Date: April 27, 2018 **Staff:** Devin Nelson and Alyson Williams	**POLICY ANALYSIS** **PREPARED FOR THE BOARD OF DIRECTORS**	Health District OF NORTHERN LARIMER COUNTY

HB18-1384: STUDY HEALTH CARE COVERAGE OPTIONS

Concerning a study to identify affordable, competitive health care coverage options for Colorado

Details

Bill Sponsors:	House – *Roberts (D) and Catlin (R)*, Wilson (R) Senate – *Coram (R) and Donovan (D)*
Committee:	House Health, Insurance, & Environment
Bill History:	4/12/2018- Introduced in House- Assigned to Health, Insurance, & Environment 4/17/2018- House Committee on Health, Insurance, & Environment Refer Unamended to Appropriations 4/23/2018- House Committee on Appropriations Refer Amended to House Committee of the Whole 4/25/2018- House Third Reading Passed - No Amendments 4/25/2018- Introduced in Senate- Assigned to State, Veterans, & Military Affairs
Next Action:	5/3/2018- Hearing in Senate Committee on State, Veterans, & Military Affairs

Bill Summary

This bill requires the Department of Health Care Policy and Financing (HCPF) and the Division of Insurance (DOI) in the Department of Regulatory Agencies to conduct a study and submit a report the General Assembly concerning the cost benefits, and feasibility of implementing a Medicaid buy-in option, a public-private partnership option, or a community or regionally based option for health care coverage. The report would contain a detailed analysis of the advantages and disadvantages of each option and must identify the most feasible option based on objectives and criteria described in the bill.

Issue Summary

The Affordable Care Act (ACA) prohibits insurers from charging higher prices based on preexisting health conditions or gender; however, it does allow them to adjust their prices based on age, tobacco use and geography.[1] Currently, the state of Colorado is comprised of nine geographic rating areas for health insurance coverage options and costs. Colorado currently faces a huge disparity in healthcare costs and options, with the Colorado mountain regions facing some of the highest healthcare costs in the country. In 2014, claims for commercial insurers' (that participate in the All-Payer Claims Database) cost per member per year ranged from $4,073 in Boulder to $5,532 the Western region creating a difference of 36 percent these geographic rating regions.[2] The rates approved by the DOI for a 'silver' plan for plan year 2018 had great variability between regions. Only one company on the exchange, HMO Colorado, served all nine of the rating areas in plan year 2018.[3] The lowest approved silver plan premium for this carrier on the marketplace was in Rating Area 7 (Pueblo), set at $443.65-$524.91 and the highest was in Rating Area 9 (West), set at $622.90-$818.69.[5] In Colorado, the average annual percent growth in private health insurance spending from

[1] The Colorado Health Institute (2014). *Coloradans are willing to pay for insurance, but not that much*. Retrieved from https://www.coloradohealthinstitute.org/research/coloradans-are-willing-pay-insurance-not-much

[2] Scanlon, W. (2017). Steamboat Today. *Active Lives, few providers push up medical costs in Colorado Mountains,* Retrieved from https://www.steamboattoday.com/news/active-lives-few-providers-push-up-medical-costs-in-colorado-mountains/

[3] Colorado Department of Regulatory Agencies, Division of Insurance (Oct. 18, 2017). *2018 Medical Individual Premiums- All Types.* Retrieved from https://drive.google.com/file/d/0BwguXutc4vbpbkNSUW50azFMSWs/view?usp=sharing

2001-2014 was 6.6 percent, greater than the United States average of 5.3 percent.[4] Three potential options have been identified by this bill for needing further analysis to determine their potential to bring down health care costs in these regions and impact on the entire state.

Medicaid Buy-In Programs

It has been identified that two different policies can be described as Medicaid buy-in programs. The first would create a new eligibility category for direct purchase of Medicaid by individuals with all of the associated rights, obligations, and services that flow through the current Medicaid program. This version of Medicaid buy-in requires modifications to state plan amendments of the program and likely would require an 1115 waiver.

The other policy approach would use the framework of Medicaid managed care contracts and networks to create metal plans for purchase on the Marketplace.[5] This concept may not include every Medicaid benefit currently available at every level of metal plan. For example. The Medicaid "buy-in" at the 'gold' level may include more optional services than the 'bronze' level.

There are many details that would have to be considered with either approach. For example, Colorado currently offers other benefits through Medicaid other than the required ten essential health benefits, such as adult dental care. The State of Colorado would have to determine whether a buy-in program would be more or less generous that the current Medicaid benefit package. Further, in setting up a Medicaid buy-in option, it will have to be determined how to designate the cost, such as the amount of cost-sharing required of the enrollee as well as how these plans will be funded (i.e. a combination premium payments and federal funds).[6] Another consideration is who would be eligible to buy-in to such a program. It is possible that it could be open to any Coloradan or only those at a designated income level. Designers of such a buy-in program would need to determine if health care providers would get the same reimbursement as a traditional Medicaid program or if it would be increased. There also must be consideration of how a buy-in program would affect Federally Qualified Health Centers and other entities that typically treat those on Medicaid, are underinsured, or are uninsured.

