

Hundreds of thousands of Coloradans live without health insurance. Unable to afford basic health care, simple illnesses become major problems, and serious illnesses become crises.

Nearly everyone agrees that access to health care is a critical problem that somebody needs to address. But who? And what should be done?

Policymakers have not had the time or resources to systematically address this complex issue. As a result, the solutions to date have evolved into a patchwork, leaving ever-larger holes in the safety net of services available to assist the underserved.

In 1997, the Colorado Coalition for the Medically Underserved was created to address this health care problem. The mission of CCMU is to determine the best options and to build a movement for access to affordable, quality health care and preventive services for *all* Coloradans. CCMU pledged to develop feasible proposals and then work to make this vision a reality.

We've kept those promises by championing a process that has mobilized support and asked and answered many of the difficult questions facing health system reform in Colorado. Our work is far from over.



Moving Towards Substantial Reform:

HEALTH CARE COVERAGE FOR
ALL COLORADANS

February 2003



It's important to remember that lack of health insurance is a predictor of ill health, and the costs for paying for care for the underserved are shared by all of us through taxes and higher insurance premiums. The statewide uninsured and underinsured problem not only affects

the physical health of the impacted individuals, but also the economic health of our state.

PROGRESS BREEDS PROGRESS

For the past five years CCMU has studied, devised and tested solutions to Colorado's health care problems. CCMU recognizes that there is no quick fix to this complex issue. However, we have made real progress developing a plan to achieve our goals and taking steps to implement that plan.

This plan supports the concept that every Coloradan should have access to affordable, quality health care and preventive services. It's important to emphasize that these principles do not relegate solutions to a single payer system. The Colorado Coalition for the Medically Underserved seeks a Colorado specific solution that crosses partisan and ideological boundaries and is achieved through substantial, incremental reform.

Not surprisingly, a majority of Coloradans, like most Americans, agrees that everyone should have access to affordable, quality health care.¹ Yet the devil has always been in the details. That's where CCMU's leadership and technical expertise have come into play. CCMU's non-partisan, objective studies have generated some of the best data and analysis on medically underserved problems and solutions, and our unmatched community dialogue has engaged and educated thousands of individuals and organizations all over the state.

ANSWERING DIFFICULT QUESTIONS

Nearly 700,000 Coloradans are uninsured (that's 15.8 percent of the population). It's estimated that at least an equal number are *underinsured*, exposing them to limits on health care access or substantial financial losses if faced with an illness or accident.

Three-quarters of the uninsured live in families where there is at least one full-time worker, yet the major reason Coloradans don't have health insurance is because they can't afford it.² Studies show that Coloradans generally cannot afford coverage until their incomes approach 250 percent of the federal poverty level (\$45,250 for a family of four).³ The typical cost of family health insurance is approximately \$8,500 per year, representing almost 19 percent of the average uninsured family's income.⁴ Meanwhile, Colorado spends billions of dollars each year on care for the medically indigent in ways that – despite the best of intentions – are administratively inefficient and cumbersome with complicated or incomplete funding streams and varying rules for eligibility, coverage and reimbursement.⁵

The Coalition has led the charge to understand the scope and nature of this problem. We have also analyzed and refined options for realistic reform. Given the immense nature of the issue, it was necessary to know what options were available for reform and what Coloradans thought about those options. As a result, CCMU built upon the work of previous initiatives, developed a number of models, and talked directly with Coloradans around the state about their preferences and advice regarding access to care and health insurance coverage.⁶ These objective presentations produced invaluable insights into what Coloradans want from their health care system. These forums also documented the need for more dialogue and education to address misperceptions about the current system.⁷

Based upon feedback from community meetings, CCMU developed the *Healthy Colorado Plan*, and has since spent considerable time and resources refining this plan to provide access to coverage for everyone in Colorado.

WHAT WE LEARNED DOESN'T WORK

As complex as the medically underserved problem is, we do know a great deal about what Coloradans want to do about it. In principle, they want everyone to have access to care through a cost-effective, efficient system that allows for choice of providers and plans, portability, preventive services, and personal responsibility. We also know that Coloradans do not currently accept the idea of mandated employer or individual coverage.⁹ While some Coloradans express support for the concept of a single payer plan, others voice strong opposition to such an idea. Debate is hampered by widespread confusion about what constitutes a single-payer plan. Even if Coloradans accepted such a plan, significant technical issues remain, including federal insurance laws such as the Employment Retirement Income Security Act (ERISA).

