2006 Annual Report of the Colorado Commission on Mandated Health Benefits

To The Colorado General Assembly

December 1, 2006

Colorado Commission on Mandated Health Benefits

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Introduction

The Commission on Mandated Health Benefits was created through the enactment of Senate Bill 03-068, sponsored by Senator Hagedorn and Representative Brophy. The Commission is charged with reviewing existing and proposed health benefit mandates for their impact on individuals, employers and health insurers.

Of the eleven members of the Commission in 2006, nine were appointed by the Governor with the two remaining being appointed by the President of the Senate and the Speaker of the House. Representative McCluskey has served as chairman of the Commission since its inception. The roster of Commission members is attached.

In 2004, the Commission adopted the following mission statement, consistent with the enabling legislation, as a guide to its work:

To serve the people of Colorado and the State Legislature by providing objective information and recommendations on the impact and structure of current and proposed health insurance mandated benefits.

Reports

An assessment tool (see attachment) was developed by the Commission to ensure that all mandate reviews included key components and provided balanced information. Critical questions concerning the social, financial and medical impacts are identified to structure mandate reviews. In addition to reviewing relevant literature, the Commission seeks testimony from experts and other interested parties. Four meetings of the Commission were scheduled during the 2006 legislative session to permit review of legislation referred to the Commission.

In March 2006, the Commission was requested to conduct a review of HB06-1346 "Concerning Dependent Health Care Coverage for a Minor Child of a Person Eligible for Dependent Coverage." The request for the Commission to conduct this review was made with a less than 48 hours period for the Commission to meet and report in order to meet legislative deadlines, but the Commission could not achieve a quorum within such a constrained period. The bill was referred again to the Commission in April when the bill was pending before the committee of reference in the Senate and a special meeting of the Commission was called to accommodate this request. On April 26, 2006, the Commission met to review HB06-1346. The Minutes of that Commission meeting are attached, as is a copy of the report that was made by the Commission on HB06-1346.

Recent Activity

In June 2006, the Commission was solicited for interest and recommendations for service on the Advisory Committee established under SB06-36 "Concerning the Types of Health Benefit Plans Required to be Offered by Small Employer Carriers to Small Employers in the State," to advise the Division of Insurance in developing a small group Basic plan design utilizing medical evidence for the design of the plan. One of the members of the Commission, Richard Rush, was named to this advisory committee. The advisory committee is scheduled to complete its work in approximately March 2006 and it is anticipated that the Commission will be requested to review the recommendations of the advisory committee in advance of the Division promulgating the new Basic option plan design.

Future

The Commission on Mandated Health Benefits will continue to meet in 2007 as needed to address new and existing mandated benefits. Section 10-16-103.3(6), C.R.S., states that when a legislative measure containing a mandated health insurance benefit is proposed, the standing committee shall request the Commission to prepare an assessment of the social and financial impact of the mandate. The process for referral of legislative bills to the Commission was memorialized in S.J.R.05-004 to have "chairpersons of the standing committees having jurisdiction over proposed legislation containing health insurance mandates . . . [to], when appropriate, request the Commission to study and assess the social and financial impact of any new mandate and forward its findings to the committee prior to the initial hearing of the bill."

The Commission respectfully requests that, in such cases, sufficient time be allowed to schedule the Commission to meet, obtain a quorum, provide a thorough and adequate review, and report back to the referring committee.

Pursuant to legislation enacted in 2005, the Commission will be repealed on July 1, 2010, unless continued by the Colorado General Assembly.

Commission on Mandated Health Insurance Benefits

Roster

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Commission on Mandated Health Insurance Benefits
Assessment Tool

INTRODUCTION

The Commission on Mandated Health Insurance Benefits exists to serve the people of Colorado and the State Legislature by providing objective information and recommendations on the impact and structure of current and proposed health insurance mandated benefits. In order to accomplish our mission, the Commission requests that all proposed mandates clearly define the scope of services to be covered, the level of benefit intended, and the health insurance markets directly impacted (e.g., individual, group, etc.) In providing answers to the following questions, the Commission requests that sources be cited for the information provided. Information without a source cited will be assumed to be anecdotal.

A. Social Impact

1. If coverage is not generally available, what is the extent to which the lack of coverage results in persons being unable to obtain necessary health care treatment due to cost, access to care, or other factors? Specify:
    - Financial impact to an individual seeking the specified course of treatment;
    - Barriers to care, aside from financial hardship, that arise due to lack of coverage; and
    - Medical outcomes likely to result from a lack of treatment.

2. The extent to which coverage for the proposed benefit mandate is already available through coverage provided by the following entities:
    - Medicare;
    - Medicaid;
    - FEHBP;
    - Colorado State employee plan;
    - Major insurance carriers (specify if offered market segments to which benefit is offered);
    - Any government, community, or charitable programs.

