

FIRST IN A SERIES

# ColoradoCare

## An Independent Analysis

*How It Would Work, How It Would be Financed and Questions to Ask*

APRIL 2016





**CHI staff members contributing to this report:**

- Joe Hanel, author and researcher
- Amy Downs, project leader
- Brian Clark
- Cliff Foster
- Deb Goeken
- Michele Lueck
- Allie Morgan
- Nina Roumell
- Rebecca Silvernale

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# Colorado voters have a momentous choice to make about their health care this fall.

*Amendment 69 would create ColoradoCare, a revolutionary system to pay for health care. It's a response to concerns that the current system costs too much and fails to provide for everyone's health needs. ColoradoCare would resemble some systems in Canada and Europe, where every resident has health coverage financed by taxes instead of private insurance premiums, but would be a first for an American state.*

Voters will decide on Amendment 69 on Election Day in November. If it's a thumbs-up, Colorado will embark on creating a taxpayer-funded system to provide universal health coverage.

ColoradoCare, with a projected annual budget of \$38 billion, would bring major changes to the state.

Proponents say ColoradoCare could save Coloradans more than \$6 billion a year by 2019 while improving health for all Coloradans. Opponents say the amendment would not address the underlying causes of high health prices, and leaves too many details to be settled by a very powerful board of directors.

This report is based on an analysis by the Colorado Health Institute (CHI) of Amendment 69 and CHI's analysis of the financial impact statement written by the pro-ColoradoCare campaign. The report poses three key questions that voters will be considering as they make up their minds on Amendment 69:

- Who would gain and who would lose under ColoradoCare?
- Would ColoradoCare make health care more affordable?
- What are the benefits and drawbacks of ColoradoCare that cannot be known before the election?

This primer will be followed by CHI reports that will delve into these questions as part of a planned series offering an independent analysis of ColoradoCare.

## The Push for Universal Coverage

Gaining health insurance is an important step in ensuring access to health care. Without insurance coverage, many patients would not be able to pay for the medical services they receive. But so far, no policy attempted in the United States — not even the Affordable Care Act (ACA) — has been able to bring coverage to everyone.

ColoradoCare attempts to solve that situation. ColoradoCare would automatically cover everyone whose primary residence is in Colorado. The system would include people who currently can't afford insurance, don't want it or don't qualify for existing programs because they are immigrants who lack documentation.

Supporters say universal, publicly financed coverage would save money and time that is currently spent on insurance paperwork, and allow patients to see any provider who agrees to contract with ColoradoCare. Opponents argue the opposite, saying the proposed system would limit Coloradans' choices about their health plans, restrain market competition and leave too many important details to be decided in the future.

## ColoradoCare: The Basics

### What is ColoradoCare?

**The short answer:** It is a new system of health insurance that would cover every resident of the state.

**The long answer:** ColoradoCare would be a cooperative authorized by the state constitution that would replace most other health insurance. Technically, ColoradoCare would be a “political subdivision” of the state, the same status afforded to cities, counties and school districts. An elected 21-person board would determine details of the benefits package, set rates for health care providers, hire managers and approve annual budgets. ColoradoCare would pay for health care for most Coloradans. Only purely federal programs, such as Medicare and Veterans Administration coverage, would remain in place in Colorado as primary insurers. ColoradoCare could provide supplemental coverage for people in the federal programs.

CHI estimates that 83 percent of Colorado’s population, or roughly 4.4 million people, would be eligible for primary health insurance coverage through ColoradoCare (See Figure 1).

Every person who lives in Colorado would be a beneficiary and eligible to receive services. (However, Medicare and other federal programs would continue to be the primary insurers for their clients.) And every beneficiary who is at least 18 and has lived in the state for the past year would be eligible to vote for the board and approve any tax increases necessary to fund the program. Eligible voters would be called members of the cooperative.

ColoradoCare would be funded by a combination of current state and federal government support for health care programs and new taxes.

### How It Would Work for Consumers

Under ColoradoCare, beneficiaries would see a health care provider of their choice, as long as the provider accepts ColoradoCare patients. Some essential services would be provided at no cost — as required by the ACA — while others would require a co-payment. ColoradoCare would pick up the majority of the cost for most items.

There would be no annual deductible before ColoradoCare benefits kick in, unlike most private insurance plans.

