COLORADO OPTION FOR HEALTH CARE COVERAGE

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and **Mike Conway**, Insurance Commissioner, Division of Insurance

Agenda

- Overview of the Process
- Overview of the Proposal
- What's Covered?
- Who's Covered?
- Enhancing Quality
- Maximizing Existing Infrastructure
- Affordability
- Maintaining Engagement
- What We've Achieved
- Timeline
- Feedback Process

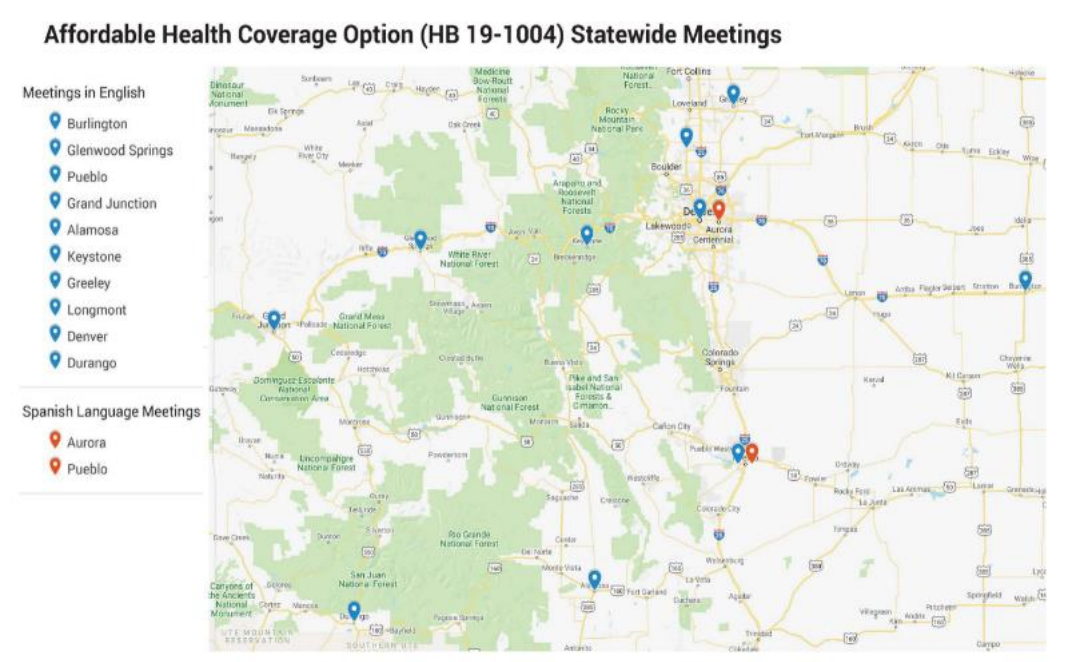
Overview of the Process

Engagement Overview

- 14 statewide public listening sessions
- 42 formal letters received, reviewed
- Significant discussion and thoughtful feedback

Participants who presented ideas:

- Colorado Access
- Colorado Consumer Health Initiative
- Colorado Hospital Association
- Colorado Medical Society
- AJ Ehrle Health Insurance
- Young Invincibles



Key Aspects of the State Option Proposal

- Coloradans across the state are projected to **save 9-18%+** on individual premiums
- Plans will be administered by insurance companies and sold on *Connect for Health Colorado*, so people who receive federal subsidies can use them to buy it
- There are very low admin costs and no financial risk to the state or taxpayers
- Reimbursements will be set by the state at a level that
  - protects rural hospitals
  - allows for profitable care delivery
- An Advisory Board will be established to maximize stakeholder collaboration

What's Covered?

- The plan design will include all essential health benefits
- Standardized benefit plan design
- Many services will be pre-deductible, including preventive care, primary care and behavioral health care

Who's Covered?

Initial rollout, effective Jan. 1, 2022:

- Any Colorado resident who seeks to purchase individual coverage

Looking Forward:

- Small groups
- Evaluate over time whether the state option should be made available to the large group market, based in part on any evidence of cost shift (shifting costs of individual plans to the large group plans).

