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**MEMORANDUM**

September 10, 2007

**TO:** Members of the Health Care Task Force

**FROM:** Kelly Stapleton, Senior Research Assistant, 303-866-4789

**SUBJECT:** Overview of the Selected Proposals for the Blue Ribbon Commission for Health Care Reform

This memorandum provides information about the Blue Ribbon Commission for Health Care Reform and the four proposals that the commission has selected for further study. The memorandum discusses the purpose and directive of the commission, and provides a break down of the four proposals including the author of the proposal, a summary of the proposal, and the proposed funding sources for the proposal.

**Blue Ribbon Commission for Health Care Reform**

The 27-member Blue Ribbon Commission for Health Care Reform was created in Senate Bill 06-208. The bill was sponsored by Senator Hanna and Representative McGihon in 2006. The commission is referred to as the 208 Commission based on the bill number that created the commission. The commission is charged with making recommendations for comprehensive health care reform with the goal of increasing health care coverage and decreasing costs for Colorado residents, with an emphasis on the underinsured and uninsured. The commission received 31 comprehensive health care reform proposals and selected four for an in-depth 'modeling' analysis to evaluate their potential impacts on health care spending and coverage. The Lewin Group, a health care consultant, was selected as the independent contractor to provide the model assessment of each plan. In addition to evaluating the four proposals, the 208 Commission is developing a fifth proposal that will go through the Lewin Group's modeling analysis. The 208 Commission is also soliciting public input regarding the proposals through statewide meetings and a stakeholder task force. The commission's final report will be presented to the General Assembly by January 31, 2008.

## 208 Commission Selected Proposals

The four proposals selected by the 208 Commission for further study are outlined in Table 1 — Overview of Proposals for the Blue Ribbon Commission for Health Care Reform. The table indicates:

- each proposal's author;
- a summary of each plan;
- a description of the benefit package offered under each plan;
- whether the plan includes an individual mandate (i.e. individuals are required to purchase insurance) or an employer mandate (i.e. employers are required to offer insurance to their employees);
- a description of what type of community rating is incorporated in each proposal's benefit plan. A community rating is how an insurance company determines how individuals and groups are charged for insurance, and is typically based on certain factors such as geographic location, age, or gender. A pure community rating requires insurers to charge the same premium to everyone regardless of the factors mentioned above — the only difference in charge is based on the number of individuals covered. A modified community rating allows the use of different rates based on those certain factors.
- estimated state and federal spending. This section illustrates what current state spending and assumed federal contributions would be under each plan and provides a total. Each plan proposes using some of the monies that are currently spent on state health care programs to fund the costs of the plan. However, each plan affects existing state health care programs differently. Therefore, the amount of current state health care spending that can be captured to fund the costs of each proposed plan varies. As a result, the totals shown in the chart for current state spending also vary. Depending on how each plan is structured, more or less federal dollars may be drawn down to fund each plan, hence the difference in assumed federal contribution monies. The numbers referenced in this section are from the Lewin Group's modeling assessment.
- the proposed funding source for each proposal; and
- an estimate of how many people will remain uninsured under each plan.

Information about what an individual may earn in order to qualify under the federal poverty level guidelines is provided in Table 2 — Annual Incomes and Percent of Federal Poverty Level, 2007. For example, an individual who makes \$30,630 or less qualifies for programs that accept individuals with incomes at or below 300 percent of the federal poverty level. Similarly, a family of four with a total income of \$61,950 or less would qualify for programs that accept individuals at or below 300 percent of the federal poverty level.

Information on income eligibility and at what level individuals qualify for certain state health programs (which are illustrated in the table) is provided in Table 3 — Current Income Eligibility for State Health Programs.

