required to offer the public option. After considering stakeholder feedback, our final report recommends carriers operating in the individual market will be required to offer the public option alongside their other offerings. If the public option is available statewide and there are at least two carriers in every county, we do not believe any further action needs to be taken.

But, if this goal is not achieved, we recommend that the Commissioner be given the authority to ensure at least two carriers offer the public option in single-carrier counties. We recognize that not all carriers (for example, Denver Health) are in a position to cover all areas of the state.

Such carrier limitations will also be considered as the Commissioner decides how to best respond if there are not at least two carriers competing in each county, each year. Ultimately, the public option will increase competition between plans and provide greater choice to more Coloradans.

What Other Policy Considerations Influenced This Report?

The public option considers affordability standards. The authorizing legislation instructs us to determine a definition of affordability to guide the development and implementation of the option. Our affordability considerations included the following:

- Total out-of-pocket costs, including premiums, co-pays, co-insurance, deductibles, and out-of-pocket-maximums in the product.
- Ability to be purchased without sacrificing other budgetary priorities required for basic self-sufficiency taking into account family size, location, income level or degree of illness.

While this affordability standard acknowledges the broad goals of accessible coverage for all Coloradans, it is important to note that meeting this standard may ultimately require reliance on a variety of new funding sources such as federal waiver dollars, State funds, or other levers to realize cost savings for consumers.

The affordability standard above will align with the Division of Insurance’s affordability standards as described in HB19-1233 and developed through rulemaking throughout 2019-2020.

The public option will expand to the small group market. The cost of health insurance for small and medium-sized businesses continues to rise at unsustainable rates, placing a burden on small businesses and their employees, and reducing the number of small businesses that offer benefits. According to a recent survey administered by the Grand Junction Chamber of Commerce, 32 percent of employers do not offer health insurance coverage to their employees, and 10 percent have had to drop coverage in the last year or are considering dropping coverage.²³

While we believe the public option should be available for the small group market, we also believe it is prudent to expand the public option into the small group market after it is successfully implemented in the individual market. Fortunately, employees of businesses of any size that don’t offer health insurance will be able to purchase the public option plan sooner on the individual market regardless of income or geography. We anticipate similar carrier participation requirements that we are recommending for the individual market will also apply to the small group market as we expand into it.

²³ Grand Junction Area Chamber of Commerce (2019). 2019 Health Care Survey of Businesses. Available from <https://www.surveymonkey.com/results/SM-VLYGY93J7/>.

We also recommend allowing employers who are self-funded, preferring stop-loss protection to traditional insurance, to opt-in to the public option. This would enable them to retain the advantages of self-funding, while benefiting from the public option affordability measures. Given that carriers are administering the public option, this alternative can be readily accommodated to the benefit of all small employers and their employees.

The public option focuses on vulnerable populations. The individual insurance market is structured to ensure that all who need coverage are able to purchase a plan they can trust and can use to access coverage. However, certain populations still have challenges getting the care they need. The public option will support these groups as they seek to enroll in coverage, including low-income Coloradans, individuals with chronic diseases, persons with limited English proficiency and families with children on Child Health Plan Plus. Connect for Health Colorado's consumer assistance staff will be available to answer questions and help Coloradans navigate their coverage.

The public option will have comprehensive benefits to help patients with chronic diseases manage their care - building a more comprehensive primary care system to support the needs of patients. The public option will also recognize that as personal circumstances change, so too do coverage needs. As Coloradans move between programs, the public option will support continuity of care and the needs of Coloradans as they work to get and stay healthy.

The public option will reduce the number of uninsured and underinsured, resulting in increased coverage and reduced uncompensated care to the benefit of providers. Some stakeholders were concerned that the public option does not address the needs of the uninsured. On the contrary, it is designed to do just that.

Currently, one of the biggest reasons Coloradans are uninsured is because of the cost of insurance. Many people receive financial assistance to purchase insurance: lower income individuals have access to Medicaid, and those over 65 have access to Medicare. Employers that offer health insurance often contribute to some or all of the employee's premium. Individuals who don't qualify for Medicaid but make less than 400 percent of the federal poverty level (FPL) may be eligible to receive financial assistance through Connect for Health Colorado and federal subsidies.

Still, we have a major affordability gap for people seeking to buy health insurance on the individual market. The public option is in part crafted to lower the percent of income required to pay for individual insurance premiums for those who are not eligible for federal subsidies or financial support (earning over 400 percent of the FPL).

But we also recognize that those below 400 percent of the FPL continue to struggle to afford health insurance. In fact, the uninsured rate for portions of that population exceeds 11 percent

according to the most recent CHAS report.²⁴ Even those who can afford premiums often go without care because of high deductibles and out-of-pocket costs. As explained in more detail below, we recommend that we apply for a 1332 waiver as part of the public option program in part to target more help for that portion of the population.

Does This Proposal Require a Federal 1332 Waiver?

A 1332 waiver would result in additional cost savings, but is not necessary in order to implement the recommendation. In order to maximize affordability for Coloradans, DOI and HCPF recommend applying for a 1332 waiver to draw down federal savings that would otherwise be spent on tax credits for higher-premium QHPs absent the lower-cost public option. The lower-cost public option will reduce the amount the federal government spends on tax credits. If a state mechanism results in lower federal spending, those savings can be drawn down to the State through a 1332 waiver. Colorado took advantage of this option for its reinsurance program as well.