Enhancing Quality

The State Option will:

- Utilize value-based payments to reward providers who achieve quality and pricing targets

- Incentivize the use of high-quality providers by building high-performing networks

Maximizing Existing Infrastructure To Deliver A Public-Private Partnership

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

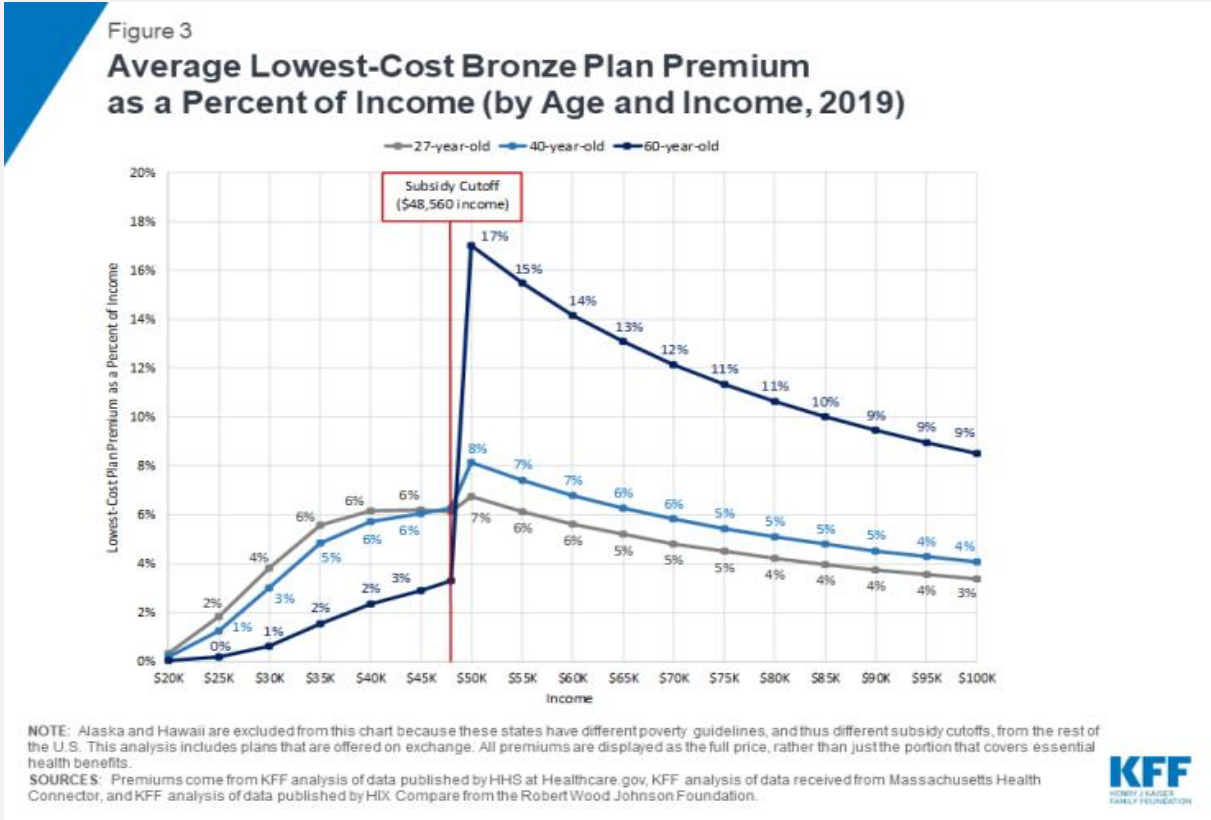
Why Not A Medicaid Buy-In?

- Colorado Medicaid provides services for low-income, disabled and underserved populations → *need to receive full, focused attention*

- Medicaid serves customers in partnership with Federal government; different from private industry, where state option will compete

- In this proposal, carriers take financial risk, not the state budget.

