

HB19-1004: PROPOSAL FOR AFFORDABLE HEALTH COVERAGE OPTION

Concerning a proposal for implementing a competitive state option for more affordable health care coverage in Colorado, and, in connection therewith, requesting authorization to use existing federal money for the proposed state option and taking other actions toward the implementation of the state option

Details

Bill Sponsors:	House – <i>Roberts (D) and Catlin (R)</i> Senate – <i>Donovan (D)</i>
Committee:	House Health & Insurance and House Appropriations
Bill History:	1/4/2019- Introduced in House 1/23/2019- House Committee on Health & Insurance Refer Amended to Appropriations
Next Action:	Hearing in House Committee on Appropriations
Fiscal Note:	<u>1/18/2019 Version</u>

Bill Summary

The bill requires the Colorado Department of Health Care Policy and Financing (HCPF), Division of Insurance (DOI), and Department of Regulatory Agencies (DORA) to develop and submit a proposal to the General Assembly in regards to the design, costs, benefits, and implementation of a state option for health insurance coverage. The proposal must have a detailed analysis of the state option and identify the most effective implementation based on affordability, burden to the state, ease of implementation, and likelihood of meeting outlined objectives. In developing the proposal, the three departments will engage in a stakeholder process that includes health insurance experts, consumers, consumer advocates, employers, providers, and carriers. Any necessary federal waivers and/or state plan amendments necessary to implement the proposal shall be submitted to the federal government.

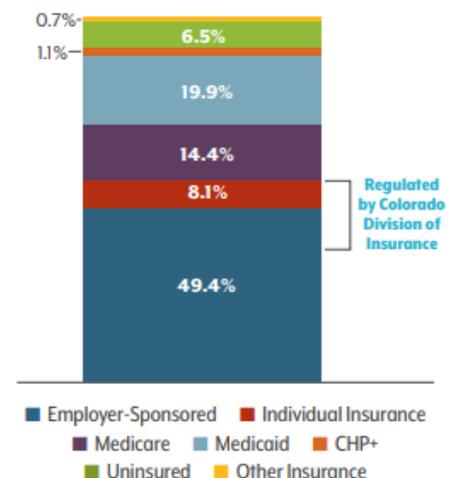
Issue Summary

Health Insurance in Colorado

Coloradans can get health insurance coverage in a variety of different manners. There are public programs, such as Medicare, Medicaid, and Child Health Plan Plus (CHP+), or private insurance through an employer or through the marketplace run by Connect for Health Colorado. This figure from the Colorado Health Institute (CHI) demonstrates the proportion of residents in the different types of insurance coverage offered in Colorado.¹

Each of the 64 counties in Colorado has at least one carrier providing insurance. According to the 2017 Colorado Health Access Survey

Figure 5. Insurance Coverage in Colorado



¹ Colorado Health Institute (Dec. 14, 2018). *Affordability in Colorado: Questions and Answers about Health Care Costs*. Retrieved from <https://www.coloradohealthinstitute.org/research/affordability-colorado>

(CHAS), 93.5 percent are Coloradans are insured.² In Larimer County, 59 percent of residents reported being somewhat or very worried about health insurance becoming so expensive that they will not be able to afford it.³ Only 4 percent of residents within the boundaries of the Health District of Northern Larimer County reported having no health insurance in 2016.⁴ Additionally, 86 percent of Health District residents reported having continual health insurance during the preceding 3 years in the same survey.³ For those who are uninsured, 78.4 percent cited that the cost of the insurance was a barrier to purchasing coverage.¹ The mountain resort region of Summit, Pitkin, Eagle, and Garfield were found in 2014 to be the most expensive for insurance in the entire United States.⁵ For the 2019 plan year, 14 of Colorado's 64 counties had only one carrier offering plans.⁶

The following table from CHI demonstrates the variability that has occurred in Colorado's individual health insurance marketplace since 2015.⁷

Table 1. Yearly Price Increases on the Individual Market, Medical Plans

Company	2015 (increase from 2014)	2016 (increase from 2015)	2017 (increase from 2016)	2018 (increase from 2017)	2019 (requested increase from 2018)
Anthem (HMO Colorado)	-5.3%	8.2%	25.8%	32.3%	-0.44%
Anthem (Rocky Mtn Hosp. & Med)	New	7.4%	20.6%	33.5%	-2.64%
Bright	—	—	New	30.7%	9.70%
Cigna	6.1%	New plans	9.5%	42.0%	8.76%
Friday Health Plans (formerly Colorado Choice)	2.1%	9.4%	42.9%	37.6%	7.50%
Denver Health	17.5%	12.7%	-0.5%	26.2%	21.60%
Freedom	New	-7.5%	9.1%	27.1%	NA
Kaiser	7%	4%	18%	34.6%	7.49%
Rocky Mountain HMO	3.1%	30.1%	34.9%	27.1%	5.69%