**Table 1  
Overview of Proposals for the Blue Ribbon Commission for Health Care Reform**

Plan Name	Better Health Care for Colorado	A Plan for Covering Coloradans	Solutions for a Healthy Colorado	Colorado Health Services Program
<b>Author of the plan</b>	Service Employees International Union (SEIU)	Committee for Colorado Health Care Solutions — an organization comprised of doctors and health care professionals.	Colorado State Association of Health Underwriters	Colorado Nurses' Association and the Health Care for All Colorado Coalition — an organization comprised of doctors, nurses, and other health care professionals that advocate a single-payer health care program.
<b>Plan summary</b>	<ul style="list-style-type: none"> <li>• expands Medicaid and the Children's Basic Health Plan (CHP+) to cover all children in families with incomes up to 300 percent of the federal poverty level;</li> <li>• creates a Health Insurance Exchange (HIE), which provides a single-point of entry for information, guidance, and education to help consumers make informed choices;</li> <li>• requires insurers to create low-cost, limited coverage plans to be offered through the HIE with monthly premiums that do not exceed \$250/month;</li> <li>• offers subsidies to families who earn up to 300 percent of the federal poverty level to purchase private or employer-sponsored insurance;</li> <li>• allows small businesses and uninsured individuals who earn more than 300 percent of the federal poverty level to purchase health insurance through the HIE with no subsidy;</li> <li>• incorporates long-term care reform including consumer-directed home care; and</li> <li>• reforms Medicaid managed care.</li> </ul>	<ul style="list-style-type: none"> <li>• mandates that all Coloradans have health insurance — if they do not, a penalty is assessed on an individual's income tax;</li> <li>• requires employers to provide health insurance or pay an annual fee to the state;</li> <li>• creates a purchasing pool to replace existing individual, small group, and large group markets;</li> <li>• creates a quasi-governmental authority responsible for setting policy and standards, and an administrative structure to manage the purchasing pool;</li> <li>• offers subsidies for those who earn up to 400 percent of the federal poverty level and small businesses to purchase coverage from the purchasing pool;</li> <li>• combines CHP+ and Medicaid;</li> <li>• expands Medicaid coverage to the disabled, children, and parents who earn up to 300 percent federal poverty level;</li> <li>• expands Medicaid coverage to the elderly and childless adults who earn up to 100 percent of the federal poverty level.</li> </ul>	<ul style="list-style-type: none"> <li>• requires all individuals to be insured — those who are insured get a tax credit, those who are uninsured receive a tax penalty;</li> <li>• creates a Core Benefit Plan;</li> <li>• provides a subsidy for those who earn up to 250 percent of the federal poverty level;</li> <li>• increases Medicaid reimbursement rates;</li> <li>• expands coverage for children under CHP+ up to 250 percent of the federal poverty level;</li> <li>• expands Medicaid coverage for parents who earn up to 100 percent of the federal poverty level;</li> <li>• specifies that any benefit mandate that affects less than 1 percent of the population and contributes more than 1 percent of the cost of claims, will be eliminated; and</li> <li>• establishes the Health Care Connector program, which would be primarily for people who qualify for Medicaid or other subsidies, and which would help them apply for that aid.</li> </ul>	<ul style="list-style-type: none"> <li>• creates a single-payer program, governed like a public trust;</li> <li>• creates a governing board comprised of 15 members from five regions in Colorado to set an annual budget, establish provider rates, and determine benefits package coverage;</li> <li>• creates the Colorado Health Trust where monies collected for the program will be held and are insulated from the General Fund account;</li> <li>• provides coverage for any individual who has lived in the state for 3 months;</li> <li>• specifies that individuals pay taxes instead of premiums; and</li> <li>• creates a statewide patient health information network. Data collected from the network will be used to reward providers for high-quality care and to identify training needs.</li> </ul>

**Table 1**  
**Overview of Proposal for the Blue Ribbon Commission for Health Care Reform (continued)**

<b>Plan Name</b>	<b>Better Health Care for Colorado</b>	<b>A Plan for Covering Coloradans</b>	<b>Solutions for a Healthy Colorado</b>	<b>Colorado Health Services Program</b>
<b>Benefits package</b>	The Health Information Exchange would be required to offer a minimum core benefit plan with an annual maximum benefit of \$35,000.	The authority would offer ten standard benefit packages that would be available through the purchasing pool. The cost of the plans would be set by insurance companies that would be required to offer a minimum benefits package with comprehensive care including dental, mental, substance abuse, prescription drugs, and other benefits. Two packages would be geared towards low-income individuals eligible for subsidies.	All carriers would be required to offer a core benefit plan with an annual maximum benefit of \$50,000 through the Health Care Connector.	The benefits package is based on the benefit package currently covered by Medicaid — primary care, hospitalization, lab work, emergency, mental, dental, and substance abuse treatment would be covered.
<b>Individual mandate</b>	No	Yes	Yes	Yes
<b>Employer mandate</b>	No	Yes	No	Yes
<b>Community rating</b>	Modified	Pure	Modified	Not applicable
<b>Estimated state and federal spending*</b>	\$980 million <ul style="list-style-type: none"> <li>• assumes current state spending of \$85 million</li> <li>• assumes federal contribution of \$506 million</li> <li>• requires new state revenue of \$389 million</li> </ul>	\$3.1 billion <ul style="list-style-type: none"> <li>• assumes current state spending of \$245 million</li> <li>• assumes federal contribution of \$887 million</li> <li>• requires new state revenue of \$2 billion</li> </ul>	\$1.3 billion <ul style="list-style-type: none"> <li>• assumes current state spending of \$233 million</li> <li>• assumes federal contribution of \$280 million</li> <li>• requires new state revenue of \$853 million</li> </ul>	\$26.5 billion <ul style="list-style-type: none"> <li>• assumes current state spending of \$3.1 billion</li> <li>• assumes federal contribution of \$8.4 billion</li> <li>• requires new state revenue of \$15 billion</li> </ul>

