2020 SESSION - COLORADO LEGISLATIVE POLICY BRIEFS: HEALTHCARE

• BRIEF #1: OPPOSING THE COLORADO PUBLIC OPTION BILL
• BRIEF #2: PROPOSALS TO BOOST PATIENT ACCESS TO CARE

LEGISLATIVE BRIEFS
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• BRIEF #1: OPPOSING THE
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• BRIEF #2: PROPOSALS TO BOOST
PATIENT ACCESS TO CARE
During the 2019 legislative session, the General Assembly passed HB19-1004 – *Proposal For Affordable Health Coverage Option* – which gave the Colorado Department of Health Care Policy and Financing (HCPF) and the Department of Insurance (DOI) broad leeway to set up and propose a public (i.e., state-backed) health insurance option.\(^1\) The stated purpose was to “leverage existing state healthcare infrastructure” to provide a less-expensive option for people to obtain health insurance coverage. During the summer of 2019, the agencies conducted stakeholder meetings, accepted public comment, produced a draft, and accepted further comment on the draft, before releasing their final report on October 8.\(^2\)

**What the Public Option Proposal Would Do**

The “Proposal for Affordable Health Coverage Option” creates a state-run insurance program, mandated to offer premiums 8 percent to 17 percent lower than those offered by the private insurance market. This is a critical feature – if the state-backed public option is not less expensive at point of service than existing mechanisms, there is no reason for it to exist. At issue is how it achieves those lower premiums. Nothing in the state’s proposal does anything to actually lower the cost of providing healthcare; it simply sets the prices for care at the point of service artificially lower.

To do this, those costs must be recovered another way. The proposal outlines a few ways to do this, including raising the Medical Loss Ratio (MLR) – the percentage of premium revenue collected by an insurance carrier that the *Affordable Care Act* (“Obamacare”) dictates must be used for patient care, as opposed to administration, profit, or overhead – to 85 percent from 80 percent, and requiring that any pharmaceutical rebates received by insurance carriers be redistributed to consumers in full.

But the primary mechanism by which the proposed public option attempts to pay for its artificial price fixing is through rate setting; that is, where the government establishes the rates at which hospitals and other health care providers will be reimbursed by the plan for providing care. The rates are to be established as a percentage of the Medicare reimbursement rate, expected to fall between 160 percent and 210 percent, significantly lower than the somewhat market-based rate providers currently receive from private commercial insurance carriers.

In short, the public option fixes its own premiums artificially low and pays for that by fixing the rates at which healthcare providers are paid.

**Negative Impacts of a Colorado Public Option**

This proposal could inflict several negative economic impacts on the state, resulting in lasting harm to Millennials.

First, the proposal does nothing to address the root causes of rising healthcare costs – that is, increasing demand for healthcare and artificially restricting supply. This is done by widening the disconnect between the actual cost of care and what the consumer actually pays. The public option exacerbates the situation by boosting demand and shifting the costs onto the providers. While a certain amount of healthcare is inelastic – care required after accidents, disease, treatment of underlying conditions, etc. –
there is a great deal that is elastic, and price-fixing artificially encourages over-use in this arena. This includes unnecessary doctor office or emergency room visits, over-treating, and other forms of over-use.

More consequential is the simple fact that “there is no free lunch.” As the payments to providers are dramatically reduced to pay for the artificially lower premiums through rate setting, those providers will be faced with two options to recover those costs: cut expenses or pass the lost revenue along to others.

The immediately and potentially the most devastating impact of the cuts necessitated by the public option will be job losses within the healthcare industry. It is estimated that between 1,500 and 4,500 healthcare workers in the state could lose their jobs as a direct result of the public option. This includes doctors, nurses, technicians, and related healthcare professionals. This would naturally create serious economic hardship for those professionals and would also make the current healthcare worker shortage situation markedly worse. Moreover, the resultant loss of healthcare professionals would create additional strain on the system, even while usage likely goes up.

Cuts necessitated by the reduction in hospital budgets that will inevitably result from the lower reimbursement rate will also adversely impact patient care. Reductions in the number of healthcare professionals available to provide their expertise and corresponding cuts to available services will severely restrict access to medical care. Several studies nationwide indicate that sharp reductions in hospital reimbursements, as proposed in the public option, present particularly serious threats to smaller, predominantly rural hospitals, any of which could face the possibility of closure.

**Passing on the Costs**

The other method that providers will be forced to adopt to recover financially from the government-imposed rate cuts will be to pass the costs along to those not subject directly to the state’s proposal, specifically those Coloradans with employer-sponsored and other private insurance. A REMI study of the state’s public option proposal estimates that if 100 percent of the revenue lost from rate-setting were passed to private insurance customers as a way to avoid cutting healthcare jobs, a family of four in Colorado would see a disposable income go down by more than $800 per year.

