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Justice and Economic Security for all Coloradans

After tax credits, many insurance plans in Garfield, Summit Counties are less expensive than those in Denver

ISSUE BRIEF

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The Colorado Center on Law and Policy is a nonprofit, nonpartisan research and advocacy organization seeking justice and economic security for all Coloradans.

Concerns have been raised about the price of health coverage offered through the Connect for Health Colorado insurance marketplace in some mountain and western slope counties. The press and residents have noted that premiums seem much higher than other parts of the state.¹ The debate about monthly insurance premiums in counties like Garfield and Summit, however, has failed to consider the cost of coverage after financial assistance available under the Affordable Care Act (ACA). Working individuals and families who do not have access to affordable health insurance through their employer are likely to be eligible for tax credits to help cover the cost of insurance plans purchased through Colorado's health insurance marketplace, Connect for Health Colorado.

CCLP finds that tax credits available through Connect for Health Colorado lower average premiums for many Summit County and Garfield County residents to levels below those paid by Denver residents, even though unsubsidized premiums maybe 60-70 percent higher. Surprisingly, catastrophic coverage that is available to younger adults through Connect for Health Colorado is frequently more expensive than comprehensive coverage in Garfield, Summit, and Denver counties. Income and demographic information suggests that thousands in Summit and Garfield counties may be eligible for the tax credits.

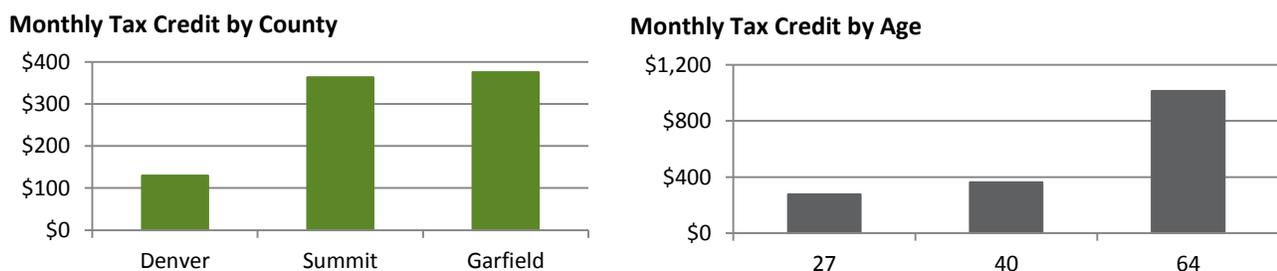
Tax credits through the marketplace lower premiums for working families

The health reform law creates new health insurance marketplaces, such as Connect for Health Colorado, to help make health coverage affordable for working individuals and families. Coloradans in households with incomes between 138 and 400 percent of the federal poverty level (\$15,857 to \$45,960 for an individual) who do not have access to affordable coverage through an employer or elsewhere (e.g. Medicare) are eligible for tax credits to help them purchase health insurance through Connect for Health Colorado. Health plans offered in the marketplace are assigned a metal tier, such as bronze, silver, gold, or platinum, based how much the plan covers. Younger adults under 30 can purchase catastrophic plans that provide more limited coverage than bronze plans. Tax credits are available to help people purchase bronze, silver, gold, and platinum plans but cannot be used to purchase catastrophic coverage.

The size of an individual’s or family’s tax credit is equal to the cost of the premium for the second lowest cost silver plan available minus the individual’s or family’s required contribution. The required contribution varies based on an individual’s or family’s income and ranges from 3 percent of income to 9.5 percent of income.² Tax credits are intended to be paid directly to insurance companies, lowering each individual’s or family’s monthly premium. The size of the tax credit remains constant regardless of the plan that the individual or family ultimately chooses. Those who choose plans that are less expensive than the second lowest cost silver plan available (e.g. the lowest cost silver plan) will pay less than their required contribution. Those who choose more expensive plans (e.g. a gold or platinum plan) will pay their required contribution plus the difference in price between the second lowest cost silver plan and the plan they choose.

Because tax credits are calculated based upon the premiums of plans that are uniquely available to each individual or family, tax credits vary significantly based on geography and age. For example, a 40-year-old nonsmoker living in Denver who makes approximately \$23,000 per year will receive a \$129 per month tax credit while the same individual living in Summit County will receive a \$363 per month tax credit. A 64-year-old nonsmoker in Summit County with an income of nearly \$23,000 per year will receive more than 3.5 times the tax credit of a similar 27-year-old. Figure 1 illustrates these examples, showing how tax credits vary based on geography and age.

Figure 1. Tax credits by geography and age³



Silver and bronze plans are less expensive for many in Summit and Garfield than in Denver

CCLP analyzed the average cost of gold, silver, bronze, and catastrophic plans in Denver, Summit and Garfield counties for individuals receiving a tax credit to purchase coverage through Connect for Health Colorado.⁴ CCLP used the anonymous shopping function of the Connect for Health Colorado website to find all the plans available to nonsmokers aged 27, 40 and 64 in Denver, Summit and Garfield counties.⁵ CCLP calculated the tax credits available to individuals at income levels between 150 and 400 percent of poverty. CCLP verified these tax credit calculations using tools available through the Connect for Health Colorado website.⁶ After subtracting the tax credit available for each individual from the premium for each available plan, CCLP averaged the cost of gold, silver and bronze plans available for individuals to purchase through Connect for Health Colorado at various income levels.

