

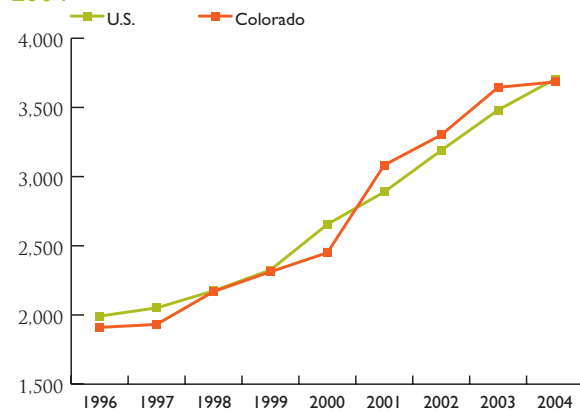
## THE COLORADO HEALTH CARE MARKETPLACE:

### *Coverage and Trends*

In many ways, changes in Colorado's health care market reflect national trends. Health insurance premiums continue to rise, while the small group market, which applies to the majority of the state's businesses but minority of workers, is diminishing. Consolidation of health insurance plans and hospitals is affecting both coverage and costs.

Between 1996 and 2004, Colorado saw higher increases in health insurance premiums than the nation as a whole. In the state, the average private-sector premium for a worker increased 93 percent compared with an 86 percent national average. The chart below shows how an employee's health insurance premiums rose during that period.

**Graph 1. Employee-only health insurance premiums for private-sector workers, Colorado and U.S., 1996-2004**



Source: Medical Expenditure Survey

### **Small group market**

Increases in insurance premiums have aligned with fewer businesses participating in the small group health insurance market. Although 75 percent of all businesses in Colorado are small (fewer than 50 employees), most workers (71%) are employed in large firms. The fact that the majority (58%) of Coloradans have health insurance through their employer masks the fact that only 38 percent of employ-

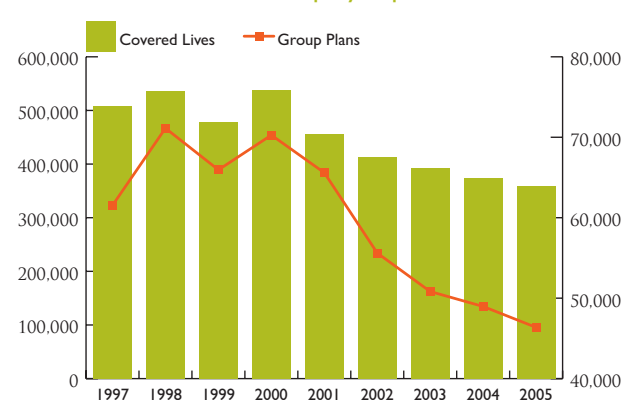
ees in small firms enroll in their employers' insurance plan when offered.

Despite efforts in the mid-1990s to reform the small group market, participation continues to decline.

- The number of individuals covered in this market decreased 33 percent, from 538,000 in 2000 to around 358,000 in 2005.
- The number of small group plans declined similarly by 34 percent, from around 70,000 to 46,000 during this same time frame.

Experts disagree as to the cause of this market erosion. Some note that more employers are electing to self-fund their insurance plans and purchase products outside the regulated small group market. Others argue that small group market reform has been overly prescriptive and has contributed to the decline. The graph below shows how the small group market has declined both in terms of individuals covered and the number of plans available.

**Graph 2. Colorado's small group market, number of covered lives and small employer plans, 1997-2005**



Source: Colorado Division of Insurance

## Marketplace consolidation

Experts also note that consolidation of Colorado's health plans over the past few years has altered the dynamics of the health care market, resulting in less choice for consumers and a less competitive market. Enrollment in the state's top 10 health plans increased from 1.8 million at the close of 1995 to 2.9 million in September 2005. Because the majority of the top 10 plans doing business in Colorado are publicly traded, plan managers have a responsibility to maximize profits for shareholders.