3. What is the level of public demand from consumers and/or providers for the service or treatment? Is meeting this demand consistent with the role of health insurance and the prudent management of medical expenses for the greater good of the general populace?

4. In which states has a similar mandate been promulgated? What is the likelihood of achieving the objectives of meeting a consumer need as evidenced by the experience of other states?

5. What are possible alternatives to meeting the identified need?

B. *Financial Impact*

1. What is the health insurance premium impact on a pmpm basis anticipated over the next three years due to the proposed benefit mandate? Specify:
    - Direct health care costs, utilization and administrative expenses;
    - Indirect costs, such as inappropriate or excessive treatment;
    - Savings directly related to the proposed mandate, such as improved outcomes; and
    - Savings indirectly related to the proposed mandate, such as employee productivity.

2. Does the proposed mandate provide for a more or less expensive treatment alternative than is already commonly covered in the market today?

3. Does this mandate create cost shifting between private and public payors of health care or health care coverage?

C. *Medical Efficacy*

1. How does the proposed benefit mandate meet generally accepted medical treatment standards?

2. What criteria exist to determine the appropriateness (medical necessity) of providing the proposed mandated benefit?

3. What improved and lasting outcomes will result from providing the proposed mandate?

4. What medical, behavioral, and lifestyle alternatives exist for treating the specified conditions?

D. *Balance*

1. To what extent does the need for coverage of the proposed mandate outweigh the costs of mandating the benefit?

2. What is the potential number of persons that may no longer be able to afford coverage as a result of this mandate?

Commission on Mandated Health Insurance Benefits
Review of HB06-1346 – Concerning Dependent Health Care Coverage for a Minor Child of a Person Eligible for Dependent Coverage

April 26, 2006 Minutes

The Commission on Mandated Benefits convened on April 26, 2006, at the request of Senator Bob Hagedorn, Chair of the Senate Health and Human Services Committee, to review HB06-1346. Present for the Commission meeting were:

Rep. Bob McCluskey (chair)
Leo Tokar (vice chair) (by teleconference)
Sen. Andy McElhany
Pam Nicholson (by teleconference)
Gail Lindley (by teleconference)
Deb Higgins (by teleconference)
Peg Brown
Rick Rush (for a portion of meeting)

Representative Anne McGihon and Senator Brandon Shaffer, sponsors of the bill, provided testimony. Senator Shaffer submitted the attached completed assessment tool for the Commission's consideration, as well as a fact sheet from the Colorado Children's Campaign on Uninsurance and Kids.

Rep. McGihon reported that the bill's purpose is to encourage families to stay together and avoid a pregnant or parenting teenager or dependent from leaving home to get Medicaid coverage for their child. The intent of the bill is to expand and permit coverage to the child of a dependent child who is living in the grandparent's home and is financially independent on the grandparents.

Sen. Shaffer explained that the bill was amended in the Senate Health and Human Services Committee to move it from the definition of dependent in CRS 10-16-102(14) to the statute enacted last year requiring the offer of coverage to the parent, for an additional premium if applicable, by rider or supplemental policy provision, dependent coverage to an unmarried child under age 25 who has the same legal residence as the parent or is financially dependent on the parent. CRS 10-16-104.3.

Commission members discussed with the bill sponsors how CRS 10-16-104.3 was implemented by health insurance carriers and employers. There appear to be two avenues by which carriers and employers implemented the expansion to age 25: 1) by creating an additional tier under the plan for the "new" to age 25 dependents with associated premium cost, and 2) by providing the coverage with an increase in premium for all employees. There are administrative costs associated with both avenues that must be accounted for within the system.

The Commission also discussed the cost of providing health care coverage to babies between birth and age 1. It was debated that while that while children are generally low-cost and that providing them coverage avoids Medicaid and uninsured costs, the population choosing this

coverage may be an adverse selection group with potential significant costs for premature infants. It was noted that the babies between birth and age 1 have approximately the same average health care costs as a 65 year old.

The Commission took public testimony from Ralph Pollock of CACI, John McCormick of Qwest, Jerry McElroy of Kaiser Permanente, and Tony Gagliardi of the National Federation of Independent Business. This testimony focused on the additional administrative costs to carriers and employers of implementing HB06-1346. Cost estimates ranged from $250,000 to $500,000 by Qwest and 0.4% increase in premium for Kaiser Permanente and estimates of between 0.5 and 1.5% for other carriers. Kaiser Permanente also discussed their experience with HB06-1101 with an increase of $300,000 in premiums charged to employers for 583 of the "new" dependents enrolled under CRS 10-16-104.3 in January, 2006. The Commission discussed research that for every 1% increase in premium between 3,000 and 4,000 Coloradans lose coverage. Therefore, for a 0.4% increase in premium due to this legislation, between 1,200 and 1,600 Coloradans would lose their health coverage.