Colorado could then utilize these federal dollars for a variety of options that will have direct, positive impact such as:

- Lowering deductibles and out-of-pocket costs;
- Funding additional plan high-value benefits, such as dental coverage; or
- Increasing premium subsidies available to consumers.

It is our strong recommendation that upwards of 80-90% of waiver funds be applied to benefit the subsidized population. According to the most recent CHAS report, the uninsured rate in the population eligible for subsidies reaches as high as 11.8%. Stakeholders urged us to recognize that the pass through funding could be utilized to target that population to help address that problem.

As such, we recommend most of the waiver funds be directed to this population. One option includes increasing cost-sharing reductions for those between 200 and 250 percent of FPL and extending new cost-sharing reductions to the 250 and 400 percent of FPL.²⁵ Maximizing federal dollars will benefit subsidized consumers who are still struggling with high deductibles and out-of-pocket costs.

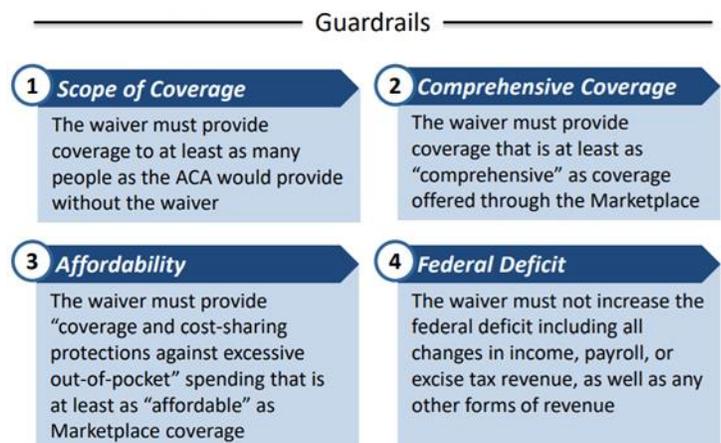


Image 7

²⁴ Colorado Health Institute (2019). 2019 Colorado Health Access Survey: Progress in Peril. Available from The CHAS Launch Powerpoint at coloradohealthinstitute.org/research/CHAS.

²⁵ Appendix I, Wakely Actuarial Report

With any remaining funds, we recommend applying it to additional rate decreases or to help with out of pocket costs for middle-class consumers above the current subsidy cliff. Alternatively, some remaining funds could potentially be utilized to fund enrollment assistance to help everyone in the individual market find coverage.

We estimate that Colorado will receive approximately \$89 million. The attached actuarial report (Appendix I) shows initial modeling for various uses of the federal dollars. Over the coming months, we will perform more modeling for the legislature's review.

What Legislation is Required to Implement the Public Option?

HB19-1004 gave HCPF and DOI the broad ability to implement a proposal for a public option. However, it is likely that the General Assembly will need to make adjustments to existing statutory authority in this upcoming legislative session to successfully implement key pieces of this proposal, including provider and carrier participation, hospital reimbursements, plan standardization, and potentially medical loss ratio adjustments and the advisory board.

We look forward to partnering closely with state legislators and the broader stakeholder community to ensure the public option proposal's success.

Timeline for Next Steps

The Administration acknowledges the need for continued robust stakeholder engagement throughout the coming years in order to implement the most effective, cost-savings public option possible for consumers -- and subsequently, for small businesses. Expected next steps are as follows.

Fall 2019

- Support legislators in developing legislation necessary to implement the public option
- Initiate actuarial analysis needed for the 1332 waiver process

Winter-Spring 2020

- Finalize Hospital Reimbursement formula
- Prepare 1332 waiver for submission
- Support legislative efforts to implement public option
- Engage stakeholders in benefit design process

Fall 2020

- Continue benefit design process
- Establish the public option Advisory Board

Winter 2021

- Submit federal 1332 waiver to the federal government
- Initiate rulemaking process for plan designs and cost-savings approaches

Spring- Summer 2021

- Carriers submit public option plans and rates for 2022 to DOI for review
- DOI completes review of public option plans and rates

Fall 2021

- Release public option plans and rates
- Begin Open Enrollment for 2022 on Connect for Health Colorado

January 2022

- Begin Public option plans coverage

June 2024

- Submit comprehensive evaluation of the first two years of the public option due to the General Assembly

Conclusion

A public option plan for affordable coverage can be achieved in Colorado through a strategic public-private partnership approach to reducing costs, aligning incentives, designing high-value benefit plans, and ensuring quality access to care for Coloradans.

This plan will use existing infrastructure for coverage - Connect for Health Colorado - and will not require the State to carry risk as a health insurer, relying instead on licensed insurance carriers to administer the plans, hold the financial risk and manage provider contracting.

Key to the plan will be a range of cost saving measures including hospital reimbursements determined by a clear, public, and transparent formula calculated on a hospital-by-hospital basis, innovations in care delivery, and increasing the amount of each premium dollar that is required to be paid out for patient care. Overall, HCPF and DOI will work together for plan administration, creating an advisory board to garner advice from stakeholders.

Throughout implementation and plan administration, the State is committed to working with the provider, carrier, and stakeholder communities across Colorado to move forward with a public option that prioritizes affordability, improves quality care, and saves Coloradans money on health care.