

Joint Budget Committee

November 17, 2009

What is CoverColorado?

- Colorado’s high risk health insurance pool; created by legislature, 1990
- The “safety net” insurance program for a growing number of citizens who are denied individual health insurance because they have a medical condition; the only reliable source of health insurance available to people considered “uninsurable.”
- The majority of CoverColorado members are economically able to pay 140% of the standard individual market rate for their coverage; one-third of members use income-based discounted plans.
- Funding sources: 50% from member premiums; 25% from the state’s Unclaimed Property Fund; and 25% from assessments to commercial health insurers regulated by the DOI.

Explanation of Provider Reimbursement Schedule

- Recommendation from the Long Term Funding Task Force for CoverColorado: look for options not only for funding, but to reduce overall costs.
- One option recommended by the Task Force to reduce costs: reduce claim costs by lowering provider reimbursement
 - Present situation: CoverColorado contracts with a commercial health plan for claims processing and provider networks; provider reimbursement is based on that health plan’s negotiated discounts from providers.
 - Recommendation: Set provider reimbursement rates for hospital and clinical care at a multiple of Medicare payment schedule, thereby saving 10-20% in claim costs.
- Rationale for lower provider reimbursement:
 - CoverColorado is a nonprofit public entity that, because of its mission, should pay less than commercial rates.
 - CoverColorado members represent a very small portion of the state’s population and are geographically dispersed; therefore, a reduced reimbursement schedule would not

have more than a marginal effect on any particular provider (e.g., CoverColorado hospital claims are less than .05% of total hospital revenue - minimal cost shift.)

- Lower costs mean a slower depletion of the Unclaimed Property Fund
- The Health Care Interim Committee has agreed to sponsor a bill that would give authority to the CoverColorado Board to establish a provider reimbursement schedule; the bill would require all providers to accept the reimbursement amounts as payment in full and not balance bill CoverColorado members.
- The Colorado Medical Society and Colorado Hospital Association have agreed to support.
- The contracting health plan for CoverColorado - Rocky Mountain Health Plans - can administer a provider reimbursement schedule without additional administrative cost.

Guaranteed Issue Information

- Guaranteed Issue defined: Health insurance for which there is a guarantee that coverage is available to anyone regardless of health status, occupation, age or gender. Guaranteed Issue is required in Colorado's small group market (to 50 employees) but not in the individual market - why we need a high risk pool.
- Results of Guaranteed Issue in six states that have legislated it (without an individual or employer mandate to buy insurance):
 - Individual insurance companies stop writing coverage or leave the state.
 - Premiums for those that stay increase substantially.
 - Healthy individuals avoid enrollment in health insurance because of the premium cost until they absolutely need coverage, thereby helping to increase the overall cost to insurers.
- Please see attached Article on Guaranteed Issue from the Council for Affordable Health Insurance.
- Any questions: Suzanne Bragg-Gamble, Executive Director, (303) 863-1960.

CoverColorado Financial Viability

The Bill permits continued fiscal viability for CoverColorado, a vital non-profit program that makes available health insurance coverage for Coloradoans unable to obtain individual commercial policies because of health conditions.

What does the Bill accomplish?

- Allows the CoverColorado Board to establish a fee schedule for paying health care providers for services provided to program members.
- Permits members to receive services without fear of being billed for costs in excess of the fee schedule for covered services.
- Allows the Board to maintain membership numbers consistent with financial resources.

Why is the Bill needed?

- To help CoverColorado continue to provide health insurance coverage for 10,000 Coloradoans.
- To help CoverColorado control program costs and maintain reasonable member premiums.
- To help slow the depletion of the Unclaimed Property Fund (provides 25% of funding) and to reduce the funding needed from carrier/policyholder assessments (25% of funding).
- To carry out a key recommendation of the legislatively-created (HB08-1390) CoverColorado Long-term Funding Task Force and to allow CoverColorado to work with medical providers, including hospitals, to determine appropriate fees for medical services.
- To allow CoverColorado to sustain funding over time. The initial projection is for 20% savings on 2011 medical claims (approximately \$20 million) with this Bill.

