

The Colorado Public Option

A Perspective

Nathan Wilkes
VP, Health Care for All Colorado

My Background

- ▶ Served 8 years (2 full terms) on Connect For Health Colorado (C4HCO), Colorado's ACA Health Insurance marketplace [term limited, July 2019]
- ▶ In 9th year on Colorado All Payer Claims Database Advisory Committee
- ▶ On Board of Health Care for All Colorado since 2008
- ▶ Congressional Testimony on Underinsurance, 9/9/09
- ▶ Work background: Senior/Principal Engineer in Data Networking and Information Security
- ▶ Life:
 - ▶ 22 years in NC, 2 years in metro DC, last 22 years in Colorado
 - ▶ 3 kids, one with a chronic illness that costs ~\$1-2 M/year
 - ▶ \$30,000 - \$35,000 / year in insurance/health care costs for last 15 years

YouTube: [The Urgency of Reform - Nathan & Thomas in Denver](#)

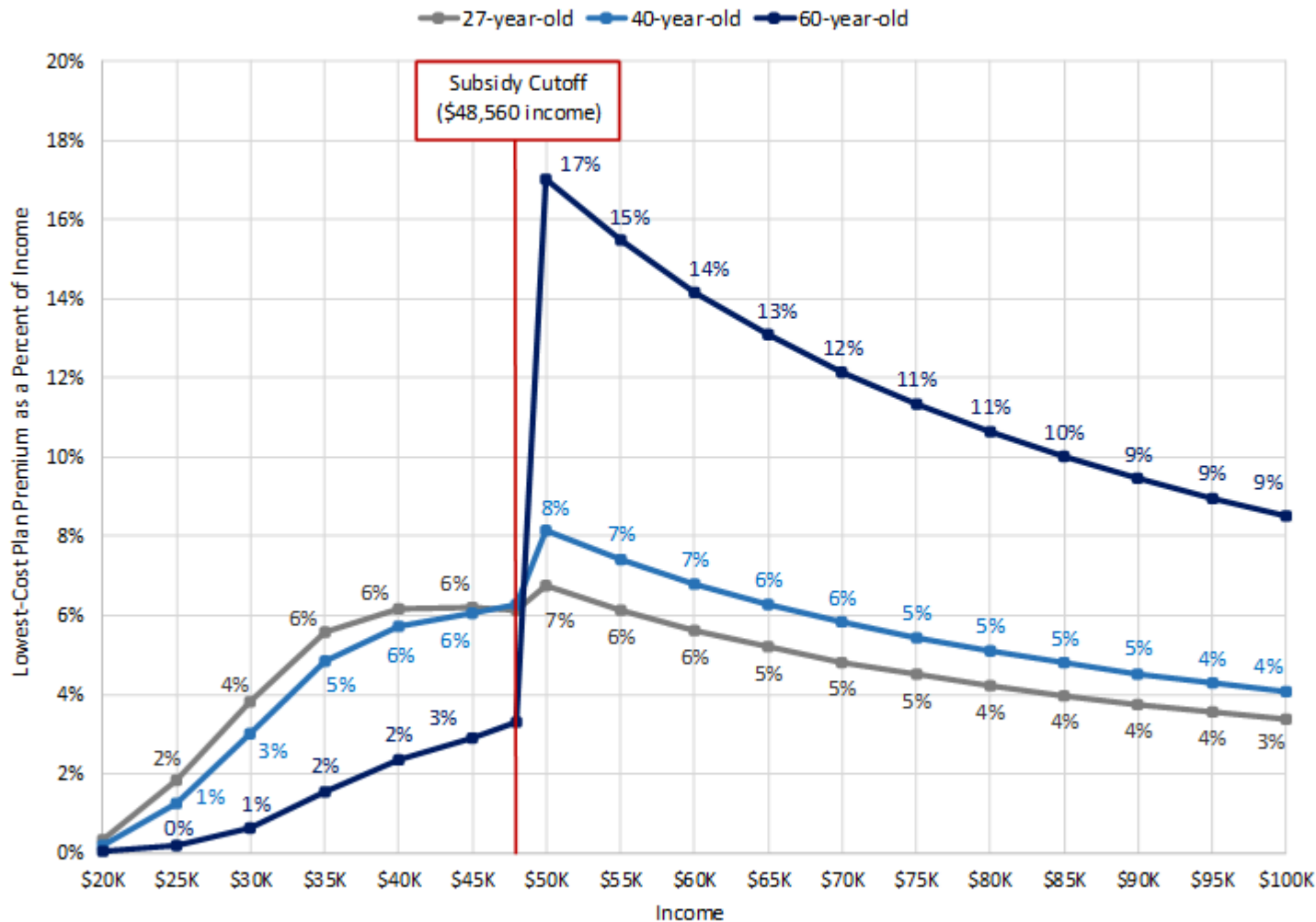


Why a Public Option?

