

State of Colorado



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Honorable Senator Mary Hodge
Chair, Joint Budget Committee

Honorable Senator Betty Boyd
Chair, Senate Health and Human Services Committee

Honorable Representative Ken Summers
Chair, House Health and Environment Committee

Colorado General Assembly
200 East 14th Avenue
Denver, CO 80203

Dear Senator Hodge, Senator Boyd and Representative Summers:

The Department of Personnel & Administration (DPA) staff has prepared this summary report on the Supplemental Contribution for Low-Income State Employee Benefits program, which was established pursuant to H.B. 07-1335. The legislation was intended to encourage lower-income employees with dependent children to enroll in the State's health insurance by supplementing the plan premiums.

The statute (Section 24-50-609.5(5), C.R.S.) requires DPA to report on the number of eligible state employees receiving supplements in the current fiscal year; the total amount of supplements that have been or will be paid in the current fiscal year; the average monthly and yearly amount of the individual supplements provided for the current fiscal year; the number of dependent children of eligible state employees receiving supplements covered by a qualifying group benefit plan during the current fiscal year; and the amount of increased non-supplemental state contributions for the current fiscal year. The statute also requires this information be provided for any prior state fiscal years in which supplements were provided.

Information for the current fiscal year, FY 2010-11, and FY 2009-10 and FY 2008-09 are provided below.

Supplemental Contribution for Low-Income State Employee Benefits

Fiscal Year 2010-2011

For FY 2010-11, the funding available for the Supplemental Contribution for Low-Income State Employee Benefits was \$499,805. This amount consists of \$159,138 transferred from the State Treasury in July 2010 and \$340,667 remaining in the fund at the end of FY 2009-10. The larger transfer from the State Treasury for each program will not occur until April 2011 due to the transfer to the General Fund required under S.B. 09-269 "Adjust Tobacco Settlement Moneys Allocation."

The funds available for this program are being used to supplement the medical premiums of state employees who applied and qualified for the supplement based on the parameters outlined within the statute as criteria for eligibility. Eligibility criteria includes an employee as defined in Section 24-50-603(7), C.R.S., who is eligible by virtue of employment to enroll in a group benefit plan, has an annual household income of less than 300 percent of the Federal Poverty Level (FPL), and has at least one dependent other than a legal spouse.

The Department processed 736 applications of which 362 were approved, 325 declined (83 applications were initially declined because they did not meet eligibility requirements,) and 49 remained incomplete until after the close of the application period. Level 1 (200% or less FPL) applications approved totaled 362. Level 2 and Level 3 (201-250% FPL and 251-300% FPL, respectively) applications totaled 235 and were not approved because of the unavailability of funds this fiscal year. As addressed in H.B.07-1335, funds first must be used to provide those employees in Level 1 with a supplement in the amount needed to reduce the employee contribution to all qualifying group benefit plans to zero before moving on to Level 2 and then to Level 3. After supplementing Level 1, insufficient funds remained to provide a supplement to other applicants at any percentage.

Thirteen new enrollments were made by employees who had previously waived coverage and an additional eight employees enrolled previously uninsured dependents during the special open enrollment period. Coverage for 911 children has been supplemented in FY 2010-11.

Level 1 approved applicant contributions have been reduced by \$107.40 per month. This partially supplements 340 individuals enrolled in the Kaiser Permanente HMO and the UnitedHealthcare Choice Plus options of the medical plan and supplements the contributions of 18 approved applicants who are enrolled in either the Kaiser or the UHC High Deductible Health Plans (HDHP) at 100 percent. When the calculations were originally prepared based on 362 approved applicants in Level 1, the supplement amount was \$96.10 per month. Because the Kaiser HMO and UnitedHealthcare Choice Plus options were not supplemented at 100 percent, four individuals withdrew their enrollments who had enrolled their children and/or families for coverage in either of these options during the special open enrollment. As a result, the number remaining in the program for FY 2010-11 is 358. This withdrawal of applicants allowed the

Department to increase the supplement amount by approximately \$11.00 per month for those enrolled in these two options.

The increased costs of migration and new enrollments as a result of supplement eligibility are paid from the supplement fund. The increased non-supplemental state contributions total \$58,621 for FY 2010-11. Where coverage was in place at the beginning of the plan year on July 1, 2010, the state contribution continues to be collected from the participants' agencies.

| Federal Poverty Level | Enrolled as of 12/31/10 | Average Monthly Cost | Annual Cost per Enrollment | Total Expenditure by Level |
|------------------------------|--------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Level 1 - ≤200% | 358 | \$116 | \$1,389 | \$497,164 |
| Level 2 – 201-250% | 0 | 0 | 0 | 0 |
| Level 3 – 251-300% | 0 | 0 | 0 | 0 |
| Total | 358 | \$116 | \$1,389 | \$497,164 |

The balance remaining from the amount available in FY 2010-11 is estimated to be \$2,641. These funds will be utilized as necessary for any status changes occurring with supplement participants.