State Option Addresses Middle Class Affordability



People on the individual market who do not qualify for subsidies are the only people who do not receive help with their premiums

The State Option is especially helpful to these individuals

Affordability - What This Includes

The State Option addresses and influences affordability, including:

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

- This proposal estimates people will save **9-18%+ savings** on premiums

Affordability - Savings Achieved by Reducing Costs of Care and Admin Expenses

- Reduces Insurance Carrier MLR to 85%, plus commissions
- Hospital inpatient and outpatient at a more efficient level than today with special attention paid to rural and critical access hospitals to ensure sustainability
- Prescription drug manufacturer compensation to carriers must be fully passed through, not retained

Affordability - We Can Save Even More with Federal Approval

Potential federal approval (1332 waiver) to apply any additional savings to:

- Out-of-pocket costs?
- Additional benefits?
- Expanded tax credits?

Why Set Hospital Reimbursements?

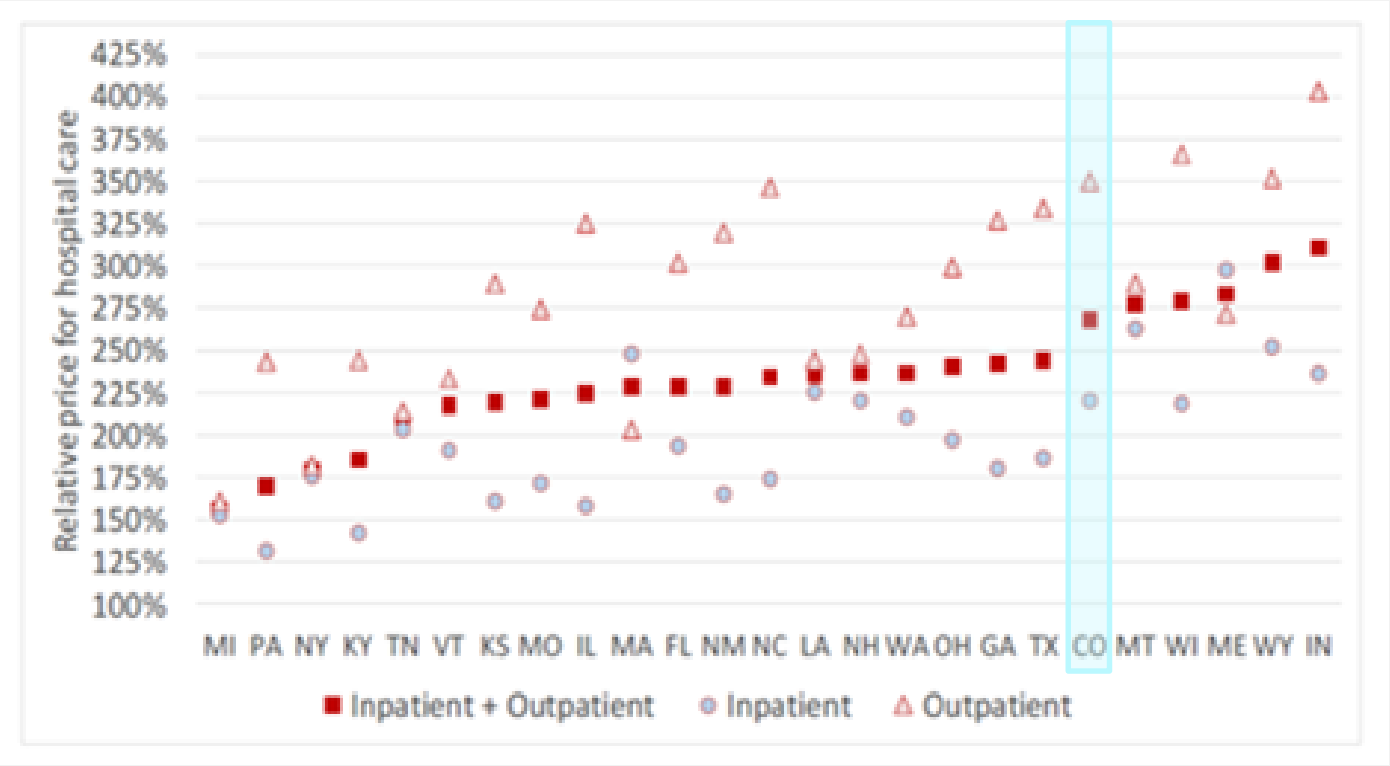
While profits for Denver area hospitals grew by more than 50% in the last two years, **18.1% of Coloradans** reported that they had problems paying medical bills.

