

## SB05-169 Bill Analysis

For the Health District of Northern Larimer County Board of Directors

April 7, 2005

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**Bill Title:** Concerning the creation of an assembly for comprehensive state healthcare reform for the purpose of making recommendations to the general assembly regarding access to health care for all Colorado residents.

**Sponsors: Senate:** Hanna, Evans, Groff, Grossman, Isgar, Johnson, Keller, Kester, Sandoval, Shaffer, Tapia, Teck, Tochtrop, Willimas, and Windels; **House:** Boyd, Buescher, Butcher, Carroll M., Decker, Frangas, Gallegos, Green Jahn, Lindstrom, Madden, Marshall, Massey, McFadyen, Paccione, Pommer, Rose, Sullivan, Todd

**Committees:** Health and Human Services

**History:** Introduced on February 1, 2005 with appropriations. Sent to Senate HHS subcommittee on February 17, 2005. Passed Senate appropriations committee on March 18, 2005. Second Senate reading laid over twice until April 11, 2005.

**Date of Analysis:** April 7, 2005

**Prepared by:** Melanie Marin

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### State Health Care Reform Background:

Health Care costs represent a substantial portion of state budgets. Despite consistent budgetary shortfalls since 2001, state general fund expenditures for health care continue to rise. Illustrating this point, the National Conference of State Legislatures estimates that a \$236 billion gap between state healthcare expenses and revenues<sup>1</sup>. Consequently, it has become increasingly difficult for states to sustain consistent service levels, and almost impossible for them to expand coverage. The most expensive state healthcare program is Medicaid, accounting for 70% of all state healthcare costs. Due to budget constraints, states have either cut services or frozen eligibility in their Medicaid programs; for example, between 2004 and 2005, 36 states cut eligibility to their Medicaid programs.<sup>2</sup> As health care expenditures continue to dominate state budgets, states have looked to healthcare reform to reduce costs.

Typically, state initiatives for reform fall into three categories: private market initiatives, public sector initiatives, or public-private initiative hybrids. Examples of private market initiatives include: employment-base reforms such as state mandates; individual tax incentives; mandate lite or bare bones policies; pooling for small business or group purchasing arrangements; buy-in to state employee plans; Health Savings Accounts; reinsurance; and risk pools. There is also the *pay or play* option where employers pay a tax/fee, which is waived if they provide health insurance.<sup>3</sup> Public sector initiatives include expansion of current Medicaid and SCHIP programs and premium assistance. Florida, South Carolina, and New Hampshire have all proposed revamping their Medicaid programs so that they look more like private managed care plans. Proposed reforms include adding premiums, offering caps and opt-out allowances, and creating optional health savings accounts.<sup>4</sup>

Regardless of the choice of reform initiative, it is clear that for the state-level reform to be successful, several elements need to be present: leadership, political will, stakeholder involvement, goals and action plan, public support, funding sources, and persistence.<sup>5</sup>

### Reform Efforts in Colorado

In 2000, the Colorado Coalition for the Medically Underserved (CCMU) began a seven-year initiative to uncover the best options for providing all Coloradans access to affordable, quality health care and preventive programs. Since that time,

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<sup>1</sup> Martha King, "The State of the States and the Uninsured", National Conference of the State Legislatures (March 30, 2005)

<sup>2</sup> Ibid.

<sup>3</sup> States with mandate lite policies include Colorado, Arizona, North Dakota and Utah. States with employer mandates include Idaho, Illinois, Maine, New Jersey and Hawaii. States with pay or play options include California, Maine, Michigan, Oregon and Washington

<sup>4</sup> Martha King, "The State of the States and the Uninsured", National Conference of the State Legislatures (March 30, 2005)

<sup>5</sup> Stakeholders consist of consumers, providers, politicians, foundations, business, insurers, etc. See Martha King, "The State of the States and the Uninsured", National Conference of the State Legislatures (March 30, 2005)

they have researched and developed various models of health care coverage and have engaged in a statewide dialogue with stakeholders in order to determine the impact of each on Colorado's uninsured populations. CCMU continues to educate and engage policy makers, the media and the public in an evolving dialogue on the value of health care, the need for insurance, and the impact that access to healthcare has on Colorado's population and economy.<sup>6</sup>

In 2001, the State of Colorado received a \$1.3 million Health Resources Services Administration (HRSA) State Planning grant to study the issue of comprehensive healthcare reform. The grant required that a committee - known as the Project Management Team (PMT) - be created to identify feasible options by which to expand access to affordable health insurance coverage to all Coloradans.<sup>7</sup> The grant was used to fund the largest telephone household survey ever conducted on healthcare coverage issues in Colorado. The objective of the survey was to obtain key information on the uninsured in Colorado. The grant-funded survey did yield considerable data and information on State healthcare issues; however, no policy recommendations were developed. PMT concluded that State budget shortfalls, spending restrictions, and lack of political will to raise taxes prohibited structural changes. Nonetheless, the committee did report that the data and information collected through the HRSA grant would be "fully explored and developed". Furthermore, PMT determined that the survey data could be used to generate policy options, potentially resulting in "substantive incremental reform" to the health care system and reduced uninsured rates.<sup>8</sup> However, when the HRSA final report was released in November 2002, no specific steps for addressing health-care reform in Colorado had been identified.<sup>9</sup>

In 2004, Senator Hanna and Representative Plant co-sponsored a bill calling for the creation of an assembly for comprehensive state healthcare reform. The bill was postponed indefinitely less than a month after it was introduced. For this reason, Health District staff did not analyze SB04-173 and the Board did not take a position on the bill.

