

FIRST IN A SERIES

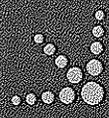
# ColoradoCare

## An Independent Analysis

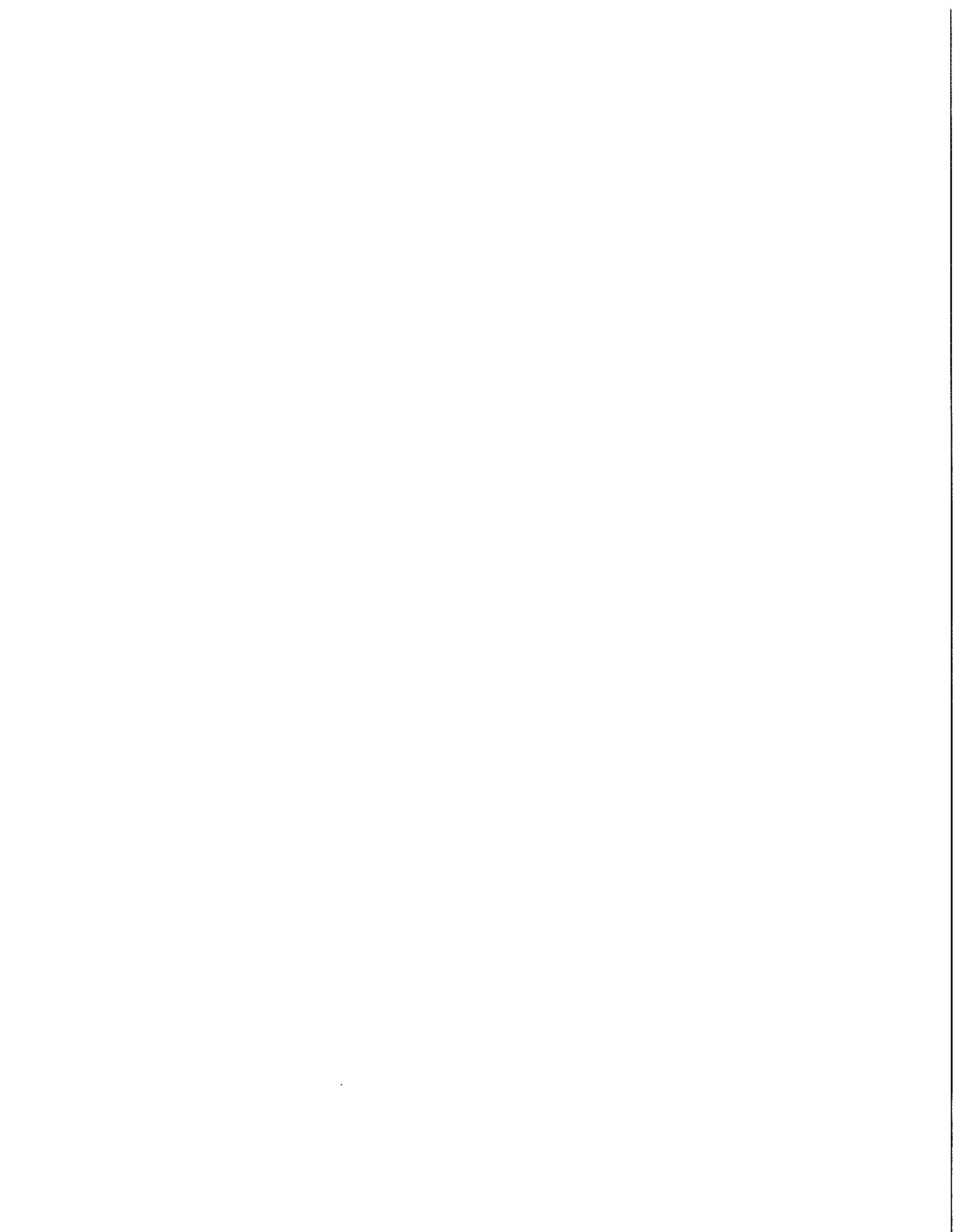
*How It Would Work, How It Would be Financed and Questions to Ask*

APRIL 2016



 **colorado health**  
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# Colorado voters have a momentous choice to make about their health care this fall.

*Amendment 69 would create ColoradoCare, a revolutionary system to pay for health care. It's a response to concerns that the current system costs too much and fails to provide for everyone's health needs. ColoradoCare would resemble some systems in Canada and Europe, where every resident has health coverage financed by taxes instead of private insurance premiums, but would be a first for an American state.*

Voters will decide on Amendment 69 on Election Day in November. If it's a thumbs-up, Colorado will embark on creating a taxpayer-funded system to provide universal health coverage.

