PUBLIC OPTION FOR HEALTH CARE COVERAGE

Presented January 10, 2020 by:

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Agenda

- Review of HB 19-1004
- Overview of the HB 19-1004 Implementation Process
- Overview of the Recommendation
- The Recommendation
  - What's Covered?
  - Who's Covered?
  - Maximizing Collaboration
  - Maximizing Existing Infrastructure
- How Does This Save People Money?
- Why Is This More Affordable?

What was the Impetus for the Recommendation?

Polling repeatedly shows that health care affordability is the #1 issue that Coloradans want their policy-makers on both side of the aisle to address.

The high cost of health care is a major barrier to access.

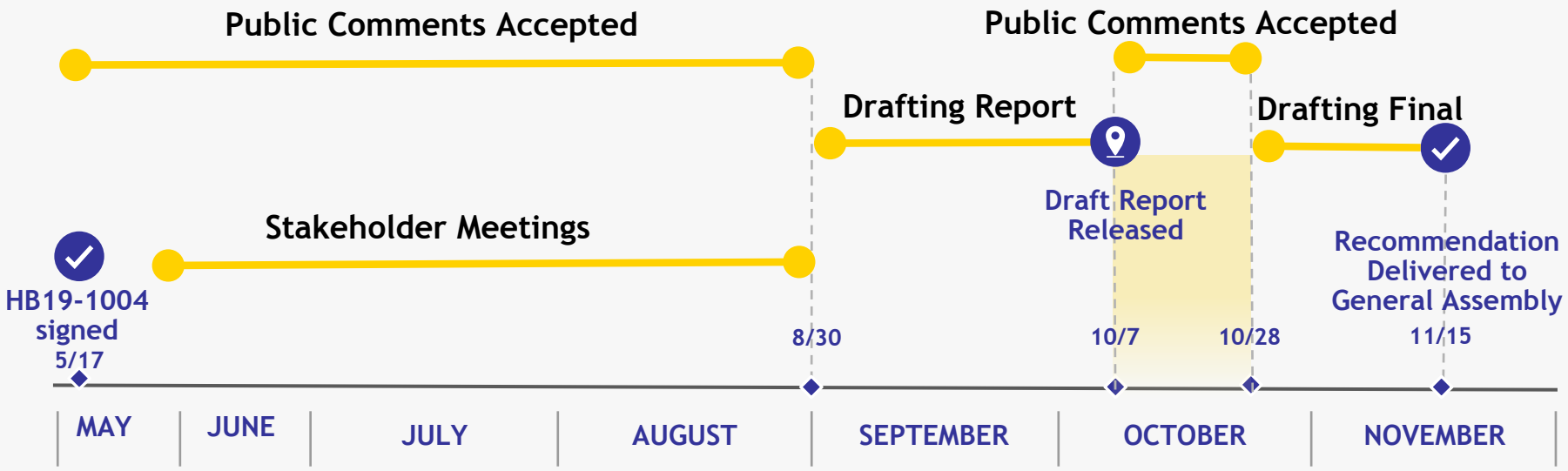
- Nearly **1 in 5 Coloradans** forego needed health care because of the cost.
- **1 in 3 Coloradans** can't afford their prescription drugs.

What Did HB19-1004 Do?

- **HB19-1004, Proposal for Affordable Health Coverage Option, Signed May 17, 2019**
  - Sponsors: Representatives Roberts and Catlin, Senator Donovan
  - Passed 46-17 in House, 19-16 in the Senate

- **What did HCPF and DOI have to consider in the development of the recommendation?**
  - Feasibility and cost of implementing a state option
  - Leveraging existing state health care infrastructure
  - Increasing competition and improving quality
  - Providing stable access to affordable health insurance

Overview of Agency Process: Timeline



Overview of Agency Process: Stakeholders

- **20 English and Spanish statewide public listening sessions**
- The departments received **260 written comments** over 5 months
- Stakeholders had an opportunity to review and comment on a **draft proposal**
- Stakeholders presented options:
  - Colorado Access, Colorado Consumer Health Initiative, Colorado Hospital Association, Colorado Medical Society, AJ Ehrle Health Insurance, Young Invincibles

Cities Visited for Listening Sessions:

Aurora	Alamosa
Boulder	Burlington
Denver (3)	Durango (2)
Edwards	Glenwood Springs
Grand Junction (2)	Greeley
Hugo	Keystone (2)
Pueblo (3)	

What Did We Hear?