**Table 1**  
**Overview of Proposal for the Blue Ribbon Commission for Health Care Reform (continued)**

Plan Name	Better Health Care for Colorado	A Plan for Covering Coloradans	Solutions for a Healthy Colorado	Colorado Health Services Program
<p><b>Proposed financing</b></p>	<ul style="list-style-type: none"> <li>• increase in state tobacco tax from \$0.84 up to \$2.00 a pack; and</li> <li>• increase in alcohol tax as follows:  <i>spirits</i>: from \$0.60 to \$5.63 for a liter (or from \$2.28 to \$21.30 per gallon)  <i>wine</i>: from \$0.07 to \$0.66 per liter (or from \$0.32 to \$2.50 per gallon)  <i>beer</i>: from \$0.05 to \$.15 per 6-pack</li> </ul>	<ul style="list-style-type: none"> <li>• annual assessment on employers who do not currently cover employees;</li> <li>• a tax on insurance companies and health care providers; and</li> <li>• an increase in state tobacco tax from \$0.84 up to \$2.00 a pack; and</li> <li>• increase in alcohol tax as follows:  <i>spirits</i>: from \$0.60 to \$5.63 for a liter (or from \$2.28 to \$21.30 per gallon)  <i>wine</i>: from \$0.07 to \$0.66 per liter (or from \$0.32 to \$2.50 per gallon)  <i>beer</i>: from \$0.05 to \$.15 per 6-pack</li> </ul>	<ul style="list-style-type: none"> <li>• nutrition tax;</li> <li>• increase in state tobacco from \$0.84 up to \$2.00 a pack;</li> <li>• increase in alcohol tax as follows:  <i>spirits</i>: from \$0.60 to \$5.63 for a liter (or from \$2.28 to \$21.30 per gallon)  <i>wine</i>: from \$0.07 to \$0.66 per liter (or from \$0.32 to \$2.50 per gallon)  <i>beer</i>: from \$0.05 to \$.15 per 6-pack; and</li> <li>• employer contributions to a subsidy pool for employers who do not offer employer sponsored coverage</li> </ul>	<ul style="list-style-type: none"> <li>• 7.5 percentage point increase in income tax;</li> <li>• 6 percentage point increase in payroll tax;</li> <li>• increase in state tobacco tax from \$0.84 up to \$2.00 a pack; and</li> <li>• increase in alcohol tax as follows:  <i>spirits</i>: from \$0.60 to \$5.63 for a liter (or from \$2.28 to \$21.30 per gallon)  <i>wine</i>: from \$0.07 to \$0.66 per liter (or from \$0.32 to \$2.50 per gallon)  <i>beer</i>: from \$0.05 to \$.15 per 6-pack</li> </ul>
<p><b>Number estimated to remain uninsured after the plan is implemented</b>            (Currently 792,000 people are not insured in Colorado)</p>	<p>467,000            (or a 41 percent reduction)</p>	<p>109,000            (or a 86 percent reduction)</p>	<p>138,000            (or a 83 percent reduction)</p>	<p>0            (or a 100 percent reduction)</p>

\*Figures from the Lewin Group modeling assessment

**Table 2**  
**Annual Incomes and Percent of Federal Poverty Level, 2007**

Family Unit Size	60% of Poverty Level	73% of Poverty Level	100% of Poverty Level	133% of Poverty Level	200% of Poverty Level	218% of Poverty Level	250% of Poverty Level	300% of Poverty Level	400% of Poverty Level
1	\$5,880	\$7,453	\$10,210	\$13,579	\$20,420	\$22,258	\$29,603	\$30,630	\$40,840
2	\$7,920	\$9,994	\$13,690	\$18,208	\$27,380	\$29,844	\$34,225	\$41,070	\$54,760
3	\$9,960	\$12,534	\$17,170	\$22,836	\$34,340	\$37,431	\$42,925	\$51,510	\$68,680
4	\$12,000	\$15,075	\$20,650	\$27,465	\$41,300	\$45,017	\$51,625	\$61,950	\$82,600
5*	\$14,040	\$17,615	\$24,130	\$32,093	\$48,260	\$52,603	\$60,325	\$72,390	\$96,520

\* Family sizes of one to five are shown for illustrative purposes. Allowable incomes continue to increase as family size increases.

**Table 3**  
**Current Income Eligibility for State Health Programs**