ColoradoCare, with a projected annual budget of \$38 billion, would bring major changes to the state.

Proponents say ColoradoCare could save Coloradans more than \$6 billion a year by 2019 while improving health for all Coloradans. Opponents say the amendment would not address the underlying causes of high health prices, and leaves too many details to be settled by a very powerful board of directors.

This report is based on an analysis by the Colorado Health Institute (CHI) of Amendment 69 and CHI's analysis of the financial impact statement written by the pro-ColoradoCare campaign. The report poses three key questions that voters will be considering as they make up their minds on Amendment 69:

- Who would gain and who would lose under ColoradoCare?
- Would ColoradoCare make health care more affordable?
- What are the benefits and drawbacks of ColoradoCare that cannot be known before the election?

This primer will be followed by CHI reports that will delve into these questions as part of a planned series offering an independent analysis of ColoradoCare.

## The Push for Universal Coverage

Gaining health insurance is an important step in ensuring access to health care. Without insurance coverage, many patients would not be able to pay for the medical services they receive. But so far, no policy attempted in the United States — not even the Affordable Care Act (ACA) — has been able to bring coverage to everyone.

ColoradoCare attempts to solve that situation. ColoradoCare would automatically cover everyone whose primary residence is in Colorado. The system would include people who currently can't afford insurance, don't want it or don't qualify for existing programs because they are immigrants who lack documentation.

Supporters say universal, publicly financed coverage would save money and time that is currently spent on insurance paperwork, and allow patients to see any provider who agrees to contract with ColoradoCare. Opponents argue the opposite, saying the proposed system would limit Coloradans' choices about their health plans, restrain market competition and leave too many important details to be decided in the future.

## ColoradoCare: The Basics

### What is ColoradoCare?

**The short answer:** It is a new system of health insurance that would cover every resident of the state.

**The long answer:** ColoradoCare would be a cooperative authorized by the state constitution that would replace most other health insurance. Technically, ColoradoCare would be a “political subdivision” of the state, the same status afforded to cities, counties and school districts. An elected 21-person board would determine details of the benefits package, set rates for health care providers, hire managers and approve annual budgets. ColoradoCare would pay for health care for most Coloradans. Only purely federal programs, such as Medicare and Veterans Administration coverage, would remain in place in Colorado as primary insurers. ColoradoCare could provide supplemental coverage for people in the federal programs.

CHI estimates that 83 percent of Colorado’s population, or roughly 4.4 million people, would be eligible for primary health insurance coverage through ColoradoCare (See Figure 1).

Every person who lives in Colorado would be a beneficiary and eligible to receive services. (However, Medicare and other federal programs would continue to be the primary insurers for their clients.) And every beneficiary who is at least 18 and has lived in the state for the past year would be eligible to vote for the board and approve any tax increases necessary to fund the program. Eligible voters would be called members of the cooperative.

ColoradoCare would be funded by a combination of current state and federal government support for health care programs and new taxes.

### How It Would Work for Consumers

Under ColoradoCare, beneficiaries would see a health care provider of their choice, as long as the provider accepts ColoradoCare patients. Some essential services would be provided at no cost — as required by the ACA — while others would require a co-payment. ColoradoCare would pick up the majority of the cost for most items.

There would be no annual deductible before ColoradoCare benefits kick in, unlike most private insurance plans.

Amendment 69 specifies 11 categories of benefits that must be covered by ColoradoCare:

- Primary and specialty care.
- Hospitalization.
- Prescription drugs and durable medical equipment.
- Mental health and substance use treatment.
- Emergency and urgent care.
- Preventive and wellness services and chronic disease management.
- Rehabilitative services and equipment.
- Pediatric services, including oral, vision and hearing.
- Laboratory services.
- Maternity and newborn care.
- Palliative and end-of-life care.

