

Health Law and Policy Update:

September 28, 2012

This week's updates

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What's New

Picking the right health insurance option just got easier for Colorado consumers

HHS [announced](#) this week that as of September 23, all private health insurance companies in both the individual and employer markets are required to supply consumers with a Summary of Benefits and Coverage (SBC), which will be made available during the enrollment and renewal periods. SBC's are standardized forms that will enable consumers to make insurance plan comparisons using plain language explanations of the overall deductible, out-of-pocket limits, prescription drug coverage, and coinsurance rates, among many other things. The SBC's also include two coverage examples-"normal delivery of a baby, and services to help a person control type 2 diabetes"-that break down the personal cost assessed under the insurance plan. Insurance companies must also supply a glossary of clearly defined terms to aid in fully understanding a SBC. Furthermore, non-English speakers may request the SBC and uniform glossary in his or her native language. With SBC's, consumers have access to increased transparency in insurance shopping, making it easier to fully understand insurance options before enrolling in a plan.

A recent Consumers Union [report](#) used qualitative methods to examine what consumers want to know about health insurance. According to the report, clear explanations of benefits and costs are very important to consumers. SBCs will provide guidance on some of the most common questions asked by people shopping for health insurance including: "How do I make trade-offs between costs and the amount of coverage?" and "Based on my personal situation, what are the best health

insurance options available?" The SBC requires insurance companies to offer easy-to-use information about different plans, so that consumers will have the information necessary to understand how their health insurance will work when seeing a specialist, visiting the hospital, or getting a prescription for a primary care doctor.

Although federally mandated, the implementation of SBC rules will be overseen by each state's Department of Insurance. We are hopeful Colorado insurance companies will quickly begin complying in order to increase the ease of health insurance shopping for many Coloradans.

We encourage our readers to request a SBC as they enroll in their health plans. For more information please refer to this [sample](#) SBC provided by HHS.

Colorado Health Benefit Exchange receives \$43 million grant

The U.S. Department of Health and Human Services this week announced the award of \$43 million in grant funds to the Colorado Health Benefit Exchange (COHBE) for technology and business operations. The grant will support COHBE's implementation activities through July 2013. The grant application and a statement from COHBE's Executive Director can be found on the COHBE [website](#).

Advancing the debate:

New [report](#) from CCLP: New poverty estimates paint grim picture for many communities throughout Colorado

New data released from the U.S. Census Bureau's annual American Community Survey show a continued struggle for many Colorado citizens as recovery stagnates.

- The overall poverty rate in Colorado was statistically unchanged from 2010 to 2011. In 2011, more than 674,000 people, or 13.5 percent of the state's population, lived below the federal poverty line.¹
- In 2011, 9.1 percent of Colorado families lived in poverty a 0.3 percentage point decrease from 2010. However, in 2007 only 8.4 percent of Colorado families lived in poverty.

- The Colorado child poverty rate was up almost 2 percentage points in 2011 compared with the 2007 level. In 2011, more than 211,000 children, or 17.5 percent of all Colorado children lived in poverty.
- 6.1 percent of Colorado's population lived in deep poverty, or below 50 percent of the federal poverty line 2011.

Colorado is not in the best position to negotiate lower health care costs

The Urban Institute released a report this week entitled: [Cross Cutting Issues: Plan Participation in Health Insurance Exchanges: Implications for Competition and Choice](#). This is one report in a series produced by The Urban Institute as it tracks implementation of health reform in ten states, including Colorado. This report examines how insurance companies' market shares affect their ability to negotiate lower prices with providers, primarily hospitals. The most competitive health plans, according to the report, are likely those with limited, but adequate, networks that can negotiate lower provider payments.

Colorado is not in the best position to negotiate lower costs. The report groups states into categories depending on the competitiveness of their current marketplace. Colorado is classified as a "many insurers-many hospitals" state because it has four health plans with significant market share. The fact that each of the four plans has significant market share means that none has meaningful negotiating power with hospitals.

According to the report: "each of the state's insurers could potentially profit under reform from developing a more limited network option with lower provider payments and, as a result lower premiums." One suggestion made by report author John Holahan is to establish tiered networks so that people pay more in premium for access to higher cost providers. An additional dynamic identified as a potential in Colorado is the participation of Medicaid managed care plans because they may have more limited provider networks than commercial plans.

The report highlights the role the Exchange might play in spurring competition and reducing costs. The idea of limited networks where people can buy up to access higher priced hospitals raises significant questions about access for low and moderate income people. However, the fact that negotiating power in the

marketplace is such a significant premium cost driver makes it clear that it is critical to consider the way in which market power, particularly of hospitals, can increase health care costs.

A similar point was made in a 2010 [report](#) by the Massachusetts Attorney General who demonstrated market power and name recognition, not quality, are linked to higher hospital prices. The report identifies market leverage as one of the greatest cost drivers in the health care system.

Success on hospital bills and request for help

We have reported previously on the passage this past legislative session of [SB12-134](#), the Hospital Payment Assistance Act (Sen. Aguilar/Rep. Acree) The Act, which took effect on August 8th, requires hospitals to disclose information about charity care and discount programs, establishes a new discount program for people under 250% of the Federal Poverty Level and requires hospitals to offer payment assistance to people prior to sending them to collections.

CCLP is beginning to see the effect of the Act. Hospital bills are in fact being reduced. One example we saw this week was a bill of \$2,442.99 which was discounted to \$464.17 (20% of the original hospital bill). We are very pleased to see that the discount program is working and would appreciate help in informing people about the Act. It would also be very helpful if our readers would help us to collect stories or redacted copies of discounted hospital bills.

You can send them to ewattman-turner@cclponline.org. Thanks!!