Source: Colorado Division of Insurance

1332 Waiver

Within the Affordable Care Act (ACA), section 1332 allows for states to implement elements of the ACA in alternative manners. Section 1332 waivers are limited as these novel approaches must be as successful in providing affordable, quality health coverage and cost the federal government either the same amount or less than the standard implementation. There are four specific limitations for this waiver, known colloquially as "guardrails." The innovation must:

1. Provide coverage that is the same or more comprehensive than the original;

² Colorado Health Institute (2017). *Colorado's New Normal: Findings from the 2017 Colorado Health Access Survey*. Retrieved from https://www.coloradohealthinstitute.org/sites/default/files/file_attachments/2017%20CHAS%20DESIGN%20FINAL%20for%20Web.pdf

³ Larimer Health Tracker (2016). Retrieved from larimerhealthtracker.org.

⁴ 2016 Community Health Survey; note: 5 percent reported that they did not know if they had health insurance or not.

⁵ Rau, J. (Feb. 2 2014) *The 10 Most Expensive Insurance Markets in the United States*. Kaiser Health News. Retrieved from <https://khn.org/news/most-expensive-insurance-markets-obamacare/>.

⁶ Norris, L. (Jan. 16, 2019). *Colorado health insurance marketplace: history and news of the state's exchange*. Retrieved from <https://www.healthinsurance.org/colorado-state-health-insurance-exchange/>

⁷ Colorado Health Institute (July 17, 2018). *2019 Insurance Prices Bring Stability at Last*. Retrieved from <https://www.coloradohealthinstitute.org/research/2019-insurance-prices-bring-stability-last>

2. Provide coverage that is at least as affordable;
3. Provide coverage for the same amount or more people; and
4. Not add to the federal deficit.

These guardrails were set forth in the statutory language, but can be interpreted differently by each administration. The Centers for Medicare and Medicaid Services (CMS) has created a detailed page guiding states through the 1332 waiver process, which was updated in October 2018.⁸ The new guidance outlined that waiver applications that incorporate one or all of the dictated principles that are preferred by the agency:

1. Provide increased access to affordable private market coverage over public programs, and increase insurer participation and promote competition;
2. Encourage sustainable spending growth by promoting more cost-effective coverage, restraining growth in federal spending, and eliminating state regulations that limit market choice and competition;
3. Foster state innovation;
4. Support and empower those in need; and
5. Promote consumer-driven health care.

The new guidance largely maintains the 2015 guidance’s approach to budget neutrality.⁹ However, a sentence was removed that stated that a waiver application that increases the deficit in any given year may not meet the deficit neutrality requirement. This suggests that a waiver could increase the federal deficit during the waiver’s effect and still be approved (so long as the overall waiver does not increase the federal deficit).

Case Study: New Mexico

During New Mexico’s 2018 legislative session, the legislature passed memorials (Senate Memorial 3 and House Memorial 9) that tasked a committee with “exploring the policy and fiscal implications of offering a Medicaid buy-in coverage option to New Mexico residents.”^{10,11} The figure demonstrates the options targeted by Manatt Health, who is conducting a study of Medicaid buy-in for the

Overview of Buy-In Options for New Mexico

Option One	Option Two	Option Three	Option Four
Targeted Medicaid Buy-In	Qualified Health Plan (QHP) Public Option	Basic Health Program (BHP)	Medicaid Buy-In for All
State offers Medicaid-like coverage off the Marketplace to those not eligible for Medicaid, Medicare or subsidized Marketplace coverage. New Mexico could subsidize coverage for those who need financial assistance.	State offers lower cost product on the Marketplace to individuals and small employers; would be offered as a QHP, likely in partnership with an existing insurer. New Mexico could capture potential savings under a waiver to further increase affordability.	State offers BHP for individuals with incomes up to 200% of the federal poverty level who are not Medicaid-eligible (including people who would be Medicaid eligible but for their immigration status). Over time, New Mexico could expand BHP through buy-in.	State offers Medicaid coverage to everyone (except individuals covered by Medicare); would be offered as a lower-cost option off the Marketplace. Subsidy-eligible individuals could apply their subsidies to the cost of coverage.
Off Marketplace	On Marketplace	Off Marketplace, Outside of Individual Market	
No Federal Approval Needed	QHP Certification (and 1332 Waiver to Capture Savings)	1331 Authority (and 1332 Waiver for Buy-in)	1332 Waiver
Low Potential Enrollment	Moderate Potential Enrollment	Moderate Potential Enrollment	High Potential Enrollment
Low/Medium State Financial Responsibility	Low/Medium State Financial Responsibility	Low/Medium State Financial Responsibility	High State Financial Responsibility