## ColoradoCare: Proponents and Opponents



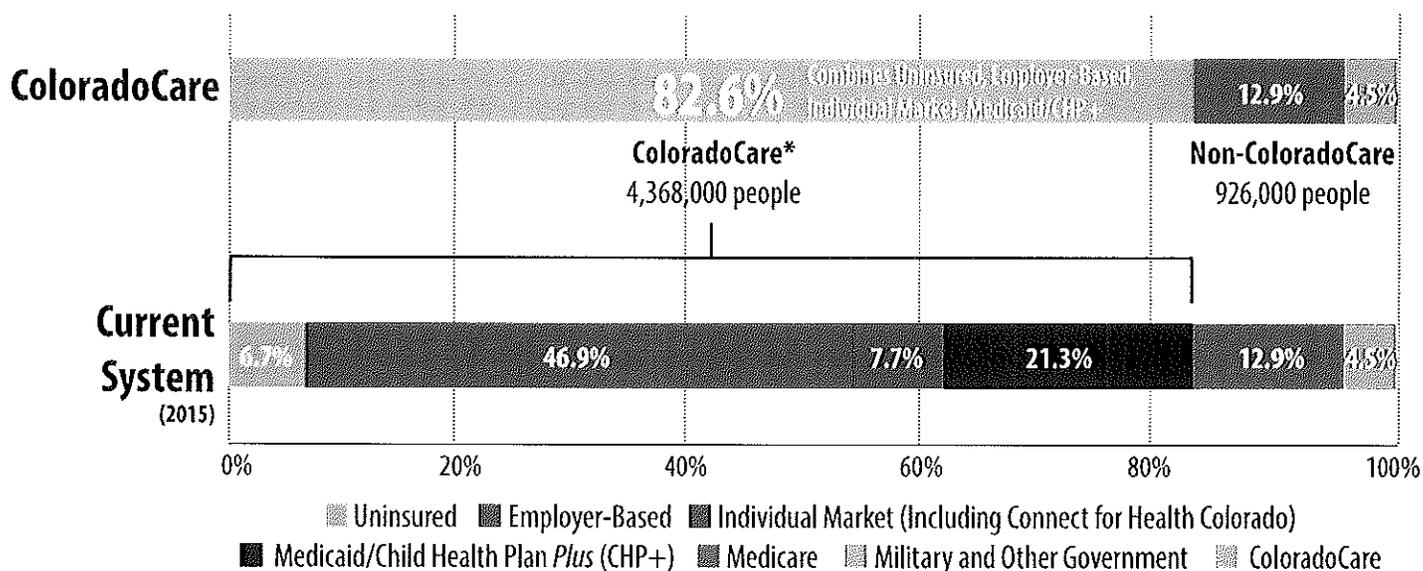
ColoradoCare is a citizen initiative supported by people who have advocated for universal health coverage. The

highest profile backers include state **Sen. Irene Aguilar**, D-Denver, a physician, and journalist **T.R. Reid**, who has written extensively about health care. Supporters gathered more than 100,000 valid signatures from Colorado voters to place the initiative on the ballot.



The Denver Metro Chamber of Commerce is coordinating the opposition through a campaign group called Coloradans for Coloradans. State Treasurer **Walker Stapleton**, a Republican, and former Governor **Bill Ritter**, a Democrat, are co-chairs of the group. **Gov. John Hickenlooper**, a Democrat, also is opposed.

Figure 1. Projected ColoradoCare Eligibility Compared With Enrollment in the Current System



Sources: 2015 Colorado Health Access Survey, ColoradoCare proposed constitutional amendment

The exact level of benefits and copayments would be determined by the ColoradoCare board. ACA requirements for minimum benefits in Medicaid and other programs would still apply to ColoradoCare.

### How It Would Work for Taxpayers

All Coloradans earning income would have to pay taxes to support the system. ColoradoCare would collect a 10 percent payroll tax on workers based in the state, with the employee paying 3.33 percent and the employer paying 6.67 percent.

Non-payroll income would be taxed at 10 percent. This includes self-employment, interest and dividends, capital gains, business income that is reported on personal tax forms, real estate income, retirement account distributions and Social Security benefits. A portion of Social Security and retirement income would be exempt from ColoradoCare taxes — up to \$33,000 for an individual and \$60,000 for couples.

High earners would pay ColoradoCare taxes only on income below \$350,000 for a single person or \$450,000 for married couples who file their taxes jointly.

The taxes could be lower than the current cost of private insurance coverage for some people, meaning they would save under ColoradoCare. Some people could pay more.

A startup tax of 0.9 percent of payroll and non-payroll income could be charged for up to three years before ColoradoCare begins offering benefits.

### How It Would Work for Employers

Under the ACA, businesses with at least 50 full-time workers have to offer an affordable and qualified health insurance plan to their employees or pay a penalty if they don't. Smaller businesses are not mandated to provide insurance, but they may be eligible for subsidies to offer insurance coverage.