Public/Private Partnership

According to the World Health Organization, "public-private partnerships are seen as an effective way to capitalize on the relative strengths of the public and private sectors to address problems that neither could tackle adequately on its own." [7] In this case in particular, research regarding private-public partnerships would most likely explore allowing a private insurance company to bid on providing an insurance option that utilizes Medicaid's existing infrastructure. Further, it would most likely be a managed care program (rather than fee-for-service) and would be managed by a private insurance company.[8]

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[4] Henry J. Kaiser Family Foundation (2018). *Average Annual Percent Growth in Private Health Insurance Spending by State.* Retrieved from https://www.kff.org/private-insurance/state-indicator/average-annual-percent-growth-in-private-health-insurance-spending-by-state/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D

[5] Anderson, D & Sandoe, E. (2018). Health Affairs. *A Framework for Evaluating Medicaid Buy-In Proposals.* Retrieved from https://www.healthaffairs.org/do/10.1377/hblog20180320.297250/full/

[6] Holahan, J & Blumberg, L. (2018). Robert Wood Johnson Foundation. *The Implications of a Medicaid Buy-in Proposal.* Retrieved from https://www.rwjf.org/content/dam/farm/reports/issue_briefs/2018/rwjf442774

[7] World Bank Group. (2016). *Public-Private Partnerships in Health.* Retrieved from https://ieg.worldbankgroup.org/evaluations/public-private-partnerships-health

[8] Jorgensen, H. (2018). Healthier Colorado. *Finding a Colorado Solution to the Skyrocketing Cost of our Health Care.* Retrieved from https://healthiercolorado.org/blog-post/finding-colorado-solution-skyrocketing-cost-health-care/

A primary example of this type of program in the state of Colorado would be the Children's Health Plan Plus (CHP+ or Colorado's CHIP program). CHIP is a federally funded public, low-cost health insurance plan (with sliding scale annual fees) offered to children and pregnant women throughout the United States. For the majority of service areas in Colorado, CHP+ is contracted out to Colorado Access, a private non-profit organization. Colorado Access provides claim payment services, provider service and contract administration, and utilization management for members of the statewide CHP+ State Managed Care Network and CHP+ Prenatal Care Program. [9] A public private partnership would potentially be modeled after a system such as this.

Regional Co-Op Plan

Numerous types of cooperatives exist including consumer cooperatives, purchasing/shared services cooperatives, and worker cooperatives. Each works though different methods:

- *Consumer cooperatives* are "owned by the people who buy the goods or use the services of the cooperative. They employ physicians and own health care facilities." [10]
- *Purchasing/shared services cooperatives* are 'owned and governed by independent business owners, small municipalities and, in some cases, state governments that band together to enhance their purchasing power with the goal to lower costs, improve competitiveness, and increase their ability to provide quality services. They often are referred to as "exchanges," "connectors," "alliances," or "purchasing pools."'[5]
- *Worker cooperatives* are "owned and governed by the employees of the business. They operate in all sectors of the economy and provide workers with both employment and ownership opportunities." [5]

Based on the wording in this legislation it is suggested that purchasing/shared services cooperatives may be of interest; however, it was not highlighted specifically what type of cooperative legislators would be interested in researching for these areas.

It is important to note that the majority of cooperatives that have been in existence have failed. The Affordable Care Act created the Consumer Operated and Oriented Plan which was meant to foster the creation of cooperative health plans; however, only 11 of the original 23 CO-OPs are still operational and only 4 offered plans in 2018.[11] For example, Colorado HealthOP was forced to close by the Division of Insurance in 2015 as it was unable to meet the state regulatory requirements for capital and surplus due to the unanticipated decrease in Federal reimbursement in the risk corridor program.[12] A key element of the ACA was the risk corridor program, which mitigated an insurance company's risks of having high-cost consumers in its covered groups by cushioning insurers from extreme losses. Simply, plans with lower than expected claims were charged and funds were paid to those insurers with higher than expected claims.[13] However, Congress declined to provide funding to the program, which made it particularly hard for Co-Ops who were trying to keep costs down for consumers and counted on the program for their financial viability. One of the most well-known cooperatives, Group Health, recently failed in February 2017. Group Health Cooperative was a Washington/Idaho based health plan that served upwards of 650,000 members, and it

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[9] Colorado Access. (n.d.).Retrieved from http://www.coaccess.com/chp-state-managed-care-network-smcn

[10] https://www.aafp.org/dam/AAFP/documents/advocacy/coverage/insurance/ES-HealthCareCooperativesDefinitionsandStateExamples-032311.pdf

[11] Norris, L. (2017). Health Insurance. *CO-OP Health Plans: Patients Interests First.* Retrieved from https://www.healthinsurance.org/obamacare/co-op-health-plans-put-patients-interests-first/

[12] Division of Insurance (Dec. 2015). *Why did the Division of Insurance take action against the Colorado HealthOP?* Retrieved from https://drive.google.com/file/d/0BwguXutc4vbpcHVWYjhaVlB1ajg/view