"I am having a very difficult time paying for this. I know there are lots of people like me who live in Colorado. I think more choices could bring more competition and help make it more affordable for us." – Liz, El Paso County

The whole health care system is complicated. Option should be available to every individual in the state. Making it available to everyone makes it simple. Simplify the system in order to make it patient-centered.
- Susan, Boulder County

"It's great that our government is finally taking heed to the fact that multitudes are suffering and need help with healthcare costs."
-Kyle, Coloradan

"It will provide a solid basis for leading the US by creating a State Coverage Option for Coloradans to obtain affordable health insurance coverage."
-Evon, Arapahoe County

What Did We Hear?

- Consider all costs, not just premiums
- Reduce the underlying cost of care
- Create a simple system
- Keep the good parts of the health care system that are working
- Be available to all Coloradans
- Promote competition
- Cover the uninsured

The Recommendation

- Create **a more affordable option** alongside current options, which will increase consumer choice and result in at least 2 insurance options in every county.

- Have the option be administered by insurance companies and sold **both on and off** *Connect for Health Colorado,* so consumers can access federal subsidies to reduce their premium cost share

- Set reimbursements at a level that:
  - **protects rural, safety net, and independent hospitals**
  - allows for profitable care delivery

- Establish an Advisory Board to ensure Coloradans' needs are met

This would result in:

- Coloradans across the state saving **save 9-18%+** on individual premiums

- A budget request of $750,00 to start up and $1 million to administer
  There are very low admin costs and no financial risk to the state or taxpayers

What's Covered?

We recommend:

- Including all essential health benefits and standardized benefit plan design.
- Many services be pre-deductible, including preventive care, primary care and behavioral health care.
- The plan utilize value-based payments to reward providers and carriers who achieve quality and pricing targets, as recommended by the Advisory Board.

Who’s Covered?

Initial rollout, effective January 1, 2022:

- Any Colorado resident who seeks to purchase individual coverage

Looking Forward:

- Small group employers

How Does this Save People Money?

The recommendation estimates people will save **9-18%+ savings** on premiums. We recommend first dollar coverage for primary and behavioral health care.

This recommendation addresses and influences affordability, including:

- Insurance premiums paid by the consumer
- Out-of-pocket costs
- Underlying cost of care

We can Save Even More with Federal Approval

Potential federal approval (1332 waiver) can result in significant federal dollars.

80%-90% of these funds are recommended to be applied to support the subsidized population.

Maintaining Collaboration with an Advisory Board

- We recommend the legislature create an Advisory Board composed of diverse stakeholders who will make ongoing recommendations on ways to reduce cost, increase access, and promote quality.

- Members should represent the diversity of the state, especially communities with high barriers to accessing care due to income, geographic location, language, race, sexual orientation, gender identity, age, or disability status.

- There should be a special focus to help rural and critical access hospitals thrive.

Maximizing Existing Infrastructure

- **Licensed insurance carriers:** administer plans, contract with care providers
- **Licensed brokers:** paid commission for services
- **Connect for Health Colorado:** enable access to federal subsidies
- **HCPF and DOI:** chart goals, monitor, and maximize existing public-private functions
- **DOI:** regulatory authority

Why Is this More Affordable?

- Currently, insurance companies are required to spend 80 cents from each premium dollar on patient care, leaving 20 cents left for profits and administration. We recommend increasing the amount spent on patient care to 85 cents. Some states go all the way up to 88 cents spent on patient care for the individual and small group markets.

- Hospital reimbursements set at a more efficient level than today will reduce costs to the consumer. Lawmakers should pay special attention to ensuring sustainability for rural and critical access hospitals.

- Prescription drug manufacturer compensation to carriers should be fully passed through, not retained.