Amendment 69 specifies 11 categories of benefits that must be covered by ColoradoCare:

- Primary and specialty care.
- Hospitalization.
- Prescription drugs and durable medical equipment.
- Mental health and substance use treatment.
- Emergency and urgent care.
- Preventive and wellness services and chronic disease management.
- Rehabilitative services and equipment.
- Pediatric services, including oral, vision and hearing.
- Laboratory services.
- Maternity and newborn care.
- Palliative and end-of-life care.

## ColoradoCare: Proponents and Opponents



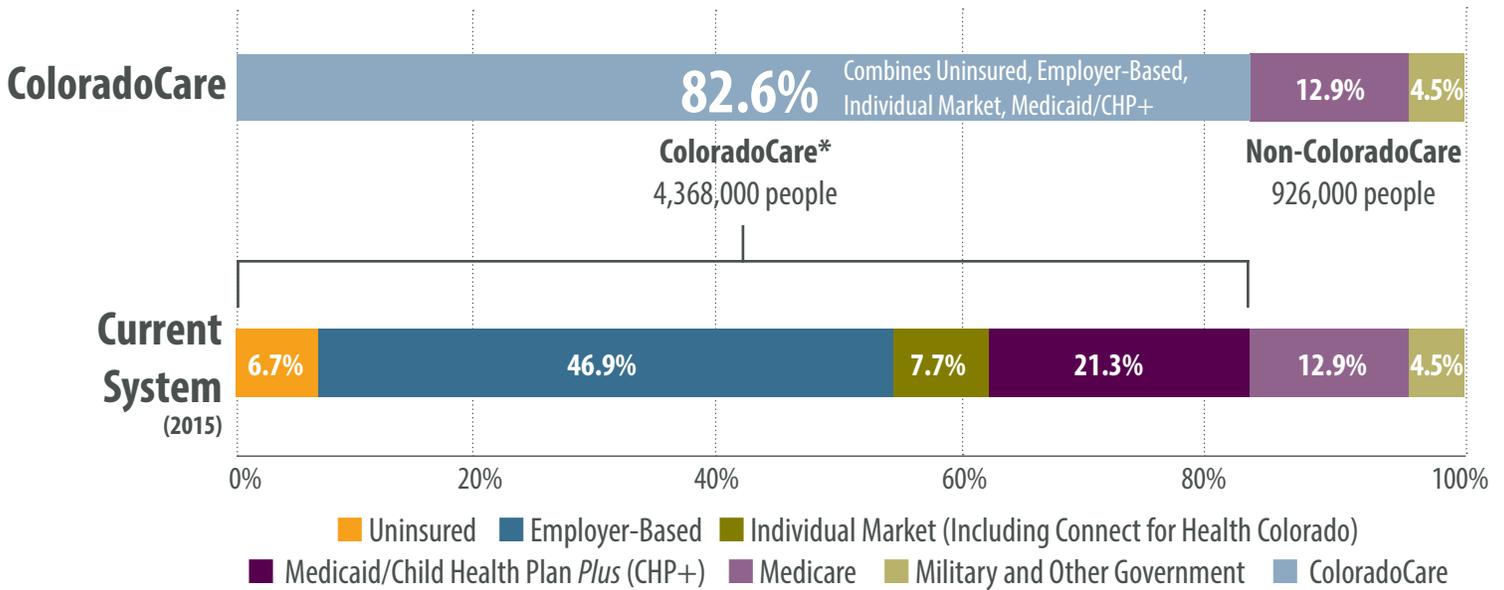
ColoradoCare is a citizen initiative supported by people who have advocated for universal health coverage. The

highest profile backers include state **Sen. Irene Aguilar**, D-Denver, a physician, and journalist **T.R. Reid**, who has written extensively about health care. Supporters gathered more than 100,000 valid signatures from Colorado voters to place the initiative on the ballot.



The Denver Metro Chamber of Commerce is coordinating the opposition through a campaign group called Coloradans for Coloradans. State Treasurer **Walker Stapleton**, a Republican, and former Governor **Bill Ritter**, a Democrat, are co-chairs of the group. **Gov. John Hickenlooper**, a Democrat, also is opposed.

Figure 1. Projected ColoradoCare Eligibility Compared With Enrollment in the Current System



\* ColoradoCare beneficiaries could choose to purchase additional private coverage.