Under ColoradoCare, both the ACA employer mandates and subsidies would be terminated. Instead, employers would satisfy the requirement to provide health coverage by paying their portion of the payroll tax. Small businesses that do not currently provide health insurance would still have to pay the payroll tax.

## Definitions

*Several terms are commonly used to describe plans for universal, publicly financed health coverage.*

**Universal coverage** means that everyone is provided with health insurance.

**Medicare for All** is a federal policy proposed by Democratic presidential candidate Bernie Sanders to insure all Americans, just as Medicare currently provides coverage to Americans age 65 and up.

**Single-payer health coverage** describes a market in which there is only one provider of insurance coverage, typically a state or national government. The rationale is to create a more efficient system by giving one big payer the market power to control costs by setting prices for drugs, medical equipment and health services.

**ColoradoCare** would grant the same coverage to everyone in the state while, in theory, cutting waste and fraud. It would provide universal coverage, but it is not a true single-payer system, because federal programs and private insurance companies would continue to provide coverage for some Coloradans.

## How It Would Work for Providers

ColoradoCare would not directly employ health care providers. Providers would continue to work for private practices, clinics, hospitals and other places. ColoradoCare would reimburse doctors and other providers for the health services they give to patients, just as insurance companies, Medicare and Medicaid do now.

The ColoradoCare board would set the rates it pays providers. If providers did not like their reimbursement rates, they would not be obligated to accept ColoradoCare patients. However, ColoradoCare would dominate the insurance market, so it could be difficult for providers to avoid contracting with ColoradoCare.

ColoradoCare does not prohibit private health insurers from continuing to operate in the state. Providers could contract with private insurers, but it is anticipated that the role of private insurers would be much smaller.

## How It Would Work for the State Government

The ColoradoCare board would seek federal waivers to take over the responsibilities of health-related parts of the state government. The Department of Health Care Policy and Financing (HCPF) currently oversees Medicaid and Child Health Plan *Plus* (CHP+). If Washington agreed, clients of those programs would be transferred to ColoradoCare, along with the accompanying federal and state funding. Medicaid and CHP+ clients would receive benefits at least as generous as those required by federal law, in addition to any other benefits selected by ColoradoCare's board.

The legislature would be required by the state constitution to transfer to ColoradoCare the current annual funding of Medicaid and CHP+ plus an amount based on inflation and population growth.

The ColoradoCare board also would ask for a federal waiver to shut down Connect for Health Colorado, the state-based insurance marketplace that was set up after the passage of the ACA. The marketplace's 160,000 customers would be transferred to ColoradoCare, and tax credits and subsidies for those who receive them would be paid directly into the new system.

Waiver requests would be submitted after the election if Amendment 69 passes.

ColoradoCare would be established by the state constitution and could be amended or repealed only by Colorado voters, not the legislature.

## How It Would Be Governed

Amendment 69 would grant significant powers to the board of ColoradoCare to manage day-to-day operations. The board would control a budget larger than the rest of the state government combined.

Many questions about ColoradoCare would be left for the board to answer. A sampling of the board's authority includes:

- Setting the benefits package.
- Creating a central purchasing authority for health services, drugs and medical equipment.
- Determining copayments.
- Helping to create a medical records system and

## How big is



Supporters estimate ColoradoCare would have \$38 billion in annual revenues. If it were a private company, ColoradoCare would rank about 80th in the Fortune 500, just behind New York Life Insurance and ahead of well-known companies such as American Express, Twenty First Century Fox, 3M, Sears, Nike and McDonald's. ColoradoCare's revenues would be greater than the state of Colorado's \$25.7 billion annual budget.

maintaining patient privacy.

- Determining reimbursement rates for providers.
- Managing elections for the board.
- Approving annual budgets.
- Hiring top managers.
- Creating a financial sustainability model.
- Funding an office for the investigation of fraud and abuse.

An interim board of 15 members would begin the work of setting up ColoradoCare. The governor and Democratic and Republican leadership in the legislature would appoint the interim board.

A permanent board of 21 people would be elected from seven districts across the state, with each district getting three representatives. They would serve four-year terms. Elections would be run by ColoradoCare, not the state government. Eligible voters would be the members of ColoradoCare — beneficiaries who have lived in the state at least a year and are at least 18. They would not necessarily have to be registered voters in Colorado.

Board members could be kicked off the board by a majority vote of the board. The board also would have the power to fill vacant seats.

### Paying for ColoradoCare

ColoradoCare would be financed by a combination of new taxes plus federal and state money that currently pays for health coverage — chiefly Medicaid.