Coloradans were interested in the use of large purchasing pools or tax credits to buy health insurance, but upon further analysis these approaches appear to be ineffective or impractical given the current system. Many liked the idea of developing a large, voluntary purchasing pool where individuals would have a choice of plans, could stay in the program indefinitely, and wouldn't have to go from one program to another (e.g., to/from Medicaid,

CHP+, employer-sponsored plans, etc.) to take advantage of available subsidies. The idea was to create an option (CCMU titled it “PRO-Colorado”) where Coloradans would have true portability of coverage, allowing them to stay in the same program regardless of job changes or other changes in personal circumstances.¹⁰ After thorough analysis, however, this voluntary program appears infeasible because of the likelihood of adverse selection; PRO-Colorado would fall prey to gaming of the system because nothing would stop healthy patients from exiting the program. The pool would end up with a larger than normal share of high-risk consumers, thereby prompting higher rates and a corresponding flight of low-risk consumers. Eventually this cycle would lead to what’s known in the industry as a “death spiral.”

Others liked the idea of providing certain small businesses or individuals with tax credits to buy health insurance. CCMU’s technical analysis shows that these tax credits require significant subsidies, however, raising equity concerns among those who would be paying for coverage without subsidies. Moreover, without federal support, Colorado’s current tax system cannot generate the resources necessary to fund a sufficient program. Finally, it would be very difficult to cost effectively administer a program that ensured ease of use by consumers without further destabilizing the existing health insurance system.¹¹

WHAT WE LEARNED *COULD* WORK

The good news is that Coloradans do support other ideas to ensure access to care. These options include enhancing and expanding existing public programs, developing a prescription drug assistance program for those who do not have or cannot afford coverage for medication costs, and creating a reinsurance pool for small businesses to increase coverage and bolster the private market.

Coloradans are interested in expanding and enhancing existing public programs like Medicaid and the Child Health Plan Plus (CHP+) if funding is available. They are attracted to such an approach because, as other states have shown, it’s an effective way to cover significant numbers of the uninsured, and federal matching funds are available. CCMU work groups researched and published data on seven different options, including information on federal waivers that offer the opportunity to expand the populations covered, benefits and cost sharing requirements by eligible participants. Significant numbers of uninsured Coloradans could be covered by a series of expansions of the current Medicaid and CHP+ programs.¹²

The problem of affordable prescription drug coverage is particularly acute for many of Colorado’s seniors and disabled persons. Based on analysis of programs in 34 states and estimates of the fiscal impact of different options, CCMU concluded that the development of a prescription drug assistance program is both

politically and economically feasible in Colorado.¹³ Continued increases in prescription drug spending by consumers will lead to increased public and political interest in making prescription drugs more affordable. In the absence of a comprehensive, federal drug benefit program, a prescription assistance program would be one incremental step towards providing affordable health coverage to uninsured Coloradans.

Coloradans are clearly concerned about the decline of the small group health insurance market, given the preponderance of small business in the state and the fact that more uninsured are employees of small businesses than large businesses. CCMU analysis shows that tens of thousands of previously uninsured Coloradans would receive coverage if a reinsurance mechanism were developed. Specifically, it would provide a 20 percent reduction in premiums for small businesses (1-50 employees) that qualify. As a result, this public/private partnership could reinforce a rapidly deteriorating small group market and decrease the number of uninsured for minimal costs.¹⁴

All of these findings reinforce the need for further streamlining of the current system. The patchwork nature of the current system breeds administrative inefficiencies and drains resources that could more appropriately be spent on patient care. In 2003, CCMU will analyze options to streamline the existing system in the hope of reinvesting those savings into increased coverage and improving access to care.

FINANCING CHANGE

The economic demands facing the state are dire. Constitutional restrictions hamper the state’s ability to adequately fund necessary services. A continued recession has magnified the pain. Even middle income Coloradans now understand the reality of the phrase “one pink slip away from being uninsured.”

The drive to contain health care costs has reached a fevered pitch given projected cumulative state budget deficit for this year and next of \$1.7 billion, double-digit health insurance premium hikes, and rising numbers of uninsured. Unfortunately the battle to contain health care costs to date has been characterized by more losses than victories.¹⁵

Clearly there is a need to analyze every avenue for financing health care in the future.¹⁶ Moreover, consumers must be better educated about appropriate use of medical care, like not going to the emergency room for a cold. While the movement to give consumers more choice and control of their health care is an option to decrease costs, it cannot fix all that is wrong with our broken health care system. Consumer-based cost containment strategies are built upon the premise of informed decisions. Yet neither Colorado nor the nation has the technological infrastructure to support standardized quality measurement, risk



adjustment and effective communication of health plan performance to enable that decision making.¹⁷ Rolling back reform advances from the past decade threaten an already precarious market. They also pose the danger of negating the risk-spreading concept of insurance.¹⁸

The Coalition has and will continue to educate and engage policymakers, the media and the public in the evolving dialogue about the value of health care, the need for insurance and the impact that access to care has on Colorado's population and economy. Much more dialogue, education and advocacy are necessary given that the situation is likely only to get worse before it gets better.