Sources: 2015 Colorado Health Access Survey, ColoradoCare proposed constitutional amendment

The exact level of benefits and copayments would be determined by the ColoradoCare board. ACA requirements for minimum benefits in Medicaid and other programs would still apply to ColoradoCare.

### How It Would Work for Taxpayers

All Coloradans earning income would have to pay taxes to support the system. ColoradoCare would collect a 10 percent payroll tax on workers based in the state, with the employee paying 3.33 percent and the employer paying 6.67 percent.

Non-payroll income would be taxed at 10 percent. This includes self-employment, interest and dividends, capital gains, business income that is reported on personal tax forms, real estate income, retirement account distributions and Social Security benefits. A portion of Social Security and retirement income would be exempt from ColoradoCare taxes — up to \$33,000 for an individual and \$60,000 for couples.

High earners would pay ColoradoCare taxes only on income below \$350,000 for a single person or \$450,000 for married couples who file their taxes jointly.

The taxes could be lower than the current cost of private insurance coverage for some people, meaning they would save under ColoradoCare. Some people could pay more.

A startup tax of 0.9 percent of payroll and non-payroll income could be charged for up to three years before ColoradoCare begins offering benefits.

### How It Would Work for Employers

Under the ACA, businesses with at least 50 full-time workers have to offer an affordable and qualified health insurance plan to their employees or pay a penalty if they don't. Smaller businesses are not mandated to provide insurance, but they may be eligible for subsidies to offer insurance coverage.

Under ColoradoCare, both the ACA employer mandates and subsidies would be terminated. Instead, employers would satisfy the requirement to provide health coverage by paying their portion of the payroll tax. Small businesses that do not currently provide health insurance would still have to pay the payroll tax.

## Definitions

*Several terms are commonly used to describe plans for universal, publicly financed health coverage.*

**Universal coverage** means that everyone is provided with health insurance.

**Medicare for All** is a federal policy proposed by Democratic presidential candidate Bernie Sanders to insure all Americans, just as Medicare currently provides coverage to Americans age 65 and up.

**Single-payer health coverage** describes a market in which there is only one provider of insurance coverage, typically a state or national government. The rationale is to create a more efficient system by giving one big payer the market power to control costs by setting prices for drugs, medical equipment and health services.

**ColoradoCare** would grant the same coverage to everyone in the state while, in theory, cutting waste and fraud. It would provide universal coverage, but it is not a true single-payer system, because federal programs and private insurance companies would continue to provide coverage for some Coloradans.

## How It Would Work for Providers

ColoradoCare would not directly employ health care providers. Providers would continue to work for private practices, clinics, hospitals and other places. ColoradoCare would reimburse doctors and other providers for the health services they give to patients, just as insurance companies, Medicare and Medicaid do now.

The ColoradoCare board would set the rates it pays providers. If providers did not like their reimbursement rates, they would not be obligated to accept ColoradoCare patients. However, ColoradoCare would dominate the insurance market, so it could be difficult for providers to avoid contracting with ColoradoCare.

ColoradoCare does not prohibit private health insurers from continuing to operate in the state. Providers could contract with private insurers, but it is anticipated that the role of private insurers would be much smaller.

## How It Would Work for the State Government

The ColoradoCare board would seek federal waivers to take over the responsibilities of health-related parts of the state government. The Department of Health Care Policy and Financing (HCPF) currently oversees Medicaid and Child Health Plan *Plus* (CHP+). If Washington agreed, clients of those programs would be transferred to ColoradoCare, along with the accompanying federal and state funding. Medicaid and CHP+ clients would receive benefits at least as generous as those required by federal law, in addition to any other benefits selected by ColoradoCare's board.

The legislature would be required by the state constitution to transfer to ColoradoCare the current annual funding of Medicaid and CHP+ plus an amount based on inflation and population growth.

The ColoradoCare board also would ask for a federal waiver to shut down Connect for Health Colorado, the state-based insurance marketplace that was set up after the passage of the ACA. The marketplace's 160,000 customers would be transferred to ColoradoCare, and tax credits and subsidies for those who receive them would be paid directly into the new system.

Waiver requests would be submitted after the election if Amendment 69 passes.