At the conclusion of the meeting, Senator Shaffer discussed with the Commission potential amendment to the bill to ensure that the administrative costs arising from it should be passed along to the grandparents choosing coverage under it. There was discussion from some Commission members that this is not administratively feasible for many, if not most employers, and carriers.

This is a proposal with an appropriate goal of extending coverage to grandchildren resident in a grandparent's home, but such must be balanced with the costs associated with a requirement on carriers and employers to offer such coverage to the grandparents.

Commission on Mandated Health Insurance Benefits
Review of HB06-1346 – Concerning Dependent Health Care Coverage for a Minor Child of a Person Eligible for Dependent Coverage

April 26, 2006

Introduction

The Commission on Mandated Health Insurance Benefits exists to serve the people of Colorado and the State Legislature by providing objective information and recommendations on the impact and structure of current and proposed health insurance mandated benefits.

On April 26, 2006, the Commission met to review HB06-1346 – Concerning Dependent Health Care Coverage for a Minor Child of a Person Eligible for Dependent Coverage. The bill sponsors Representative Anne McGihon and Senator Brandon Shaffer are to be commended for trying to find innovative ways to cover more people in the state of Colorado.

From the information presented to the Commission, we present the following analysis:

Social Impact

The bill would, as proposed expand coverage to an underserved population and a population for which there is demand, though there is some evidence that it represents a small portion of the total population and likely somewhere between one tenth of one percent (0.001) and one percent (0.01) of the insured population.

The affected population currently has access to health care through other channels. These include: Medicaid; the Child Health Plus (CHP+) program; particular employers (e.g. the State of Colorado employees plans) that offer coverage to grandchildren in some circumstances; and under individual plans that can be purchased on one's own, though there are questions about the availability of such individual coverage plans for maternity and for children born with health difficulties. For the government program channels of coverage, no provider receives cost as reimbursement through these avenues representing a cost-shift to other payors who transfer the cost to employers and individuals purchasing health coverage.

This legislation may address some of the problem of uninsured children that currently make up approximately 22.1% of the uninsured population. Uninsured children, and those in government programs, who lack a regular source of care have significantly poorer health, receive less quality and necessary care, and cost more in the health care system. Medicaid and CHP+ children in Colorado who do not have a regular source of health care have 1.5 to 2 times poorer health compared to commercially insured children. The current structure of Medicaid and CHP+ eligibility may force a teen out of their parents' home to qualify for Medicaid and obtain coverage for their child.

Financial Impact

HB06-1346 with the Senate Health and Human Services Committee amendment specifies that the cost of the coverage of a grandchild could be borne by either the employer or the employee that elects the coverage. There are two components of this cost: the cost of the coverage (premium), and the administrative costs of employer benefits administration. There is potential that the cost of this coverage could be unaffordable if the full cost of it were placed on those electing the coverage.

The issue of affordability may be exacerbated by adverse selection. This would occur when, without a subsidizing employer contribution to make the price affordable, only the most needy with the highest costs would select the coverage at the fully loaded price. To recognize the consequences of this cycle of adverse selection, the insurance carrier could either charge a little bit more to the broader population to support the price of the rider or it would be required to continually escalate the cost of the rider.

Cost estimates for the increase in premium ranged from 0.4 to 1.5%. The uninsured population may increase by roughly 1,200 to 2,400 individuals as a result of the increased premiums from this mandate. It should also be noted that this mandate does not apply to employers that self-fund their employee health benefits, and that some employers offer menus to their employees which include self-funded plans not subject to this mandate and state-regulated plans which would be subject to it. This would create inequities in the marketplace and would make it difficult, if not impossible, for employers to offer any combination of insured and self-insured options to employees.

The costs of employer benefits administration were described as substantial. Many employers do not have the administrative systems to track subsets of covered lives, such as grandchildren. Employers also anticipate costs to implement the payroll and other systems changes necessary to charge additional premium and/or incremental costs to the grandparent employees. Another component of the administrative costs is the calculating and reporting of imputed income values for employees selecting this expanded coverage on a pre-tax premium basis, as the IRS' view of dependency does not exactly match Colorado statutes. This has been a significant unforeseen consequence of CRS 10-16-104.3 (HB05-1101) which established the option for a parent to elect coverage for additional premium by rider or supplemental policy provision for their unmarried child under age 25 who lives with them or is financially dependent on the parent and is not considered a dependent under CRS 10-16-102(14) (full-time student under age 24).

Balance

As noted, there is demand for an expansion of health coverage to the children of dependents and the improvement in child health that could result from expanded health coverage outside of government programs. This, however, must be viewed in the context of the increased costs in both premium and employee benefits administration. The increase in premium may result in some Coloradans losing their health coverage due to their and/or their employers' inability to absorb the additional cost, and the administrative costs to employers of implementing such a mandate.

The Minutes (unapproved) of the Commission meeting are attached.