ColoradoCare proponents are counting on significant cost reductions from simplifying paperwork, eliminating insurance company profits and better care coordination. They estimate that ColoradoCare could insure all Coloradans and reduce health expenditures by \$4 billion annually compared with the status quo.

### The November Vote: Not the Last Word

Colorado voters will not have the last word on ColoradoCare. If voters approve Amendment 69 at the November 8 election, it will set in motion a series of events and decisions that could take years to play out. Many people and institutions would have power over some aspects of building the ColoradoCare system. Table 1 highlights some of the major decisions and who makes them.

### Key Questions About ColoradoCare

CHI has identified three key questions that will help voters make an informed decision on the issue. We will publish reports this spring and summer that explore each question in depth and identify possible effects of the ColoradoCare proposal compared with the current system.

#### Who would gain and who would lose under ColoradoCare?

ColoradoCare would create winners and losers, as well as new power brokers. Who stands to gain coverage? Who would pay less or more for coverage? How would roles change for providers, hospitals, insurance

companies, the state government, the voters and the leadership of ColoradoCare?

### **Would ColoradoCare make health care more affordable?**

Supporters have completed a fiscal analysis that predicts the new system would save money while covering all Coloradans. What assumptions did they make to conduct the fiscal analysis? Do those assumptions hold up to scrutiny? Who would pay more and who would pay less under the new system?

Other states have considered reforms similar to ColoradoCare, most recently Vermont. But Vermont abandoned its effort after determining it would cost too much. How does ColoradoCare compare with Vermont's efforts, and could it move forward where Vermont did not?

### **What are the benefits and drawbacks of ColoradoCare that cannot be known before the election?**

The ColoradoCare board would have significant power to set prices for copayments and medical services and to redesign the entire system of paying for medical care. What options would the board have at its disposal?

And what variables would remain outside the board's control? Would care providers decide to leave the state, or would more move in? Would chronically ill people from other states move to Colorado?

## **Conclusion**

If approved, ColoradoCare would launch the most far-reaching health care reform in any state since the ACA. In fact, its consequences would be even larger than the ACA in Colorado. While the ACA sought to increase coverage by funneling more people into the current systems of private or public insurance, ColoradoCare would create a new system, displacing both Medicaid and private insurance.

## **FAQs**

### **Q. Is this a government-run system?**

**A.** Officially, ColoradoCare would be a nonprofit corporation that is a political subdivision of the state, but it would be outside the control of the governor and the legislature. A board elected by the members of ColoradoCare would have power over budgets and all major decisions for the corporation. The state would collect taxes in order to help pay for ColoradoCare.

Pinnacol Assurance, which provides workers compensation insurance, is an example of a nonprofit company that is a political subdivision of the state. However, the governor appoints Pinnacol's board of directors, while ColoradoCare members would decide who serves on the ColoradoCare board.

### **Q. What happens to my private insurance policy?**

**A.** Private health insurance could still be available, but ColoradoCare would displace much of the private market. The system would be a lot like primary education: Public schools are free and available to all and supported by taxes. Parents can send their kids to private school, but they still have to pay taxes to support public schools. ColoradoCare would be tax-supported and available to all, but there would be nothing to stop people from buying private health insurance.

Table 1. Key Decision-making Steps for ColoradoCare

<p><b>Voters (Fall 2016)/ Members (in the future)</b></p>	<p>Approve or reject Amendment 69. If necessary, approve higher taxes proposed by the ColoradoCare board up to once a year to fund system. Vote for representatives on the ColoradoCare board.</p>
<p><b>ColoradoCare Interim Board</b></p>	<p>Hire employees. Seek federal waiver to shut down Connect for Health Colorado, transfer its resources to ColoradoCare. Draw seven ColoradoCare board districts. Create election rules. Hold first election for permanent board within three years. Remove interim trustees by a majority vote.</p>
<p><b>ColoradoCare Permanent Board</b></p>	<p>Hire executive team. If necessary, remove board members by majority vote. Fill vacancies on the board. Draw new board districts after decennial census. Establish a central payment authority to purchase drugs, medical equipment and health care services. Contract with providers and set rates paid to providers for patient services. Change benefits package or issue refunds in the event of a surplus. Pass rules to waive copayments when they cause financial hardship for members. Facilitate creation of a medical records system. Ensure patient confidentiality. Approve or waive copayments. Determine benefits package beyond the 11 categories specified in Amendment 69. Apply for ColoradoCare to become a Medicare Advantage or supplemental carrier. Seek waivers from state and federal laws, rules and regulations. Set annual budgets. Annually assess revenues and costs. Determine a payment model to optimize quality, value and outcomes. Phase in payment reform and unified billing. Shut down ColoradoCare if needed.</p>