Staff hours devoted to the implementation of the program totaled 462.8 for FY 2010-11 as opposed to 981 the previous year. Due to the reduction in available funds, only Level 1 applications went through the entire review process. Approximately 30 additional hours will be required to maintain the program for the remainder of the fiscal year.

Fiscal Year 2009-2010

For FY 2009-10, the funds available for the supplemental contribution fund for low-income state employee benefits was \$1,613,491.

The Department processed 964 applications of which 623 were approved, 299 declined (155 applications were initially declined because they did not meet eligibility requirements), and 42 remained incomplete until after close of the application period. After supplementing the first two eligible Levels, insufficient funds remained to provide a supplement to Level 3 applicants at any percentage.

Most employees applying for the supplement were already enrolled in a medical option, however, nine new enrollments were made by employees who had previously waived coverage, and an additional 22 employees enrolled uninsured dependents during the special enrollment period. Coverage for 1546 children was supplemented in FY 2009-10.

Level 1 approved applicant employee contributions were reduced to zero. Contributions already paid by Level 1 applicants for July through October 2009 were refunded at 100 percent. Level 2

approved applicant future contributions were reduced to zero. Contributions already paid by Level 2 applicants for July through October 2009 were refunded at 50 percent.

The migration and new enrollments resulted in an increase in the non-supplemental state contribution of \$144,454 for FY 2009-10.

| Federal Poverty Level | Enrolled as of 12/31/09 | Average Monthly Cost | Annual Cost per Enrollment | Total Expenditure by Level |
|------------------------------|--------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Level 1 - ≤200% | 420 | \$220 | \$2,636 | \$1,107,281 |
| Level 2 – 201-250% | 203 | \$183 | \$2,198 | \$446,145 |
| Level 3 – 251-300% | 0 | 0 | 0 | 0 |
| Total | 623 | \$208 | \$2,493 | \$1,553,426 |

Please Note: The enrollment numbers used in this chart reflect the participants enrolled in the supplement program as of the end of the calendar year. The Total Expenditure by Level demonstrates the actual expenditures from the program to subsidize the enrolled participants' medical insurance through the end of the fiscal year. There may be slight variances in the numbers due to rounding or changes occurring within each level.

The average cost of the program for FY 2009-10 is less than that of FY 2008-09 due to the reduction in Employee + Child(ren) premium rates effective July 1, 2009. Most supplement participants are enrolled in that benefit tier.

The balance remaining in the FY 2009-10 supplement fund was \$340,667.

Implementation and administration of the FY 2009-10 supplement program required less staff resources due to processes and procedures being established in the prior year and changes made in the application and documentation submittal process. Staff hours devoted to the implementation of FY 2009-10 supplement program were 981, as opposed to 2,420 in FY 2008-09, which included 140.5 hours for the childhood asthma pilot. Additional hours were required to maintain the program throughout the fiscal year estimated at approximately 40 hours.

Fiscal Year 2008-2009

For FY 2008-09, the funding available for the supplemental contribution fund for low-income state employee benefits was \$1,586,744. DPA received 691 applications, of which 482 were approved. Although most of the employees who applied for the supplement were already enrolled in medical coverage, 16 new enrollments were made by employees who had previously waived coverage and an additional 26 employees enrolled uninsured dependents. Coverage for 1,100 children was supplemented in FY 2008-09. Employee contributions were reduced to zero for all applicants.

The migration in benefits coverage tiers and new enrollments resulted in a total increase in the non-supplemental state contribution for FY 2008-09 of \$135,987.

| Federal Poverty Level | Enrolled as of 12/31/08 | Average Monthly Cost | Annual Cost per Enrollment | Total Expenditure by Level |
|------------------------------|--------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Level 1 - ≤200% | 277 | \$273 | \$3,273 | \$ 906,710 |
| Level 2 – 201-250% | 147 | \$ 248 | \$ 2,976 | \$437,127 |
| Level 3 – 251-300% | 51 | \$249 | \$2,989 | \$152,442 |
| Total | 477 | \$261 | \$ 3,136 | \$1,496,279 |

Please Note: The enrollment numbers used in this chart reflect the participants enrolled in the supplement program as of the end of the calendar year. The Total Expenditure by Level demonstrates the actual expenditures from the program to subsidize the enrolled participants' medical insurance through the end of the fiscal year. There may be slight variances in the numbers due to rounding or changes occurring within each level.

The balance remaining in the FY 2008-09 supplement fund was \$291,436.

H.B.07-1335 also included a childhood asthma disease management pilot. The pilot was funded for FY 2008-09 only by a short-term grant for innovative health programs. The pilot program ended on June 30, 2009. The payment of all associated claims was completed in December 2009.

Respectfully Submitted,



Kathy Nesbitt, Executive Director
Department of Personnel and Administration

- cc: Members of the Joint Budget Committee
Members of the Senate Health and Human Services Committee
Members of the House Health and Environment Committee
Jennifer Okes, Executive Deputy Director, DPA
Guy Mellor, Director of the Division of Human Resources, DPA
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