⁸ The Centers for Medicare and Medicaid Services [CMS]. (2018) *State Relief and Empowerment Waivers*. Retrieved from <https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-23182.pdf>

⁹ Keith, K. (Oct. 23, 2018). *Feds Dramatically Relax Section 1332 Waiver Guardrails*. *Health Affairs Blog*. DOI: 10.1377/hblog20181023.512033

¹⁰ New Mexico State Legislature (2018). *2018 Regular Session- HM 9*. Retrieved from <https://www.nmlegis.gov/Legislation/Legislation?Chamber=H&LegType=M&LegNo=9&year=18>

¹¹ New Mexico State Legislature (2018). *2018 Regular Session- HM 9*. Retrieved from <https://www.nmlegis.gov/Legislation/Legislation?Chamber=S&LegType=M&LegNo=3&year=18>

state and recently released the first phase of the report, which is a qualitative assessment of the options.¹²

The first option, a targeted Medicaid buy-in, would offer a lower-cost option to individuals that are ineligible for Medicaid, Medicare, or tax subsidies from the marketplace. It is assumed that the state would need to subsidize the coverage for low-income individuals and families to afford the product. Option two, a qualified health plan offered on the marketplace, would be effective at providing a lower-cost option to those that do not receive subsidies through the marketplace and requires a 1332 waiver. The third option, a basic health program offered off the marketplace for those under 200% of the federal poverty level (FPL), would be effective at aiding in affordability for those with incomes between 138% and 200% of FPL but could disrupt coverage for individuals with higher incomes. The last option would create a Medicaid Buy-In for all residents of New Mexico and could improve affordability for the largest amount of people but could increase financial risk to the state and disrupt the existing private insurance markets (mainly the individual marketplace and employer sponsored insurance).

Initial Study for a Medicaid Buy-In for Colorado

A preliminary study¹³ from December 2018 has found that a buy-in option holds promise for implementation in Colorado and warrants additional debate and analysis.¹⁴ The product that was modeled in this analysis is offered off-marketplace and operates outside of that risk pool. The following figure demonstrates the other design elements of the product.

Colorado Medicaid Buy-In Model Design Elements

Eligibility	Benefits	Cost-Sharing	Provider Network
All Coloradans eligible for individual market coverage	Essential health benefits, mirroring Connect for Health Colorado coverage	Metal levels (actuarial value) and cost sharing assistance mirroring Connect for Health Colorado coverage	Medicaid network, reimbursed at Medicare rates
Administration	Delivery System	Financing	
Medicaid fee-for-service infrastructure with TPA claims processing	Fee-for-service and behavioral health capitation	Enrollee premiums Pass-through funds from APTC	

In this design, one element is cost sharing assistance that mirrors what occurs for Connect for Health Colorado coverage. This is due to the assumption that the bulk of the estimated \$27.9 million in pass-through funding from the federal government for plan year 2020 would be used to provide subsidies to advance premium tax credit (APTC) eligible individuals that are comparable to those they would receive through coverage on the marketplace. The scenario ran by the study demonstrates a 28 percent decrease in premiums for the buy-in product, relative to projected individual market premiums for plan year 2020. This translates to approximately \$2,228 in annual savings for an unsubsidized individual, who is above 400 percent of the federal poverty level (FPL).¹⁵

This Legislation

The bill tasks the Department of Health Care Policy and Financing (HCPF) and Division of Insurance (DOI) with developing a proposal that considers the feasibility and cost of implementing a state option for health care

¹² Manatt (Dec. 2018). *Evaluating Medicaid Buy-In Options for New Mexico*. Retrieved from

<https://www.manatt.com/Manatt/media/Documents/Articles/Evaluating-Medicaid-Buy-in-Options-for-New-Mexico.pdf>

¹³ The study was supported by the Colorado Center on Law and Policy, Colorado Consumer Health Initiative, and Bell Policy Center.

¹⁴ Manatt Health & Wakely Consulting Group (Dec. 2018). *A Promising Strategy for an Affordable Medicaid Buy-In Option in Colorado*.

Retrieved from https://www.manatt.com/getmedia/21be89cc-b059-4af7-a458-2c6b2801ea21/Manatt-Health_A-Promising-Strategy-for-an-Affordable-Medicaid-Buy-In-Opt

¹⁵ 400% FPL for an individual is \$49,960 for 2019 and \$48,560 for 2018 when the study was conducted.

coverage that leverages the existing state infrastructure, increases competition, improves quality, and provides stable access to affordable insurance. The proposal will enable policymakers to consider and possibly create an innovative state option for health insurance coverage in the state.