ColoradoCare would be established by the state constitution and could be amended or repealed only by Colorado voters, not the legislature.

## How It Would Be Governed

Amendment 69 would grant significant powers to the board of ColoradoCare to manage day-to-day operations. The board would control a budget larger than the rest of the state government combined.

Many questions about ColoradoCare would be left for the board to answer. A sampling of the board's authority includes:

- Setting the benefits package.
- Creating a central purchasing authority for health services, drugs and medical equipment.
- Determining copayments.
- Helping to create a medical records system and

## How big is



Supporters estimate ColoradoCare would have \$38 billion in annual revenues. If it were a private company, ColoradoCare would rank about 80th in the Fortune 500, just behind New York Life Insurance and ahead of well-known companies such as American Express, Twenty First Century Fox, 3M, Sears, Nike and McDonald's. ColoradoCare's revenues would be greater than the state of Colorado's \$25.7 billion annual budget.

maintaining patient privacy.

- Determining reimbursement rates for providers.
- Managing elections for the board.
- Approving annual budgets.
- Hiring top managers.
- Creating a financial sustainability model.
- Funding an office for the investigation of fraud and abuse.

An interim board of 15 members would begin the work of setting up ColoradoCare. The governor and Democratic and Republican leadership in the legislature would appoint the interim board.

A permanent board of 21 people would be elected from seven districts across the state, with each district getting three representatives. They would serve four-year terms. Elections would be run by ColoradoCare, not the state government. Eligible voters would be the members of ColoradoCare — beneficiaries who have lived in the state at least a year and are at least 18. They would not necessarily have to be registered voters in Colorado.

Board members could be kicked off the board by a majority vote of the board. The board also would have the power to fill vacant seats.

## Paying for ColoradoCare

ColoradoCare would be financed by a combination of new taxes plus federal and state money that currently pays for health coverage — chiefly Medicaid.

ColoradoCare proponents are counting on significant cost reductions from simplifying paperwork, eliminating insurance company profits and better care coordination. They estimate that ColoradoCare could insure all Coloradans and reduce health expenditures by \$4 billion annually compared with the status quo.

## The November Vote: Not the Last Word

Colorado voters will not have the last word on ColoradoCare. If voters approve Amendment 69 at the November 8 election, it will set in motion a series of events and decisions that could take years to play out. Many people and institutions would have power over some aspects of building the ColoradoCare system. Table 1 highlights some of the major decisions and who makes them.

## Key Questions About ColoradoCare

CHI has identified three key questions that will help voters make an informed decision on the issue. We will publish reports this spring and summer that explore each question in depth and identify possible effects of the ColoradoCare proposal compared with the current system.

### Who would gain and who would lose under ColoradoCare?

ColoradoCare would create winners and losers, as well as new power brokers. Who stands to gain coverage? Who would pay less or more for coverage? How would roles change for providers, hospitals, insurance

companies, the state government, the voters and the leadership of ColoradoCare?

### **Would ColoradoCare make health care more affordable?**

Supporters have completed a fiscal analysis that predicts the new system would save money while covering all Coloradans. What assumptions did they make to conduct the fiscal analysis? Do those assumptions hold up to scrutiny? Who would pay more and who would pay less under the new system?

Other states have considered reforms similar to ColoradoCare, most recently Vermont. But Vermont abandoned its effort after determining it would cost too much. How does ColoradoCare compare with Vermont's efforts, and could it move forward where Vermont did not?

### **What are the benefits and drawbacks of ColoradoCare that cannot be known before the election?**

The ColoradoCare board would have significant power to set prices for copayments and medical services and to redesign the entire system of paying for medical care. What options would the board have at its disposal?

And what variables would remain outside the board's control? Would care providers decide to leave the state, or would more move in? Would chronically ill people from other states move to Colorado?

## **Conclusion**

If approved, ColoradoCare would launch the most far-reaching health care reform in any state since the ACA. In fact, its consequences would be even larger than the ACA in Colorado. While the ACA sought to increase coverage by funneling more people into the current systems of private or public insurance, ColoradoCare would create a new system, displacing both Medicaid and private insurance.

## **FAQs**

### **Q. Is this a government-run system?**

**A.** Officially, ColoradoCare would be a nonprofit corporation that is a political subdivision of the state, but it would be outside the control of the governor and the legislature. A board elected by the members of ColoradoCare would have power over budgets and all major decisions for the corporation. The state would collect taxes in order to help pay for ColoradoCare.