- ▶ ACA didn't go far enough to address health care costs
- ▶ High health care costs result in high insurance premiums
- ▶ Coverage deserts within state, despite strong state insurance exchange
- ▶ Wide variation in hospital pricing (>400% variation for same services)
- ▶ To increase “competition” among health insurance carriers
- ▶ Out-of-pocket costs are hurting patients
- ▶ Outsized negotiation power of hospitals
- ▶ No real incentive to reign in costs by insurers (MLR = profit)

Middle-Class Affordability

Average Lowest-Cost Bronze Plan Premium as a Percent of Income (by Age and Income, 2019)



Source: Kaiser Family Foundation, 3/5/2019

How Did We Get Here?

<https://www.colorado.gov/hcpf/proposal-affordable-health-coverage-option>

- ▶ HB19-1004: Proposal For Affordable Health Coverage Option
- ▶ Colorado Division of Insurance (DOI) and Colorado Health Care Policy and Finance (HCPF)
- ▶ Draft Report released
- ▶ Actuarial Research and Evaluation
- ▶ Stakeholder Engagement and Statewide Listening Tour in 2019 (20 public listening sessions)

(3) THE PROPOSAL MUST DESCRIBE A STATE OPTION FOR HEALTH CARE COVERAGE. THE PROPOSAL MUST IDENTIFY THE MOST EFFECTIVE IMPLEMENTATION OF A STATE OPTION BASED ON AFFORDABILITY TO CONSUMERS AT DIFFERENT INCOME LEVELS, ADMINISTRATIVE AND FINANCIAL BURDEN TO THE STATE, EASE OF IMPLEMENTATION, AND LIKELIHOOD OF SUCCESS IN MEETING THE OBJECTIVES DESCRIBED IN SUBSECTION (1) OF THIS SECTION.

Who Is Served?

- ▶ Available to all Colorado residents
- ▶ Can also obtain federal subsidies if purchased through C4HCO
- ▶ Offered on and off C4HCO Exchange

What Is Offered?

- ▶ Essential Health Benefits
- ▶ More benefits that can be used pre-deductible
- ▶ “Innovative designs”
 - ▶ Value-based payments
 - ▶ Bundled payments
- ▶ Standardized benefits across state

How Will It Be Delivered?

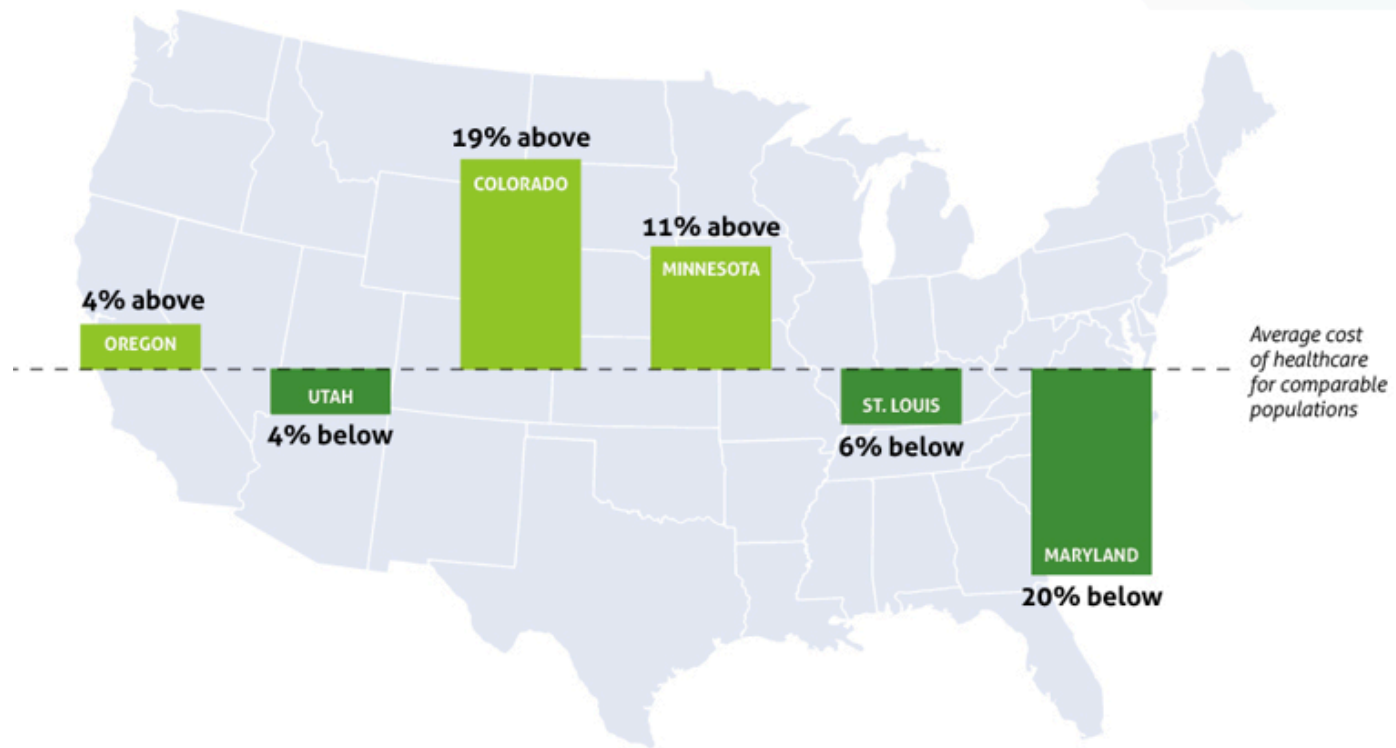
- ▶ “Public/Private Partnership”
- ▶ State Government negotiates/sets rates
- ▶ DOI is regulatory authority
- ▶ Commercial Carriers administer plan and contract networks
- ▶ C4HCO handles enrollment and marketing/outreach
- ▶ Leverages existing C4HCO, DOI, and HCPF infrastructure