Even now, we see answers to difficult questions that lie ahead. More Coloradans are becoming educated about the interdependent nature of the health care system. More and more understand that the burden of cost shifting to cover deficiencies in public programs is borne by the private sector.¹⁹ As a result, demands for change are growing.

The Coalition's ongoing work provides opportunities for substantial, incremental reform. We know that it is possible to finance incremental health system change and we also know that polls show that Coloradans are becoming increasingly aware and willing to pay for this change—including support for a tobacco tax, liquor tax and sales tax.²⁰

A NEW BEGINNING

Debates about whether health care is a right or privilege miss the point. The real question is whether or not Coloradans believe that a healthy, productive Colorado is a priority. If it is, then changes are necessary to ensure access to affordable, quality health care and preventive services for all Coloradans. The time and resources expended to date by CCMU have been a necessary investment in knowledge and support. We have comprehensively studied the problem, devised feasible solutions and engaged Coloradans in a dialogue that emphasizes the value of health and its impact on our state. We have learned that substantial, incremental reform is not only possible, it's absolutely necessary. We now must apply the large body of learning that we have accumulated to implement meaningful change.

Chet Seward, Program Director

NOTES:

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2. Yondorf, Barbara. 2001 Colorado Health Data Book. Chart 16. CCMU. October 2001.
3. Glazner, Judith. *Prices and Affordability of Health Insurance for Colorado's Uninsured Population*. CCMU. July 2000.
4. Based on the typical family (age 30) monthly premium of \$712 (PPO plan-\$500 deductible, 90/70 - \$20 office visit, Rx \$10/\$30/\$50) in the Small Employer Group in the Denver metropolitan area. Source: Sandbak and Company. Denver, Colorado. Summer 2002.
5. In 2003 CCMU will publish a comprehensive study on expenditures for the medically indigent.
6. See: Riley, Trish and Barbara Yondorf. *Access for the Uninsured: Lessons from 25 Years of State Initiatives*. National Academy for State Health Policy. January 2000. Economic and Social Research Institute. *Covering America: Real Remedies for the Uninsured*. June 2001. Yondorf, Barbara. *Five Approaches to Achieving Health Insurance Coverage for All Coloradans*. CCMU. July 2000. CCMU. *Healthy Colorado Now: Coloradans' Preferences and Advice Around Health Insurance Coverage for All*. January 2001.
7. See: CCMU. *Healthy Colorado Now: Coloradans Preferences and Advice Around Health Insurance Coverage for All*. January 2001. Yondorf, Barbara. *Healthy Colorado: First Thoughts on a Plan to Ensure Coverage for All Coloradans*. CCMU. August 2001.
8. CCMU. Annual Reports 2000-2003.
9. CCMU. January 2001.
10. Yondorf, Barbara. *Healthy Colorado – Version II: Making Coverage More Affordable Through Enhanced Public and Private Insurance Programs*. CCMU. August 2002.
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13. Gordon, Kim. *Colorado Rx: Options for a Prescription Drug Assistance Program for Low-Income Coloradans*. CCMU. February 2003.
14. Schulte, Sarah. *Briefing Paper on the Healthy Colorado Small Business Program*. CCMU. December 2002.
15. Altman, Drew E. and Larry Levitt. *The Sad History of Health Care Cost Containment as Told in One Chart*. Health Affairs. January 23, 2002.
16. In 2003 CCMU will release a report detailing ten financing options.
17. Lee, Jason S. and Laura Tollen. *How Low Can You Go? The Impact of Reduced Benefits and Increased Cost Sharing*. Health Affairs. Web exclusive, 2002.
18. Fuchs, Victor R., PhD. *What's Ahead for Health Insurance in the United States?* The New England Journal of Medicine. Volume 346, No. 23, June 26, 2002.
19. Denver Metro Chamber of Commerce. *Medicaid, the Uninsured and the Impact on Your Business*. 2001.
20. Cirulli, 2002.