Pinnacol Assurance, which provides workers compensation insurance, is an example of a nonprofit company that is a political subdivision of the state. However, the governor appoints Pinnacol's board of directors, while ColoradoCare members would decide who serves on the ColoradoCare board.

### **Q. What happens to my private insurance policy?**

**A.** Private health insurance could still be available, but ColoradoCare would displace much of the private market. The system would be a lot like primary education. Public schools are free and available to all and supported by taxes. Parents can send their kids to private school, but they still have to pay taxes to support public schools. ColoradoCare would be tax-supported and available to all, but there would be nothing to stop people from buying private health insurance.

Table 1. Key Decision-making Steps for ColoradoCare

<b>Voters (Fall 2016)/ Members (in the future)</b>	Approve or reject Amendment 69.
	If necessary, approve higher taxes proposed by the ColoradoCare board up to once a year to fund system.
	Vote for representatives on the ColoradoCare board.
<b>ColoradoCare Interim Board</b>	Hire employees.
	Seek federal waiver to shut down Connect for Health Colorado, transfer its resources to ColoradoCare.
	Draw seven ColoradoCare board districts.
	Create election rules.
	Hold first election for permanent board within three years.
	Remove interim trustees by a majority vote.
<b>ColoradoCare Permanent Board</b>	Hire executive team.
	If necessary, remove board members by majority vote.
	Fill vacancies on the board.
	Draw new board districts after decennial census.
	Establish a central payment authority to purchase drugs, medical equipment and health care services.
	Contract with providers and set rates paid to providers for patient services.
	Change benefits package or issue refunds in the event of a surplus.
	Pass rules to waive copayments when they cause financial hardship for members.
	Facilitate creation of a medical records system.
	Ensure patient confidentiality.
	Approve or waive copayments.
	Determine benefits package beyond the 11 categories specified in Amendment 69.
	Apply for ColoradoCare to become a Medicare Advantage or supplemental carrier.
	Seek waivers from state and federal laws, rules and regulations.
	Set annual budgets.
	Annually assess revenues and costs.
	Determine a payment model to optimize quality, value and outcomes.
Phase in payment reform and unified billing.	
Shut down ColoradoCare if needed.	

<b>Federal Government</b>	Consider waiver to transfer Connect for Health Colorado to ColoradoCare.
	Consider waivers to transfer Medicaid and CHP+ to ColoradoCare.
<b>Legislature</b>	Senate president, speaker of the House, and minority leaders in both chambers each appoint three trustees to interim board.
	Enact laws to: <ul style="list-style-type: none"> <li>• Suspend Connect for Health Colorado operations and repeal authorizing statute.</li> <li>• Transfer Medicaid, CHP+ and any other federal-state coverage to ColoradoCare.</li> <li>• Enable ColoradoCare to directly receive Coloradans' premium assistance tax credits and cost-sharing subsidies associated with the ACA.</li> <li>• Amend workers' compensation law to transfer authority to ColoradoCare.</li> </ul>
	Enable the Department of Revenue to collect and transfer to ColoradoCare the taxes levied on behalf of the program.
	Maintain funding for Medicaid at current level, plus inflation and population growth, and transfer funds to ColoradoCare. Annually reappropriate the state's share of Medicaid and CHP+ funding.
<b>Governor/ Executive Departments</b>	Appoint three trustees to interim board.
	Division of Insurance: Operate ombudsman's office with funding from ColoradoCare.
	Department of Revenue: Collect income taxes to fund the program and distribute to ColoradoCare.
	HCPF, Connect for Health Colorado and other agencies assist in applying for federal waivers.
<b>Courts</b>	Assume jurisdiction over appeals of decisions by the ColoradoCare board once internal appeals are exhausted.



The Colorado Health Institute is a trusted source of independent and objective health information, data and analysis for the state's health care leaders. The Colorado Health Institute is funded by the Caring for Colorado Foundation, Rose Community Foundation, The Colorado Trust and the Colorado Health Foundation.



303 E. 17th Ave., Suite 930, Denver, CO 80203 • 303.831.4200  
[coloradohealthinstitute.org](http://coloradohealthinstitute.org)