On or before November 15, 2019, HCPF and the DOI shall develop and submit such a proposal to the Joint Budget Committee, House Public Health and Services Committee, House Health and Insurance Committee, and the Senate Health and Human Services Committee. In addition to the submission to these committees, HCPF and the DOI shall present a summary of the proposal at the annual joint meeting of the Senate and House health committees in the interim prior to the 2020 legislative session.

The proposal must describe a state option for health insurance coverage. It must identify the most effective implementation of an option based on affordability to consumers at different income levels, the state's administrative and financial burden, ease of implementation, and likelihood of success in meeting outlined objectives. While HCPF and the DOI are developing the proposal, they shall:

- Conduct actuarial research to identify potential cost of premiums and cost-sharing to pay claims in a plan that is essential health benefit-compliant, at a minimum
- Evaluate provider rates that are necessary to incentivize participation, encourage network adequacy, and have high-quality delivery
- Evaluate eligibility criteria for individuals and small business to participate
- Determine impact on state budget, if any
- Determine impact on stability of individual market, small group market, and Connect for Health Colorado, the state's health benefit exchange
- Determine whether a state option plan should be offered on or off the exchange
- Determine whether the plan should be a fully at-risk, managed care, fee-for-service, accountable care collaborative plan, or a combination thereof.
- Determine whether the option should be offered through HCPF, and any expected impact to the state's Medicaid program
- Identify any expected impact to the state's Children's Health Insurance Program, known as the Child Health Plan Plus
- Investigate funding options, including (but not limited to) state and federal funds secured through waivers
- Evaluate the feasibility, legality, and scope of any necessary federal waivers
- Review information that may be gathered from the pilot program as created in SB19-004, if enacted

While developing the proposal, HCPF and the DOI shall consult with Connect for Health Colorado and engage in a stakeholder process that includes: public and private health insurance experts, consumers, consumer advocates, employers, providers, and carriers.

The proposal submitted to the committees of the General Assembly must include a detailed analysis of the proposed state option, the various methods for implementing the option, and any identified statutory or rule changes necessary to implement the option. After the proposal is submitted and presented to the committees, HCPF and the DOI shall prepare and submit any federal waivers or state plan amendments that are necessary to fund and implement the option. These requests for federal authorization must seek to obtain the maximum amount of federal money available to the state and individuals participating in the coverage option.

The preparation and submission of the federal waivers or amendments must be delayed if a State Senator or State Representative files a bill during the 2020 legislative session by the regular bill filing deadline that substantially alters the federal authorization required for the implementation of the coverage option and the

bill is not postponed indefinitely in the first committee of reference. If the bill is postponed indefinitely, HCPF's and the DOI's waiver preparation will resume after that time. If the bill is passed by the General Assembly, the requested federal waivers and amendments must reflect the requirements that were included in the legislation.

HCPF and the DOI may promulgate necessary rules for the preparation and submission of federal waivers or amendments necessary to fund and implement the proposal.

Reasons to Support

Many Colorado residents continue to struggle with health insurance costs and too few options. A public option program could offer consumers across the state, particularly those who do not get ACA subsidies through the marketplace, a lower-cost plan option than would otherwise not be available. Analysis of a public option has demonstrated that this is a feasible option to provide savings to Coloradans. This proposal has the opportunity to increase competition in those counties that only have one carrier that provides individual insurance on the marketplace. Additionally, providing this option could ensure an option for individual coverage even if insurer participation in the marketplace changes over time. Another issue that this proposal may be able to fix is the "family glitch," or how some low-to-moderate income families may be unable to receive financial assistance to purchase coverage on the marketplace if they have access to "affordable" employer-sponsored insurance. The proposal may be able to offer more affordable coverage than what is offered by an employer to those that fall within the "family glitch."

Supporters

- American Diabetes Association
- Bell Policy Center
- Center for Health Progress
- Colorado Association of Local Public Health Officials
- Colorado Children's Campaign
- Colorado Consumer Health Initiative
- Counties and Commissioners Acting Together
- Colorado Division of Insurance
- Good Business Colorado
- Healthier Colorado

Reasons to Oppose

If too many people move to the public option, some believe it may could negatively impact the private marketplace and possibly increase prices for those who buy health insurance without the use of tax credits. There is limited data for analyzing the potential impact of a Medicaid buy-in could be on the entire system. Some assert that increased government intervention in the marketplace could destabilize both the private and public insurance markets. Finally, it is unknown if the federal government would approve any needed waivers for such options to be implemented; therefore, some may assert that it is a waste of finite state resources to develop a proposal and submit it for approval.

Opponents

- Any opposition has not been made publicly available 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. This analysis is accurate to staff knowledge as of date printed. 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.