

Health Law and Policy Update:

February 15, 2013

This week's updates:

- [Medicaid Expansion reports predict a stronger economy and more covered lives](#)
- [One-third of health plans' out-of-pocket costs exceed ACA cap](#)

Colorado Consumer Health Initiative's Health Care Day of Action is fast approaching on March 7th. This year's agenda is packed with great opportunities to learn about health policy and how to engage on health issues that are important to you. CCHI is excited to welcome Mayra Alvarez, Director of Public Health Policy in the Office of Health Reform as this year's keynote speaker. The event is free to attend and breakfast and lunch are included. Learn more about this great event, and register [here](#).

What's New

Two new reports predict that a Colorado Medicaid Expansion will result in a stronger economy and more covered lives

Recent reports released by the [Colorado Health Foundation](#) and the [Colorado Trust](#) make compelling arguments for a Colorado Medicaid expansion. Under provisions of the Affordable Care Act, states have the option to expand Medicaid eligibility to 138% of FPL beginning in 2014 and receive a 100% federal match for all health care costs for the first three years. Starting in 2017, the federal match ratchets down slightly, leveling out at 90% in 2020 and beyond.

The Colorado Health Foundation report, conducted by Charles Brown Consulting, examines the state budget and economic impacts of the Medicaid expansion. The report concludes that between 2014-26, it will cost the state \$133.8 million dollars more in general fund dollars if there is no expansion than if Colorado does expand. Besides ultimately costing the state more money, not expanding would have negative impacts on the economy and Colorado's health. Specifically, the Colorado Health Foundation report estimates that the expansion will:

The expansion will also transfer some current Colorado health care spending to the federal government such as prisoner hospitalizations (as some prisoners would qualify for Medicaid) and allow Coloradans to take advantage of the generous federal financing shouldering these costs entirely at the state level.

The Colorado Health Institute has differing coverage estimates, predicting 240,000 Colorado residents will gain Medicaid coverage by 2022. Instead of examining the economic impact on the state, the CHI study estimates the total cost to the Colorado government of expanding to 138% of FPL. According to CHI, the cost to the state between 2013 and 2022 would be \$1.0 billion while the federal government would pay \$11.4 billion during that same period.

The two studies together demonstrate that the economic benefits and state savings from expansion outweigh the cost to the state. Not expanding would both be more costly and leave many of Colorado's neediest residents without access to health coverage.

As we previously reported in this update, we applaud Governor Hickenlooper's January announcement of plans to expand Medicaid in Colorado. These reports confirm that the decision to expand Medicaid makes economic sense and will provide critical access to health care for tens of thousands of Coloradans.

For more on the reports see:

[The Denver Post](#)

[Kaiser Health News](#)

[Health Policy Solutions](#)

Advancing the Debate

One-third of health plans' out-of-pocket costs exceed ACA cap

The Affordable Care Act (ACA) implemented a cap on out-of-pocket costs, which goes into effect for most health plans starting in 2014. Out-of-pocket costs are those costs paid by a consumer other than premiums, such as deductibles, co-payments and co-insurance. For individuals that have high health care needs, these costs can add up rapidly and cripple lower-income families. Starting in 2014, the ACA places a \$6,300 out of pocket limit on individuals plans (about double that for family plans). Also starting in 2014, the ACA requires a plan's annual deductible, which is the amount a family must pay before the plan begins to cover most health care costs, to count towards this annual cap. Kaiser Health News [reported](#) this week that a study of over 9,700 currently existing individual insurance plans found that 36 percent of them, when deductibles are included, exceed ACA's out-of-pocket cap. This means that plans will have to adjust their pricing structure in order to comply with the law's out-of-pocket cap, which will likely provide a significant benefit for individuals and families with high health care needs. However, the report also indicates that health plans may likely adjust their pricing structure by raising premiums, which could have a particularly strong impact on otherwise healthy, young individuals. While this policy will provide meaningful protection for Coloradans with higher health care needs, it will be important that policymakers think of innovative ways to attract young, healthy individuals and families to obtain health care coverage.