

ColoradoCare Economic Analysis Overview



Paying for ColoradoCare: ColoradoCare expects to receive Medicaid and Affordable Care Act (ACA) subsidies through waivers. Coloradans will pay income-based premiums as follows:

- Employees—3.33% payroll premium
- Employers—6.67% payroll premium & option to pay employees' share
- 10% premium on non-payroll income capped at \$350,000/individual or \$450,000/joint filers —The Premium Tax is a state tax & is deductible from income taxes, whereas health care is usually not deductible. Considering the reduction in income taxes, *the impact of the 10% Premium for income tax payers is reduced to between 8.537% and 5.637%* depending on tax bracket.

Source of savings with ColoradoCare:

- Reduction in administrative waste—\$4,901 million
- Reduced prices from market power —\$951 million
- Fraud reduction resulting from single billing system—\$494 million
- As the system matures, savings are expected from efficiencies and integrated delivery.

Distribution of Savings

- Overall, Colorado employers reduce employee health care expenses \$3,138 million.
- Colorado residents' health care expenditures reduced \$1,650 million, or an average of \$382 per resident (excluding Medicaid beneficiaries who already have no cost sharing).
- Employers save the costs of administering employee health care.
- State, county, and city governments, and schools and universities save as employers.
- All employers save the 59% of workers' compensation costs that has paid the medical portion.

Impact on Colorado residents

- Benefit package more comprehensive than the ACA including some dental
- Actuarial value 96% due to no deductibles (The highest actuarial value in the ACA is 90%.)
- Choice of primary care provider (PCP) and specialty provider choice may be limited if PCP works in limited network as in current system
- No copayment for designated primary care and prevention, and copayment waived for financial need
- No more fears that a person or their family or friends will be temporarily uninsured or under-insured
- No more fears of medical debt or bankruptcy
- Increase in medical care with savings coming from administrative waste and other efficiencies

Impact on providers

- Overall provider compensation remains the same. Compensation would remain competitive with other states in order to attract and retain the necessary provider workforce.
- Less time and overhead dedicated to administrative tasks and consequently, higher morale
- Payments from all patients are sufficient without cost shifting.

Impact on Medicaid beneficiaries

- Retain all benefits with a possible increase in dental benefits
- Able to see any provider
- Continuous affordable care with the same providers if Medicaid eligibility is lost

Impact on Medicare beneficiaries

- Medicare Parts A, B, and D, and Medicare Advantage remain the same
- ColoradoCare provides supplemental payments
- Up to \$36,000 for individual filers or \$56,000 for joint filers of Social Security or pension income is exempt from non-payroll premiums.

Impact on Colorado Jobs:

- By redirecting \$3 billion out-of-state spending to in-state spending, there would be a net gain of 21,267 jobs in Colorado in 2016.

- Job churn would increase by up to 2% for one year. Administrative jobs would be lost, and the savings would create an equivalent number of new jobs, causing between 6,404 and 10,040 residents to change jobs. The annual rate of Colorado job change or churn is 480,000.
(Expense and Revenue Estimates on back side)

2016 ColoradoCare Expense and Revenue Estimates

	(in millions)
Total Colorado Health Expenditures (Consumption category)	\$49,552
Subtraction adjustments from CHE with ColoradoCare	
Administration in providers' offices reduction	1,851
Administration in private insurance reduction	3,849
Drug, medical, and hospital pricing savings	951
Fraud reduction savings	494
Total expense reduction	7,145
CHE outside of ColoradoCare responsibility	3,320
Dental care not covered at the beginning of ColoradoCare	\$900
Total not typically covered expenditures	<u>4,220</u>
Total subtractions from CHE	(\$11,365)
Addition adjustments to CHE with ColoradoCare	
Coverage extension	1,211
Utilization increase	347
Increase in funds for health care services	1,558
ColoradoCare administration (not included elsewhere)	799
Medicaid premium refunds	<u>300</u>
Total CHE additions	+ \$2,657
Funds needed to pay for universal health expenditures usually covered by health care insurance (ColoradoCare and continuing federal programs combined)	<u>\$40,844</u>
Continuing funded federal programs	
Medicare	9,945
Tricare	352
Veterans Administration	<u>762</u>
Total continuing federal programs	(\$11,059)
Subtract continuing federal programs total from universal health expenditures usually covered by insurance	
Funds needed for ColoradoCare expenses	\$29,785
ColoradoCare Revenue	
Medicaid waiver	8,567
ACA waiver	600
Out-of-pocket with ColoradoCare (96% actuarial value)	852
Revenue from premium taxes	<u>20,565</u>
Total ColoradoCare revenue	\$30,584
Surplus balance	\$799

ColoradoCare Proposal Economic Analysis (4.6.15), Miller, I.J.
Colorado Foundation for Universal Health Care, Louisville, CO

(Overview summary of the Proposal Economic Analysis on back side)