<b>Federal Government</b>	<p>Consider waiver to transfer Connect for Health Colorado to ColoradoCare.</p> <p>Consider waivers to transfer Medicaid and CHP+ to ColoradoCare.</p>
<b>Legislature</b>	<p>Senate president, speaker of the House, and minority leaders in both chambers each appoint three trustees to interim board.</p> <p>Enact laws to:</p> <ul style="list-style-type: none"> <li>• Suspend Connect for Health Colorado operations and repeal authorizing statute.</li> <li>• Transfer Medicaid, CHP+ and any other federal-state coverage to ColoradoCare.</li> <li>• Enable ColoradoCare to directly receive Coloradans' premium assistance tax credits and cost-sharing subsidies associated with the ACA.</li> <li>• Amend workers' compensation law to transfer authority to ColoradoCare.</li> </ul> <p>Enable the Department of Revenue to collect and transfer to ColoradoCare the taxes levied on behalf of the program.</p> <p>Maintain funding for Medicaid at current level, plus inflation and population growth, and transfer funds to ColoradoCare. Annually reappropriate the state's share of Medicaid and CHP+ funding.</p>
<b>Governor/ Executive Departments</b>	<p>Appoint three trustees to interim board.</p> <p>Division of Insurance: Operate ombudsman's office with funding from ColoradoCare.</p> <p>Department of Revenue: Collect income taxes to fund the program and distribute to ColoradoCare.</p> <p>HCPF, Connect for Health Colorado and other agencies assist in applying for federal waivers.</p>
<b>Courts</b>	<p>Assume jurisdiction over appeals of decisions by the ColoradoCare board once internal appeals are exhausted.</p>



The Colorado Health Institute is a trusted source of independent and objective health information, data and analysis for the state's health care leaders. The Colorado Health Institute is funded by the Caring for Colorado Foundation, Rose Community Foundation, The Colorado Trust and the Colorado Health Foundation.



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## Tab 5

### Colorado Proposed Amendment 69

Bobby Otte

In November 2016, Colorado voters will consider a proposed amendment to the Colorado Constitution establishing a single payer system called ColoradoCare for Colorado residents. ColoradoCare will provide benefits for all Colorado residents funded by a 10% payroll tax and a 10% tax on other income. The payroll tax will be split 2/3 for the employer and 1/3 for the employee although the employer is allowed to cover the employees' portion of the tax.

#### **Basic Information:**

- If approved by the voters, a transitional tax of 0.9% will begin on July 1, 2017 and continue during the development phase. ColoradoCare would likely be ready to begin providing coverage in 2019 or 2020 at which time the full 10% tax would begin.
- ColoradoCare would initially be overseen by a 15 member Board appointed by the Governor and lawmakers. Within three years of the passage of the initiative, the interim board will hold elections and transfer governance to the elected Board of Trustees chosen by the members of ColoradoCare.
- ColoradoCare would provide benefits for all Colorado residents including those currently on Medicaid.
- Benefits would have no deductibles or coinsurance but will have copays for some specialty, inpatient, and outpatient services. Benefits would be comparable to an ACA platinum level plan.
- ColoradoCare would pay benefits regardless of the nature of the injury or illness (including employment related and automobile injuries)
- Connect for Health Colorado would cease to exist and its funding would be transferred to ColoradoCare.
- Other insurance such as Medicare, VA, TriCare, and Indian Health Services would be primary and ColoradoCare would be secondary.
- ColoradoCare would contract directly with providers and would likely utilize TPA's, PBM's and other health care service companies that currently exist.

- ColoradoCare proponents contend that the overall savings will come from administrative efficiency and contends that provider pay is not the major cause of high healthcare costs.