That is nearly **1 in 5 residents** of our state.

There Are Big Differences in Prices Statewide

- A recent CIVHC report shows price variations of **>400% across Colorado for the same services**
- There are no state standards for hospital prices
- Stakeholder feedback urged action to reduce prices
- As hospitals have merged, negotiating leverage has increased prices for both people and business

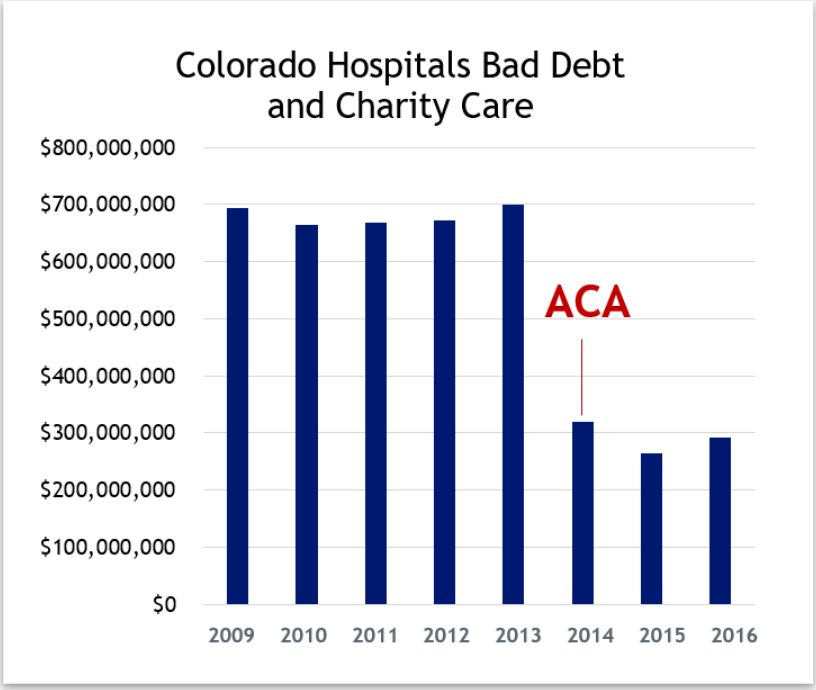
Colorado Hospital Prices are Higher Than the National Average



We should be able to compete better with other states, who have lower costs but still maintain sustainability for hospitals and providers

RAND Corporation, 2019: Prices Paid to Hospitals by Private Health Plans are High Relative to Medicare and Vary Widely

Good News: The ACA Reduced Bad Debt and Charity Care
Bad News: This Hasn't Resulted in Lower Costs



Source: CHASE 2017 Report, CHA DATABANK

Despite charity care going down:

- CO Hospitals' admin costs are increasing at 2x the national rate
- CO ranked in the top three nationally in hospital construction
- Hospital revenues are up 76%
- Hospital margins increased 250%+

According to the Hospital Cost Shift Report, based on the Colorado Hospital Association's Databank, reflecting 2009 to 2017.