The study also finds that the resulting economic hit to the state would be enormous, estimating that up to 8,320 jobs could be lost across the state, and the impact on Colorado’s Gross Domestic Product could be a loss of up to $919 million. If providers decided to combine internal cuts with pass-along options, the state job losses could still add up to 2,900 while GDP declines by $320 million.

**The Bottom Line**

The bottom line is this: further government intervention in the healthcare market will decrease competition and force more insurance carriers and healthcare providers out of the market. This crowding-out effect will reduce access to quality healthcare. For these reasons, our prognosis for the proposed public option, if implemented, is bleak.

**Contact the Millennial Policy Center**

To contact the Millennial Policy Center, please reach President and CEO Jimmy Sengenberger at 720-316-1072 (office) or Jimmy@MillennialPolicyCenter.org (email).
ENDNOTES

8 The Millennial Policy Center is a policy research, development, and education program (a think tank) whose mission is to address public policy issues that affect the Millennial Generation (born between and including the years 1981 to 1998) and to develop and present policy solutions that advance freedom, opportunity, and economic vitality for Millennials throughout the United States. Our website is www.MillennialPolicyCenter.org.
Over the past several years, families in Colorado have suffered a large and growing doctor shortage. Data from the U.S. Department of Health and Human Services (HHS) show over one-million Coloradans live in communities that face a primary care shortage. This chronic physician shortage severely harms patients. Individuals who lack a reliable source of primary care experience delays in diagnosis, pay higher healthcare costs, and die earlier than patients who can regularly access basic medical care.

Expand Access to Telemedicine
Colorado enforces several laws that contribute to community healthcare shortages. For example, the state government imposes a number of regulations that impede healthcare providers from remotely delivering medical care in areas that face provider shortages. Colorado, for instance, currently prohibits qualified physicians and other medical professionals licensed in other states from providing telemedicine to Colorado residents. This limits the number of providers available to patients and reduces their access to medical services. Lawmakers should eliminate these barriers and empower healthcare providers from around the country to offer Colorado residents telemedicine.

Colorado also requires health insurers to reimburse healthcare providers delivering telemedicine services at the same rate as providers that deliver healthcare in-person. This requirement decreases access to remote care because it denies insurers and patients the savings they can enjoy when they utilize telemedicine. Telemedicine services cost significantly less than in-person care. However, policies that require insurers to reimburse at the same rate will slow the pace at which insurers cover these services.

The state explicitly restricts providers from being reimbursed for patient consultations that are delivered over telephone, text message, email, or Facsimile machines. This restriction should be eliminated.

Expand Access to Physician Assistants and Nurse Practitioners
Colorado can also expand healthcare access and reduce costs by removing government barriers on physician assistants. Colorado currently requires physician assistants (PAs) to work under the direction and supervision of a physician through mandatory “practice agreements.” Under these arrangements, the supervising physician determines which services a PA is permitted to deliver and which ones they aren’t. Moreover, Colorado limits physicians to supervising eight or fewer PAs at any one time. The state also restricts the practice authority of nurse practitioners (NPs) to a similar degree. Before a nurse practitioner can independently prescribe medications, Colorado requires NPs to work at least 1,000 hours under the supervision of a physician.

Lawmakers initially established these regulations out of fear NPs lack the training to independently deliver patient care. However, peer-reviewed studies consistently show NPs deliver care as safely and effectively as physicians. A systemic review of academic studies by the National Governors Association found that patients treated by NPs enjoyed the same health outcomes as those served by physicians.

Removing these barriers would significantly expand healthcare access and drive down costs. Research in the journal *Health Affairs* shows that patients save $2,005 when they receive care from an NP and save $2,300 when they receive care from a PA.
Expanding access to these providers would also boost access to healthcare. Analysis by HHS estimates that states could reduce their physician shortage by two-thirds merely by loosening laws that prevent NPs from independently treating patients.\textsuperscript{10} Colorado should follow HHS’s recommendations and permit NPs, PAs, and other non-physician providers to practice the full extent of their medical training without physician supervision.

This would significantly improve patient outcomes. Patients in states that allow NPs to independently practice are 11 percent more likely to receive a routine physical examination than individuals in states that restrict NPs. In addition, they found that those states which pursued such reforms reduced emergency room visits by 21 percent.\textsuperscript{11}

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**ENDNOTES**

\textsuperscript{1} Primary Care Health Professional Shortage Areas (HPSAs). Kaiser Family Foundation. Data as of 30 Sept. 2019, https://www.kff.org/other/state-indicator/primary-care-health-professional-shortage-areas-hpsas/?currentTimeframe=0&sortModel=%7B%22collId%22:%22Location%22,%22sort%22:%22asc%22%7D/.


\textsuperscript{6} 3 CCR 713-7, https://www.sos.state.co.us/CCR/GenerateRulePdf.do?ruleVersionId=8333&fileName=3%20CCR%20713-7/.


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