#### **General Observations:**

- The tax seems very high but is it really?
  - The additional 10% state tax will make Colorado the state with the highest taxes in the US.
  - The tax is expected to raise \$25 billion per year which almost equals the current State budget.
  - These figures seem outrageously high until you consider that many employers and employees are paying more than that currently for their benefits. PPACA allows large employers to charge employees 9.65% of their income for benefits and this tax is only 3.3% for employees.
  - Among CEBT employers, the average salary is \$53k. 10% tax on that figure is \$5,300 per year which is \$442 per month. Currently, CEBT employers/employees spend, on average, \$800 per month for medical benefits. This would indicate that employers and employees would initially pay far less in tax than they currently do in premium if ColoradoCare were to pass.
  - On the other hand, this tax is on the total payroll whereas current benefits are generally only paid for full time employees. This would somewhat mitigate the employer's savings and would reduce the take home pay of part time employees that currently aren't paying for benefits.
  - Small employers, that currently do not provide benefits, would have to pay the tax which is certainly an additional cost to them. They would need to reduce staff, reduce wages, and/or raise the price of their product to stay in business.
- So, is the tax enough to fund benefits?
  - In order to fund benefits similar to those offered by CEBT ColoradoCare would need an 18% tax, 80% higher than the 10% proposed.
  - It is unlikely that ColoradoCare will have a lower admin expense load than CEBT and ColoradoCare, as its currently outlined, will have much richer benefits (no deductible or coinsurance, and minimal copayments)

- Based on the structure and benefits offered by ColoradoCare, the tax will likely need to be 20% - 25% with a total budget of \$60 billion or more.
- The tax will also need to increase every year as healthcare cost inflation continues to outpace wage increases.
- It was this basic budgetary reality that caused the Vermont governor and legislature to drop their plans for a single payer system.
  
- What if the tax needs to be increased?
  - Tax increases would be exempt from Tabor laws but a similar process would be in place. A tax increase would be recommended by the Board of Trustees and voted on by the members of ColoradoCare.
  - If a tax increase is needed, which it most certainly will, and is not approved by the members, ColoradoCare will be underfunded and unable to continue operations. Meanwhile, the current health care system will have been abandoned leaving no viable options for Coloradans.
  
- What are the other likely impacts on our State economically and socially
  - No one knows for sure because this hasn't been tried in other states but it stands to reason that our state, with such high taxes, would be considered anti-business. Businesses would be less likely to move to Colorado and the ones that are here would be more likely to leave our state.
  - Our state would be less attractive to the working class of people who, by and large, are satisfied with their employer provided medical coverage (other than the premium cost) and Colorado would become more attractive to those who want "free" healthcare and cannot afford the cost of care in their home state.
  - Many employers, particularly public employers, use benefits as a recruiting and retention tool. This amendment would remove medical benefits as a point of distinction for employers. Everyone would have the same benefit plans.
  - Physicians may see our State as "anti-provider" and move to other states to continue and enrich their practices. Colorado will essentially be a State where everyone is on Medicaid which is generally not attractive to providers.

**Summary:**

Everyone is frustrated by the ever-rising cost of health care and health care premiums. This is not just a problem for our State but for all of the United States. Improving the current system or developing a completely new system is a noble and necessary endeavor. However, Amendment 69 is not the way to solve the problem. It is a grand experiment, with significant cost, significant risk, and significant consequences. A plan like that should not be part of our state constitution. Very similar proposals have been put in front of the legislature each of the past three years. The proposals gained very little traction with law makers for the simple and clear reasons stated above.



## THE VOICE OF COLORADO'S CITIES AND TOWNS

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To: Interested persons  
From: Kevin Bommer, Deputy Director  
Date: June 30, 2016  
Subject: CML opposition to Amendment 69 – ColoradoCare single payer health care

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The Colorado Municipal League Executive Board voted unanimously on June 23 to oppose Amendment 69, which will appear on the November general election ballot. The following is abbreviated information explaining the reasons why CML opposes Amendment 69 as a measure that is not in the best interests of Colorado's 272 municipalities.

### BACKGROUND

Amendment 69 is an amendment to the Colorado Constitution that, if passed, would establish ColoradoCare – a single payer state system to pay for health care services for all Colorado residents. Petitions were submitted in October 2015, and the initiative officially qualified shortly thereafter for the November 2016 ballot.

The amendment would create a new income tax and redirect existing state and federal health funding to pay for the services and administration of ColoradoCare and exempt ColoradoCare from constitutional limits on revenue. A board of trustees would be initially appointed and then subsequently elected. The board would oversee the operations of ColoradoCare.

### NEW INCOME TAX

Amendment 69 would establish a new income tax that would be designated to fund ColoradoCare.

- Starting on July 1, 2017: Income tax rate would be 0.9% (0.6% to be paid by employers) during the initial period of time needed to build ColoradoCare. Generates approximately \$2 billion per year.
- 30 days prior to ColoradoCare assumption of responsibility for health care payments: Tax rate increases to 10% (6.67% to be paid by employers) . Generates approximately \$25 billion per year.