What is CoverColorado?

CoverColorado is the “safety net” high risk health insurance pool for individuals in Colorado. The program offers a comprehensive health insurance option to individuals who are denied coverage in the individual insurance market because they have pre-existing medical conditions. CoverColorado is the only reliable source of health insurance available to people considered “uninsurable.”

Currently over 10,000 Colorado citizens are enrolled in the program, with a monthly net increase of about 250 members. The majority of members are economically able to pay 140% of the standard individual market rate for their coverage, while one-third use income-based discount plans.

Funding for CoverColorado comes from member premiums (50%), the State Unclaimed Property Fund (25%) and an assessment charged to commercial insurance carriers (25%). The cost of healthcare services and the projected rate of membership growth necessitates measures to control program costs within available funding.

*Questions? Suzanne Bragg-Gamble, Executive Director, 720-941-2538, sbgamble@covercolorado.org.
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Short Cuts

ISSUES & ANSWERS

The Council for Affordable Health Insurance

Solutions for Today's Health Policy Challenges

No. 100

Guaranteed Issue

October 2007

What is it? Guaranteed issue requires health insurers to accept any applicant for health insurance coverage even if the applicant has a serious medical condition. In the individual market (health insurance policies sold to individuals and families), health insurers are not usually required to provide coverage on a guaranteed issue basis. There are some exceptions as outlined in the federal law known as HIPAA (The Health Insurance Portability and Accountability Act of 1996) and specific state laws. However, most people receive their health insurance from either government sources (around 27%) or employer sources (more than 60%). Health insurance coverage provided by government and to employees is almost always issued on a guaranteed issue basis. As a result, it is only the relatively small individual health insurance market (around 9%) that does not provide guaranteed issue rights.

How does it work? Guaranteed issue laws guarantee access to health insurance, but do not limit a health insurer's ability to charge higher premiums to a group or individual with a chronic medical condition. Policymakers have often responded by passing price restrictions that limit the ability to raise rates, known as community rating.

The combination of these two policies in the individual market — price controls coupled with guaranteed issue — encourage individuals to game the system. Since in a guaranteed issue environment health insurance can be purchased at any time, it makes little sense to purchase health insurance when healthy. Instead, it makes much more financial sense to wait until threatened by an expensive medical condition. Once the condition is resolved, coverage can be dropped.

State Experience. Maine, Massachusetts, New York, New Jersey, Vermont and Washington State have experimented with guaranteed issue and price restrictions. The result is predictable.

Those who need insurance the least — the young and healthy — appear to abandon the health insurance market. With a less-representative pool, the rates increase, making policies unaffordable for most. In the end, the market is usually left with expensive health insurance, very few insurance companies participating and only the sickest with coverage.

The recent eHealthInsurance report "The Cost and Benefits of Individual Health Insurance Plans: 2007" illustrates the problem just as clearly. As seen on the chart below, New York and New Jersey have higher health insurance rates, higher average ages, and more uninsured than their neighbors Pennsylvania and Connecticut. What is the difference? New York and New Jersey have implemented guaranteed issue and community rating.

State	Average Premium	Average Age	Uninsured
New York	\$338	44	13%
New Jersey	\$277	37	17%
Pennsylvania	\$148	31	8.6%
Connecticut	\$156	35	11.3%

Is there an alternative? It is vital that state legislators, in attempting to ensure access to coverage for the 1% to 2% of the population that is medically uninsurable, not destroy the health insurance market for the other 98%. Guaranteed issue may provide access to health insurance, but it *does not* ensure those health insurance premiums are affordable. Fortunately, guaranteed issue is not the only way to provide access to health insurance for those with serious or chronic health conditions; 34 states have an alternative way to provide coverage through the use of a high risk pool.

For more information please visit www.cahi.org.

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