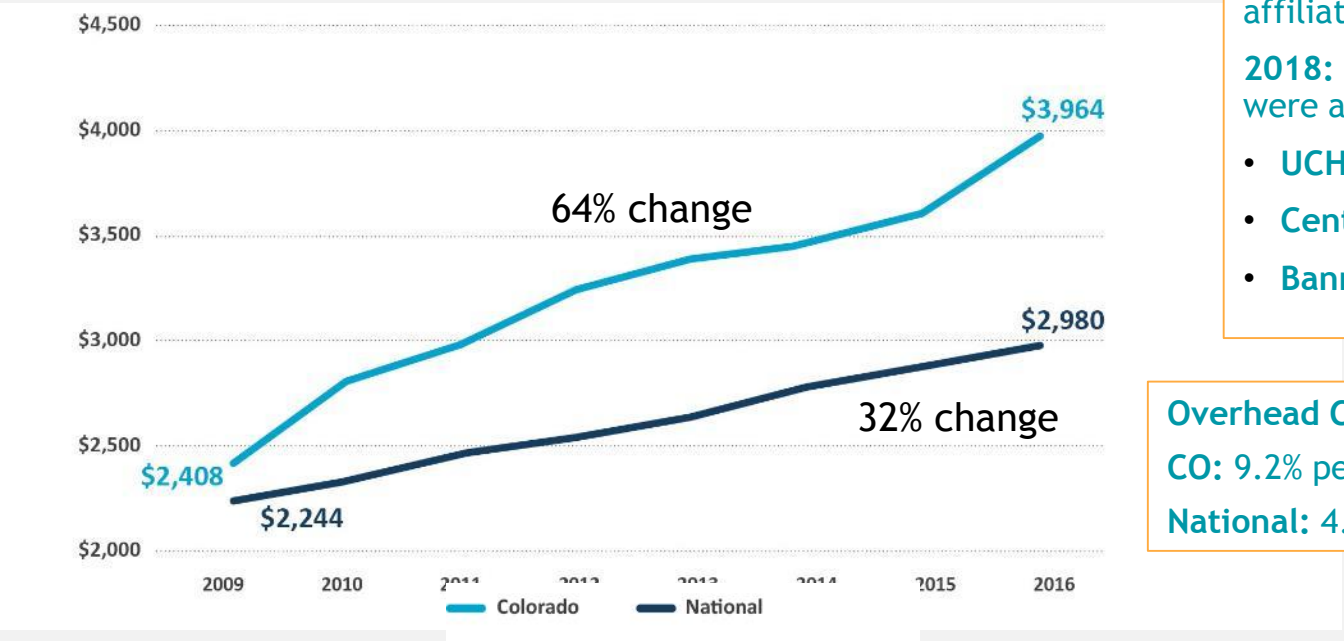
This trend is continuing…

The 2019 Allan Baumgarten Colorado Health Market Review included 27 Denver-area hospitals' profits for 2018. Findings include:

- Hospitals have surpassed $2 billion in profits for the first time in history
- The $2 billion in 2018 profits compares with $1.7 billion in 2017 and $1.3 billion in 2016 — *that's an increase of ~50%+ in 2 years*
- Hospital prices grew 57% faster than the national average
- 2017 Profit Margin: **18.1%** as a percent of net patient revenues
- 2018 Profit Margin: **19.3%** as a percent of net patient revenues

Colorado Hospitals are Not Controlling Administrative Expenses

Growth in Overhead Costs per Adjusted Discharge, 2009-16



2009: Six entities owned or were affiliated with **23 hospitals**.

2018: Seven entities owned or were affiliated with **41 hospitals**.

- **UCHealth** grew from 1 to 10
- **Centura** grew from 10 to 17
- **Banner** grew from 2 to 3

Overhead Cost per Adjusted Discharge:

CO: 9.2% per year over 7 years

National: 4.7% per year over 7 years

Data Source: Centers for Medicare & Medicaid Services Healthcare Cost Report Information System

We have to transform the system together.

This solution helps us do just that.

Every Stakeholder Needs to Do Its Part

- To provide network access, the state may implement measures to ensure health systems participate and provide cost-effective, quality care to covered individuals

- In order to address only one carrier in the individual market in 22 counties, insurance carriers above a certain market share or membership size (TBD) will be required to offer the state option

- Multiple carriers can offer the State Option in the same county and/or rating area

Protecting Employers from Cost Shifting

- Longer term, proposal expands to small group market
- Alliances enable employers and communities to work together to lower costs, improve quality, and address access issues
- By publishing the State Option reimbursements, employers (or chambers, etc.) can negotiate for the same rates (similar to Peak)
- Primary Care bill (HB19-1233) enables DOI to monitor hospital increases on all commercial business to deter cost shift

Maintaining Collaboration with an Advisory Board

- Advisory Board will provide insights, advice to DOI and HCPF

- Board members will include representatives of stakeholder groups (i.e., providers, carriers, employers, consumers, advocates, brokers)

Does This Meet Goals of the Bill?