The revenue collected by the Amendment 69 income tax would be exempt from TABOR revenue limitations, as well as TABOR requirements for voter approval of tax increases. (ColoradoCare income tax can only be approved by ColoradoCare members upon request by the ColoradoCare board)

## WHY CML OPPOSES AMENDMENT 69

### *An untested, expensive experiment enshrined in the Colorado Constitution*

- Vermont ultimately ditched efforts to establish a single payer system when the governor and the legislature determined the cost to provide reasonable coverage was too daunting.
- ColoradoCare is an expensive experiment with many unanswered questions, which makes enshrining it in the state constitution extraordinarily risky.

### *“Saving Cities Millions” claim is misleading*

- Proponents have dedicated a portion of their website promoting Amendment 69 as a means to “save cities millions” by comparing only the amount spent on health insurance coverage for employees versus the cost of the employer’s 6.67% share of the 10% income tax. In every example, the cost of the income tax is less, thus appearing that ColoradoCare is the logical option. This information is insufficient in fully explaining fiscal impacts.
- In reality, **ColoradoCare would need an 18% income tax to fund benefits** similar to modest benefits offered by many municipalities through the Colorado Employer Benefits Trust (CEBT). This translates to an employer contribution of 12% of employee income.<sup>1</sup>
- **ColoradoCare would need an income tax between 20% - 25%** to fund the richer benefits ColoradoCare proposes (i.e. no deductibles, coinsurance; minimal copayments) **and have a total budget of \$60 billion or more.** This translates to an employer contribution of 13.4% - 16.8% of employee income.<sup>2</sup>

### *ColoradoCare does not affect health care costs or expand access to healthcare*

- Providing or requiring coverage is one thing, but controlling costs of health care is a completely separate matter.
- ColoradoCare lacks a primary emphasis on addressing the factors that cause the provision of health care services to continue to rise beyond astronomical levels. The impacts in rural Colorado are even more pronounced.
- As health care costs continue to rise unchecked, any type of proposed insurance solution will require more revenue over time to pay for the benefits it provides. With ColoradoCare’s enshrinement in the constitution, changing course would be difficult and perhaps impossible – and the likely outcome would be the limitations of coverage in order for the plan to remain solvent.
- Health care providers may be unwilling or unable to provide coverage to those covered by ColoradoCare if the board’s established reimbursement rates are insufficient. This may further limit consumer choice and place even greater strain on the health care system. Wait times for services could increase wait times for services, and the availability and quality of services could decrease.

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<sup>1</sup> Source: *Colorado Employee Benefits Trust (CEBT)*

<sup>2</sup> Source: *CEBT*

***ColoradoCare may cause workers' compensation to become more expensive<sup>3</sup>***

- ColoradoCare would cover the medical portion of worker's compensation instead of by employers' current worker's compensation insurers, and a significant portion of CML member municipalities are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA) for their required worker's compensation insurance.
- Benefits would be split between ColoradoCare (for medical benefits) and worker's compensation insurers (for permanent impairment benefits and wage loss benefits). There would be no integrated system of worker's compensation claims management assuring both the timely payment of benefits as well as a timely return to work.
- ColoradoCare backers estimate a 59% reduction in worker's compensation premiums with the shifting of medical benefits to ColoradoCare, but the estimate does not account for the loss of ability to manage worker's compensation claims effectively, and the resultant impact on permanency benefits and wage benefits.
- Employers in more hazardous occupations, as well as employers with poor workers' compensation loss experience, are subjected to higher premiums, creating a financial incentive to establish and maintain a safer workplace. With work-related and non-work-related injuries and illnesses thrown into the same coverage, this incentive may be eliminated or reduced.

***Municipal employees will receive coverage less substantial than they receive now***

- The 10% income tax will be insufficient to guarantee the same levels of coverage municipal employers are currently able to provide for their employees.
- While employees may currently contribute more to their health insurance costs than the 3.33% income tax in Amendment 69, employee contributions help control utilization that, in turn, helps keep overall costs down. There is no such incentive under ColoradoCare.

**CONCLUSION**

The increasing cost of health care drives increases in health care premiums. Colorado is not alone in this experience, as it is something that occurs in every other state in the nation. Regardless of the manner in which insurance is provided, the most significant and separate issue will continue to be the overall cost of health care. A lack of cost containment, coupled with a coverage plan enshrined in the state constitution, is far too risky and likely to cause a need for a much more expensive plan than is envisioned by ColoradoCare proponents.

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<sup>3</sup> Source: Colorado Intergovernmental Risk Sharing Agency (CIRSA)