Consolidation is also apparent in the hospital industry. Beginning in the late 1990s, local hospitals began merging with national hospital chains to gain access to capital for expansion and modernization. This consolidation enabled the hospital groups to expand across the state and negotiate more favorable reimbursement rates from managed care organizations such as Rocky Mountain Health Plans or United Healthcare. Colorado currently has nine hospital groups that are important players in the delivery of health care to members covered by employer-sponsored insurance,

Between mid-2000 and the end of 2003, the overall number of managed care networks and key provider groups also declined.

## Colorado's uninsured

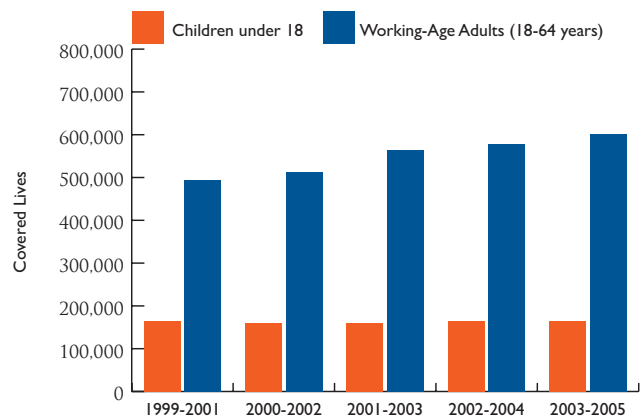
Not surprisingly, increases in the cost of health insurance correspond with an increasing number of uninsured.

- In 2004-05, the number of uninsured Coloradans was estimated to be around 770,000 or 17 percent of the population, slightly higher than the national average of 16 percent. This is in spite of the fact that Colorado ranks eighth in the country for per-capita income.<sup>1</sup>
- A higher percentage of working-age adults (18-64 years) were uninsured in 2003-05 than children under 18 years of age – 20 percent vs. 14 percent. The data suggest that this pattern has held since the 1999-2001 period.
- As the graph below shows, approximately 600,000 Colorado adults were uninsured in 2003-05.<sup>2</sup> As the state's population

grew between 1999 and 2005,<sup>3</sup> the number of uninsured adults also rose, while the number of uninsured children stayed relatively the same.

- Young people ages 18-34 years are the largest group of Colorado's uninsured.

Graph 3. Uninsured children and working-age adults in Colorado, 1999-2001 through 2003-05



Source: U.S. Census Bureau, Current Population Survey

## Medicaid, CHP+ and CICP

In addition to the nearly 770,000 uninsured individuals in Colorado, about 400,000 low-income Coloradans received their health care through the Colorado Medicaid program in FY 2005-06 at a cost to the state and federal government of nearly \$2 billion.

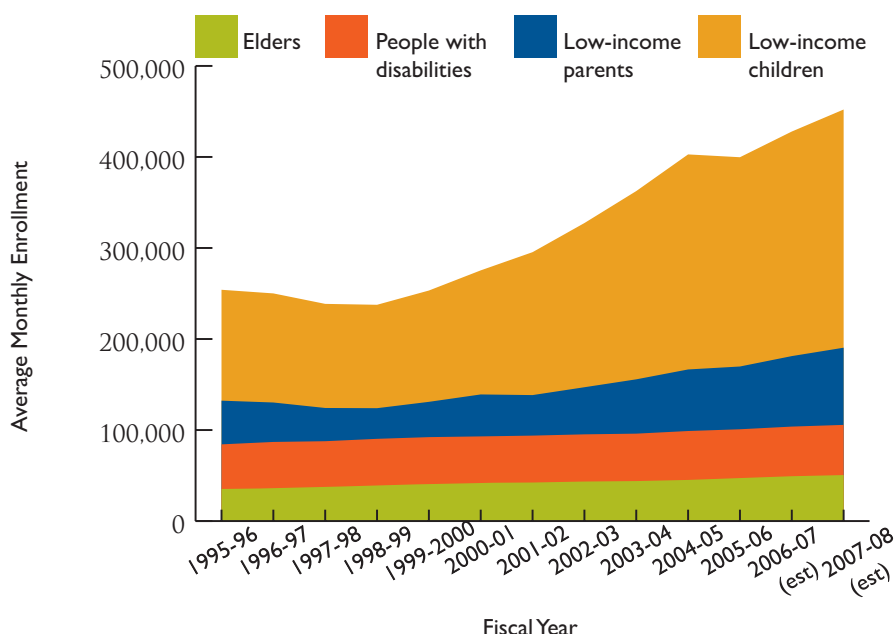
Colorado's Medicaid program complies with federal requirements, but has few optional eligibility and service categories not required by federal law. Compared to the rest of the country, the state program is relatively lean. For example, low-income adults who are neither elderly nor disabled may qualify for Medicaid only if they are parents of dependent children and have incomes that do not exceed 60 percent of the federal poverty level (\$12,000 annually for a family of four).