Three Savings Strategies

- 1) Raise carrier medical loss ratio (MLR) for public option from 80% to 85% to match large-group market (>100 employees)
- 2) Hospital reimbursement rates set through new formula
 - ▶ Percentage of Medicare, on hospital-by-hospital basis
- 3) All Pharma rebates and other compensation paid to carriers are passed through to consumers
 - ▶ Deter incentives to use and pay for highest-cost drugs
 - ▶ No excessive PBM profits

Issues Seeking To Address

► Average Cost of Health Care for Comparable Populations



Hospital Costs and Cost Increases

- ▶ CO hospital admin costs increasing at 2X national average (2009-2016)
- ▶ Hospital revenues up 76%
- ▶ Hospital margins increased 250%+

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

Among 27 Denver-area hospitals:

- ▶ Surpassed \$2 Billion in profits for first time in history
- ▶ 50% increase in profits in just 2 years (\$1.3B in 2016, \$1.7B in 2017)
- ▶ Hospital prices grew 57% faster than national average
- ▶ 2018 Profit Margin = 19.3% of net patient revenues

Source: 2019 Allan Baumgarten Colorado Health Market Review

Impact Assessment*

- ▶ +5,700 members in individual market [1/10th of 1% of CO population]
 - ▶ Previously uninsured [CO uninsured rate = 6.5%]
 - ▶ Mix of subsidized and unsubsidized
- ▶ Reduction in Premium Tax Credits in 2022 of ~\$88.8M
 - ▶ Potential Federal pass-through savings
- ▶ Statewide Premium Reduction 10.6%
 - ▶ -7.8% urban
 - ▶ -16.9% rural (Eastern Plains)

A Pathway to Universal Health Care?

- ▶ Short Answer: NO
- ▶ Longer Answer: It depends, but still NO

Reduced complexity?

- ▶ ADDS additional payers and plans
- ▶ CREATES additional pricing guidelines PER HOSPITAL
- ▶ INCREASES oversight and management responsibilities

Are Any Other States Doing This?

- ▶ To date, only Washington has passed a state public option bill
 - ▶ Hospitals fought against rate setting
 - ▶ Compromises made in legislature
 - ▶ Significantly watered down in final bill
- ▶ So far, all eyes are on Colorado to see what happens

Yet TBD

(Where the legislative fight remains...)