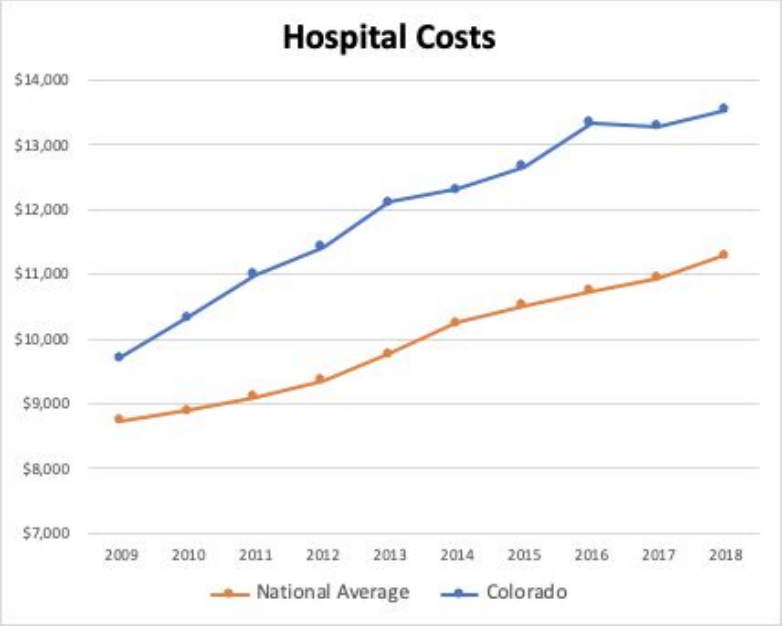
How will Hospitals be Reimbursed?

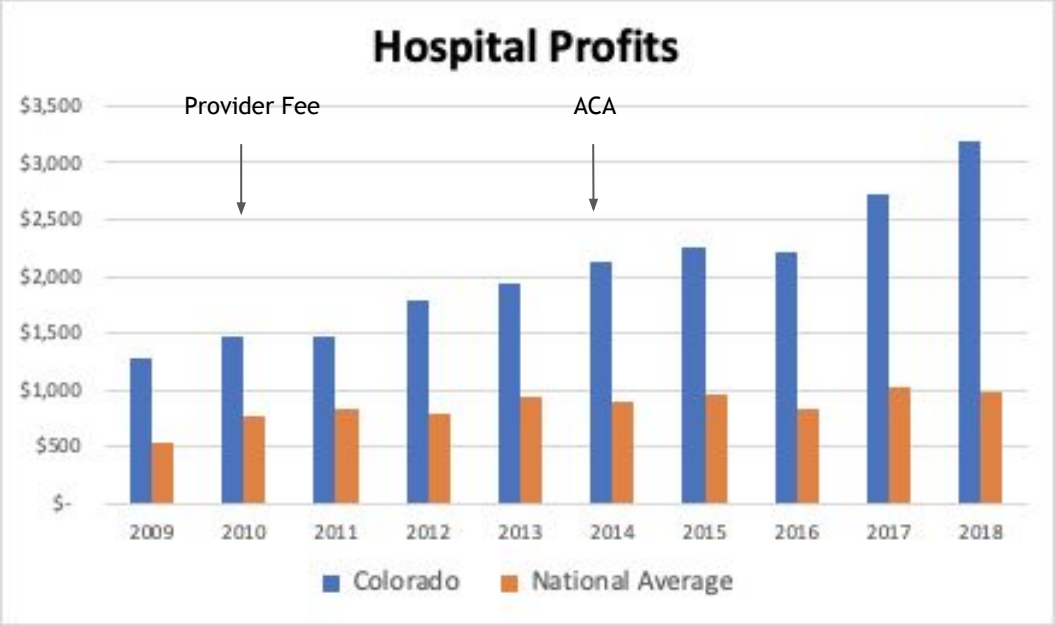
- Each hospital will get a **unique** reimbursement amount, based on the formula, that maintains the ability to be profitable. **We are collaborating with rural and critical access hospitals to ensure their financial sustainability through the public option.**

- Reimbursements will be calculated by factoring in:
  - *Hospital Type* -- rural, safety net, critical access, independent, etc.
  - *Payer Mix* -- Medicare and Medicaid vs commercial
  - *Financial Efficiency* -- administration
  - In the future, the advisory board can recommend incorporating value-based payments

- The draft formula is being modeled right now on actual numbers from Colorado hospitals to ensure no unforeseen consequences. Delivery is mid-February.