<sup>1</sup>[http://bea.gov/bea/newsrel/spi\\_highlights.pdf](http://bea.gov/bea/newsrel/spi_highlights.pdf)

<sup>2</sup>The Colorado Health Institute continues to explore trends and characteristics of the state's uninsured population and will release new analyses as they are available.

<sup>3</sup>Colorado State Demography Office.

Graph 4: Growth of Medicaid caseload, FY 1995-96 to FY 2007-08



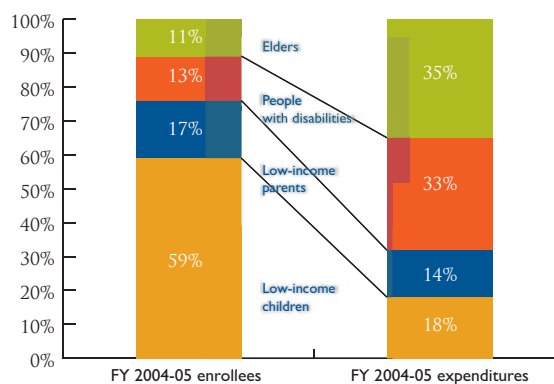
Source: Department of Health Care Policy and Financing, Nov. 1, 2006

The Medicaid caseload has increased substantially, nearly 60 percent between FY 1995-96 and FY 2005-06, challenging the state's General Fund budget and leading to some program reductions. A number of these reductions were rescinded after voters passed Referendum C in 2005, which allows the state to retain revenues in excess of constitutional revenue limits.

Although the majority of new Medicaid enrollees are children, elderly individuals and people with disabilities continue to account for a disproportionate share of the costs, primarily because of their long-term care needs. Long-term care accounted for 40 percent of Medicaid medical services premium costs in FY 2005-06.

In addition, nearly 47,000 low-income children were enrolled in the Child Health Plan Plus (CHP+) in FY 2005-06<sup>4</sup> with medical and dental appropriations for children and pregnant women in the program totaling more than \$57 million. Colorado voters' approval of Amendment 35 to the Colorado Constitution in 2004 allowed the state to use revenues from an increased tax on tobacco products to expand eligibility for the program up to 250 percent of the federal poverty level or \$40,000 annual income for a family of four.

Graph 5: Medicaid enrollees and expenditures, FY 2004-05



Source: Department of Health Care Policy and Financing, Feb. 15, 2006

Low-income individuals who do not qualify for Medicaid or CHP+ may receive subsidized services via the Colorado Indigent Care Program (CICP). CICP is a state program that partially reimburses participating providers for uncompensated services rendered to clients with incomes below 200 percent of the federal poverty level. In FY 2004-05, around 180,000 uninsured or underinsured Coloradans received services partially subsidized by this program.

<sup>4</sup>Based on average monthly enrollment.

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1576 Sherman St., Ste. 300 • Denver, CO 80203-1728 • 303.831.4200 • 303.831.4247 fax • [www.coloradohealthinstitute.org](http://www.coloradohealthinstitute.org)

The Colorado Health Institute (CHI) is an independent, nonprofit health policy and research organization based in Denver. It was established in 2002 by Caring for Colorado Foundation, The Colorado Trust and Rose Community Foundation. CHI's mission is to advance the overall health of the people of Colorado by serving as an independent and impartial source of reliable and relevant data for informed decisionmaking.