- 1) Setting of Hospital Prices
- 2) Hospital Participation Requirement
- 3) Insurance Company Participation Requirement
- 4) Federal Approval of 1332 Waiver
- 5) Final Legislative Approval

Hospital Price Setting

- ▶ NOT: tying payment rates to Medicare prices across the board
- ▶ New Plan: State officials come up with their own formula combining:
 - ▶ Hospital location (urban vs rural)
 - ▶ Hospital alignment (independent vs. system)
 - ▶ Critical Access hospital status
 - ▶ Income mix of clients (lower-income vs. higher income)
 - ▶ Hospital profit margins and accumulated earnings over time
 - ▶ Mix of Medicare, Medicaid, Commercial payments
 - ▶ Administrative expenses compared to national averages
- ▶ WHO:
 - ▶ Regulators (DOI)
 - ▶ State legislators
 - ▶ Members of yet-to-be-formed Advisory Board

Hospital Participation

- ▶ Proposal: Hospitals required to participate
- ▶ But what if they don't?
 - ▶ Nothing in proposal identifies the specific 'carrots' and 'sticks'
- ▶ Up to the legislature
- ▶ DOI/HCPF goal to work with hospitals collaboratively rather than heavy-handed approach

"The proposal, in its current state, is not acceptable."

*- Katherine Mulready
Chief Strategy Officer
Colorado Hospital Association*

Commercial Insurer Participation

- ▶ ANY company that wants to sell in **individual market** ALSO has to offer plans through the Public Option
- ▶ New: For counties with only ONE carrier, authority to require at least one other insurer to step in and sell plans
- ▶ CURRENTLY:
 - ▶ Eight (8) carriers selling individual policies through C4HCO
 - ▶ 22 (of 64) counties with plans from just a single carrier
 - ▶ Western Slope and Eastern Plains
- ▶ Who decides which insurers and how?
- ▶ What about provider participation and network adequacy?
- ▶ Public Option dictates hospital rates but not independent providers

1332 Waiver Approval

1332 Waiver Conditions

- ✓ At least as comprehensive
- ✓ At least as affordable
- ✓ At least a comparable number of people
- ✓ NOT increase the federal deficit

- ▶ Used for novel or alternative health coverage proposals
 - ▶ Already used in CO to implement Reinsurance Program this year
- ▶ Allows states to get federal dollars based on savings to federal government
- ▶ If premiums are reduced statewide, it requires fewer federal subsidies for Advance Premium Tax Credit and Cost Sharing Reduction
- ▶ 1332 Waiver meant to recapture these “lost” federal dollars and use savings to improve the system
- ▶ 1332 Waiver would be submitted in early 2021
- ▶ **Whoever wins the 2020 presidential election will decide whether to approve the waiver**
- ▶ **Waiver would be moot if federal courts strike down the ACA**

Colorado Legislative Action

- ▶ This is currently just a PROPOSAL
- ▶ Colorado State Legislature still has to enact enabling legislation in 2020
- ▶ Could be challenging in an election year
- ▶ Backup option = Medicaid Buy-in?

Timeline

- ▶ Fall 2019
 - ▶ Legislation development
 - ▶ Actuarial Analysis for 1332 Waiver
- ▶ Early 2020
 - ▶ Hospital reimbursement formula
 - ▶ Prepare 1332 Waiver
 - ▶ Engage stakeholders in benefit design
- ▶ Fall 2020
 - ▶ Establish Public Option Advisory Board
- ▶ Winter 2021
 - ▶ Submit Federal 1332 Waiver
- ▶ Mid-2021
 - ▶ Carriers submit plans and rates
 - ▶ DOI review of rates
- ▶ Fall 2021
 - ▶ Rates released, open enrollment begins
- ▶ January 2022
 - ▶ Begin Public Option coverage
- ▶ June 2024
 - ▶ Submit comprehensive 2-year evaluation to General Assembly

Opposition

- ▶ Health Insurers
- ▶ Hospitals
- ▶ Legislators in their pockets

Groups tied to hospitals, insurance companies launch pricey ad blitz against Colorado public option

Partnership for America's Health Care Future and Colorado's Health Care Future spent \$121,000 on television and digital ads against the proposal, which will be debated in the upcoming legislative session

DEC 31, 2019 4:00AM MST

HEALTH



Jesse Paul @jesseapaul

The Colorado Sun —
jesse@coloradosun.com



PARTNERSHIP FOR AMERICA'S
HEALTH CARE FUTURE

9.20.19 / **UPDATES**

Study: Public Option Could Hurt Colorado Families, Cost State Jobs

Ad blitz underway against Colorado public option

Posted: 7:29 PM, Jan 02, 2020 **Updated:** 7:29 PM, Jan 02, 2020

AP By: [The Associated Press](#)

**\$121,000 spent on ads
just in December 2019!**

The background features abstract, overlapping green geometric shapes in various shades of green, primarily concentrated on the right side of the slide.

Thank you!

Nathan Wilkes

nathan@nathanwilkes.com

(720) 663-1663 Google Voice