- ✓ Identify a feasible and cost effective state option
- ✓ Ensure affordability to consumers at various income levels
- ✓ Minimize administrative and financial burden to the State
- ✓ Ease of implementation

More considerations can be found in the legislation:
https://leg.colorado.gov/bills/hb19-1004

We look forward to your feedback.

www.colorado.gov/hcpf/proposal-affordable-health-coverage-option

Email: HCPF_1004AffordableOption@state.co.us

APPENDIX

RAND Report Findings Shows Significant Price Variation Across the State

Hospital name	City	Hospital system or, if independent, IPPS/CAH	Relative price for outpatient services	Relative price for inpatient services	Relative price for IP & OP services
Centura Health-St Thomas More Hospital	Canon City	Catholic Health Initiatives	463%	208%	356%
Community Hospital	Grand Junction	QHR	409%	302%	360%
Platte Valley Medical Center	Brighton	SCL Health	467%	256%	368%
Delta County Memorial Hospital	Delta	Independent (IPPS)	437%	283%	381%
The Medical Center Of Aurora	Aurora	HCA Healthcare	630%	283%	385%
Valley View Hospital Association	Glenwood Springs	Independent (IPPS)	478%	301%	399%
Sterling Regional Med Center	Sterling	Banner Health	546%	245%	419%
Medical Center Of The Rockies	Loveland	University of Colorado Health	483%	389%	429%
Poudre Valley Hospital	Fort Collins	University of Colorado Health	575%	331%	430%
Centura Health-St Anthony Hospital	Lakewood	Catholic Health Initiatives	500%	394%	430%
North Suburban Medical Center	Thornton	HCA Healthcare	698%	289%	461%
St Anthony Summit Medical Center	Frisco	Catholic Health Initiatives	697%	336%	503%

RAND Report Findings

Hospital name	City	Hospital system or, if independent, IPPS/CAH	Relative price for outpatient services	Relative price for inpatient services	Relative price for IP & OP services
Centura Health-Littleton Adventist Hospital	Littleton	Adventist Health System Sunbelt Health Care Corp.	352%	280%	311%
St Anthony North Health Campus	Westminster	Catholic Health Initiatives	460%	193%	316%
Mt San Rafael Hospital	Trinidad	Independent (CAH)	347%	159%	316%
Mercy Regional Medical Center	Durango	Catholic Health Initiatives	435%	225%	317%
Mckee Medical Center	Loveland	Banner Health	396%	221%	319%
St Marys Medical Center	Grand Junction	SCL Health	446%	271%	322%
Swedish Medical Center	Englewood	HCA Healthcare	399%	295%	324%
Longmont United Hospital	Longmont	Catholic Health Initiatives	418%	271%	332%
Arkansas Valley Reg. Medical Center	La Junta	QHR	405%	208%	335%
North Colorado Medical Center	Greeley	Banner Health	407%	277%	337%
Animas Surgical Hospital, Llc	Durango	Independent (IPPS)	346%	350%	347%
Parker Adventist Hospital	Parker	Adventist Health System Sunbelt Health Care Corp.	448%	280%	354%

RAND Report Findings

Hospital name	City	Hospital system or, if independent, IPPS/CAH	Relative price for outpatient services	Relative price for inpatient services	Relative price for IP & OP services
Wray Community District Hospital	Wray	Independent (CAH)	139%	93%	121%
Lincoln Community Hospital	Hugo	Independent (CAH)	127%	104%	126%
San Luis Valley Health Conejos County Hospital	La Jara	San Luis Valley Health	141%	68%	131%
Kit Carson County Memorial Hospital	Burlington	Independent (CAH)	157%	137%	150%
Yuma District Hospital	Yuma	Independent (CAH)	158%	125%	154%
Melissa Memorial Hospital	Holyoke	Independent (CAH)	157%	134%	155%
Memorial Hospital, The	Craig	Independent (CAH)	171%	138%	156%
Saint Joseph Hospital	Denver	SCL Health	234%	139%	159%
Pagosa Springs Medical Center	Pagosa Springs	Independent (CAH)	187%	93%	165%
Good Samaritan Medical Center	Lafayette	SCL Health	163%	179%	172%
Sedgwick County Memorial Hospital	Julesburg	Independent (CAH)	216%	116%	172%