[13] Cox, C., Semanskee, A., Claxton, G., & Levitt, L. (Aug. 17, 2016). *Explaining Health Care Reform: Risk Adjustment, Reinsurance, and Risk Corridors.* Retrieved from https://www.kff.org/health-reform/issue-brief/explaining-health-care-reform-risk-adjustment-reinsurance-and-risk-corridors/

was acquired by Kaiser Permanente in 2016. Furthermore, a significant portion of purchasing/shared services fail due to poor participation from employers and health plans. [5]

This Legislation

The legislation tasks HCPF and DOI with studying the feasibility and cost of implementing various healthcare coverage options that leverage existing state infrastructure, increase competition, improve quality, and provide stable access to affordable health insurance to enable policy makers to determine whether there are innovative health insurance options that would be beneficial for Colorado. They will be required to complete the study and submit a report on or before February 15, 2019. The study must evaluate the following three options for health care coverage: Medicaid Buy-In Option, Public-Private Partnership, and a Community or Regionally Based Cooperative Health Plan affiliated with a private carrier. The report must identify the most feasible option based on affordability to consumers at different income levels, administrative and financial burden to the state, ease of implementation, and likelihood of success.

Furthermore, in completing the study HCPF shall conduct actuarial research to identify the potential cost of premiums and cost-sharing to pay claims in an essential health benefit compliant plan; evaluate provider rates necessary to incentivize participation and encourage high-quality healthcare delivery; evaluate eligibility criteria for individuals to participate; determine the impacts on state budget, the individual market, the Colorado Health Benefit Exchange, the Colorado Medical Assistance Program and the Children's Basic Health Plan; investigate the feasibility of establishing a pilot program for those areas of the state with limited consumer choice and where premiums are unaffordable; investigate funding options, including state funds and federal funds secured through available waivers; and evaluate the feasibility, legality, and scope of any federal waivers.

Lastly, stakeholders shall be engaged in the process including public and private health insurance experts, as well as consumers, consumer advocates, providers, and carriers.

HCPF is appropriated $225,000 and the DOI is appropriated $135,141 for the 2018-2019 fiscal year from the General Fund.

Reasons to Support

This bill could provide more information and offer ideas regarding how to tackle sky-rocketing health coverage costs in Colorado's mountain and rural regions. A report on potential health coverage options tailored to building off of current Colorado health care infrastructure could better inform policy makers on the future of potential steps and legislation that could help improve healthcare access and increase coverage. Furthermore, there is currently uncertainty at the federal level surrounding health coverage and access, as well as increasing marketplace instability. It does not appear as if Congress will take action to stabilize the market anytime in the near future. Coloradans may continue to see their health coverage costs rise rapidly. This bill provides the state of Colorado with the opportunity to research other health coverage options, and may uncover options that could provide residents with stability, increased coverage, and improved access.

Supporters

- Asian Pacific Development Center
- Bell Policy Institute
- Chronic Care Collaborative
- Colorado Association for School-Based Health Care
- Colorado Center on Law and Policy
- Colorado Coalition for the Homeless
- Colorado Community Health Network
- Colorado Consumer Health Initiative
- Colorado Cross-Disability Coalition

- Colorado Ovarian Cancer Alliance
- Counties and Commissioners Acting Together
- Healthier Colorado
- Mental Health Colorado
- National Association of Insurance and Financial Advisors
- The Arc of Arapahoe Douglas
- The Arc of Southwest Colorado

Reasons to Oppose

This bill would result in administrative costs for conducting the research and developing the report. Specifically, $360,976 would be required from the general fund for HCPF and the DOI to contract with consultants to perform this research. [14] Furthermore, this bill does not tackle the underlying issues behind high costs in the state of Colorado. A *Total Cost of Care Multi-State Analysis* by the Center for Improving Value in Health Care (CIVHC) found that the primary reason that total costs were high in Colorado was due to higher prices of services (6 percent above average) and greater utilization of services (11 percent above average).[15] In particular, high costs in eastern Colorado are driven by both higher prices and greater utilization, while high costs in the western and mountain regions were driven primarily by higher prices. [11] While expanding affordable coverage is important, this bill does not research the underlying issues that may cause costs to continue to increase.

Opponents

- No opposition has been made public at this time.

About this Analysis

This analysis was prepared by Health District of Northern Larimer County staff to assist the Health District Board of Directors in determining whether to take an official stand on various health-related issues. The Health District is a special district of the northern two-thirds of Larimer County, Colorado, supported by local property tax dollars and governed by a publicly elected five-member board. The Health District provides medical, mental health, dental, preventive and health planning services to the communities it serves. For more information about this summary or the Health District, please contact Alyson Williams, Policy Coordinator, at (970) 224-5209, or e-mail at awilliams@healthdistrict.org.

[14] Colorado Legislative Information. (2018). *House Bill 18-1384 Fiscal Note*. Retrieved from http://leg.colorado.gov/sites/default/files/documents/2018A/bills/fn/2018a_hb1384_00.pdf

[15] Center for Improving Value in Health Care. (2018). *Total Cost of Care Multi-State Analysis.* Retrieved from http://www.civhc.org/wp-content/uploads/2018/02/Total-Cost-of-Care-Spot-Analysis.pdf