Why Establish Hospital Reimbursements?

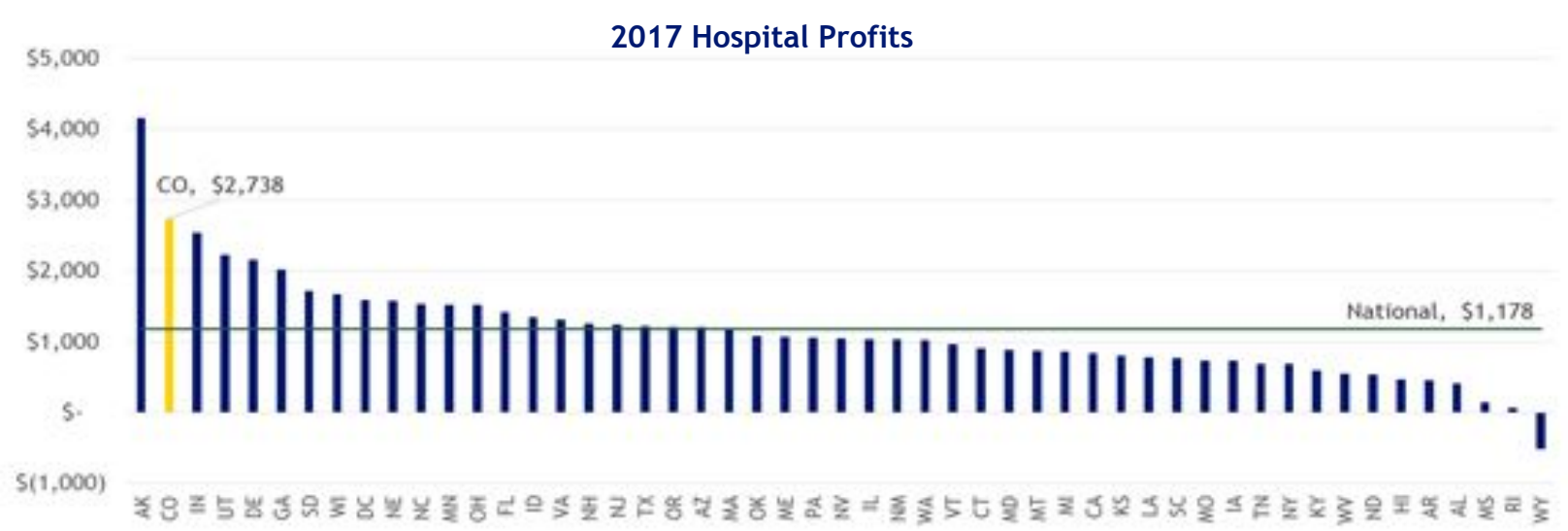




Because the overall Colorado hospital costs and profits are **so much higher** compared to other states, bringing prices closer to the national average -- to a level that covers costs and maintains profits -- saves a **significant** amount of money.

Data for both charts is from the Medicare Cost Reports, data extracted by the Department of Health Care Policy & Financing in 2019.

Why are Hospitals Still Shifting Costs?



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Private insurance payments to hospitals far exceed the shortfall from public payers.[2]

1 Medicare Cost Reports, data extracted by the Department of Health Care Policy & Financing in 2019
2 The Cost Shift Myth, Colorado Health Institute. (https://www.coloradohealthinstitute.org/research/cost-shift-myth)

Tools to Monitor and Prevent Cost Shifting

- HCPF Hospital Transparency
- HCPF Cost Shift Reporting
- DOI Primary Care Affordability Authorities
- DOI Alliances Model

Working Together for Colorado's Future

- We hope to work with the legislature, hospitals, providers, insurance carriers, and consumers to make an affordable option a reality for Coloradans.

- Carriers that already offer individual market plans will be required to offer the public option as well. This spreads the responsibility and maintains competition.

- The state should have a reasonable remedy if:
  - Hospitals refuse patients enrolled in the public option
  - We continue to have single carrier counties that lack competition.

Thank You and Next Steps

- We appreciate the opportunity to offer this recommendation.

- We look forward to supporting you and providing any technical assistance requested as the legislature takes the next steps.