### **Overview of SB05-169**

SB05-169 would establish a healthcare assembly to assist the General Assembly in forming and implementing a healthcare plan that can be accessed by all Colorado residents and that does not require increased public or private funding. The healthcare assembly would be comprised of various stakeholders including: legislators, professionals from the healthcare industry, private business owners, state department administrators, and private citizens.

Senate and House Health and Human Services Committees (HHS) would recommend appointees to the healthcare assembly. Participation would be voluntary and appointees would not receive compensation. The bill requires that a neutral professional facilitator be appointed to organize the assembly. There is a fiscal note of approximately \$1000.00 to cover the costs of convening the Health and Human Services Committees to make recommendations. As amended, the bill explicitly states: "*no moneys from the general fund can be used to support the assembly's work.*" Advocates of the bill have identified entities willing to provide grants and/or gifts to the support the assembly.

The healthcare assembly would meet over a 24-month period to discuss various healthcare reforms and make recommendations for improving healthcare systems in Colorado. If the assembly is unable to reach a recommendation consensus, they are required to explain their stance to the General Assembly before the end of the 24-month period.

Amendments to the bill include: changing the number of business representatives from one to five (one from a statewide large business, one from a statewide small business and one from the western slope) and requiring that non-legislative appointees be approved by a two-thirds majority vote of the joint HHS Committees.

### **Why is this issue important to the Health District?**

Access to quality, affordable health care has been a Health District priority since 1996. According to the 2001 Community Health Survey, approximately 10% of Health District residents (15,000) are uninsured, of which 42% (6,300) report not having a regular primary care provider. Access to affordable quality healthcare remains an obstacle for these and many

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<sup>6</sup>Moving Towards Substantial Reform: Health Care Coverage for all Coloradoans, Colorado Coalition for the Medically Underserved, Feb. 2003.

<sup>7</sup> Sue Williamson, "HRSA State Planning Grants Interim Final Report to the Secretary," State of Colorado, Office of the Governor (April 8, 2002)

<sup>8</sup> Ibid.

<sup>9</sup> Heather Sacks, Todd Kutyla, Sharon Silow-Carroll, "Toward Comprehensive Health Coverage for All: Summaries of 20 State Planning Grant from the U.S. Health Resources and Services Administration, Economic and Social Research Institute (November 2002)

other Coloradans. Specifically, prohibitive insurance premiums and co-payments, unemployment, and limited employee healthcare benefits all contribute to the increasing number of uninsured and underinsured in Colorado. Importantly, a statewide healthcare assembly would provide a forum to address these obstacles and craft suitable policy options.

**Preliminary data indicating support for this bill:**

- There are 34 legislators signed on to this bill, including two local representatives (Johnson and Paccione)
- The Health District is committed to seeking a viable solution for affordable, quality access to health care for all Coloradans. Engaging in a statewide dialogue with stakeholders might be the first step to finding a solution.

**Preliminary data indicating opposition or delayed action on this bill:**

- In 2001, Colorado was granted \$1.3 million for finding a feasible option for comprehensive health care coverage, but was unable to generate policy options. SB05-169 has a very small fiscal note (\$1000) and explicitly prohibits the allocation of General Fund dollars to support the assembly's work. Given Colorado's past reform efforts and the very limited resources attached to SB05-169, the probable effectiveness of this bill remains uncertain.

**Board Position**

On April 14, 2005, the Health District Board voted to support SB05-169, which creates an assembly for comprehensive state healthcare reform for the purpose of making recommendations to the general assembly regarding access to health care for all Colorado residents. We ask, however, that decision-makers consider the inclusion of a local public health officer to the assembly, and also consider the importance of assuring adequate staff and budget to assist the assembly in their work.

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**About this Update**

This update 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. Updates are based on bills or issues at the time of their consideration by the Board and are accurate to the best of staff knowledge. It is suggested that people check to see whether a bill has changed during the course of a legislative session by visiting the Colorado General Assembly web page at [www.state.co.us/gov\\_dir/stateleg.html](http://www.state.co.us/gov_dir/stateleg.html). To see whether the Health District Board of Directors took a position on this or other policy issues, please visit [www.healthdistrict.org/policy](http://www.healthdistrict.org/policy).

**About the Health District**

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. Their mission is to improve the health of the community.

For more information about this analysis or the Health District, please contact Katherine Young, at [kyoung@healthdistrict.org](mailto:kyoung@healthdistrict.org), or (970) 224-5209.