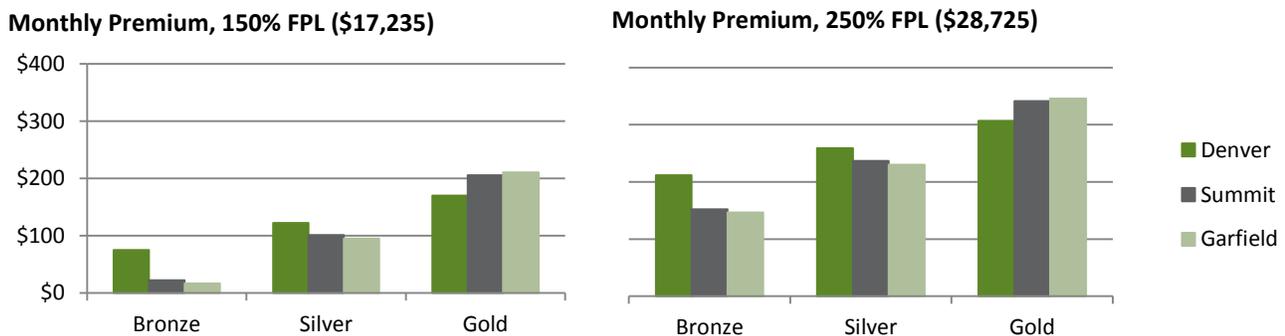
Table 1 shows the number of total number of bronze, silver, gold and catastrophic plans available in each county. Since only one platinum plan is available in any of these three counties (Denver), CCLP did not analyze the premiums of platinum plans.

Table 1. Number of plans available by county

	Bronze	Silver	Gold	Catastrophic Plans
Denver	28	33	16	7
Summit	16	17	8	5
Garfield	15	16	7	4

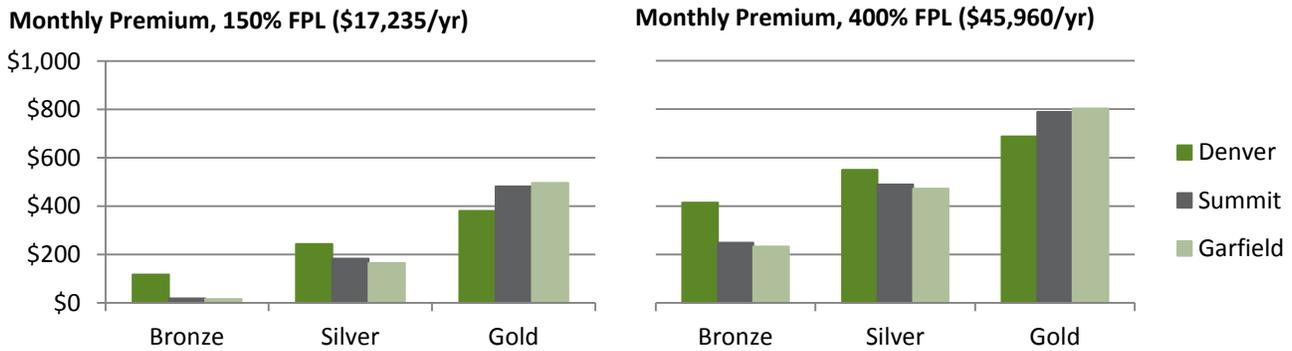
For younger adults receiving tax credits, many plans are cheaper in Summit and Garfield Counties than in Denver. (See Figure 2.) The average premium of a bronze plan for a 27-year-old nonsmoker in Summit County making \$17,235 per year (150 percent of the federal poverty level or FPL) is less than a third of the cost in Denver. Similarly, the average cost of a silver plan for this same individual is \$27 less per month in Garfield County than in Denver. Silver and Bronze plans remain less expensive in Garfield and Summit counties until this 27-year-old has an annual income between \$28,725 and \$34,470 per year (250 to 300 percent FPL).

Figure 2. Average monthly premium after tax credits for 27-year-old nonsmoker by income level



For older individuals, the average premiums for silver and bronze plans after tax credits remain lower in Summit and Garfield even at higher income levels. For example, Silver and Bronze plans are less expensive for a 40-year-old nonsmoker in Summit and Garfield counties until that individual makes more than \$34,470 per year (300 percent FPL). For a 64-year-old nonsmoker with an income of \$45,960 per year (400 percent FPL), the average cost of a bronze plan in Garfield County is \$182 less per month than in Denver. Silver plans in Garfield for this same individual are, on average, \$78 less per month than in Denver. Figure 3 shows that 64-year-olds at all income levels eligible for tax credits through the exchange will pay less for silver and bronze plans than they would if they lived in Denver.

Figure 3. Average monthly premium after tax credits for 64-year-old nonsmoker by income level

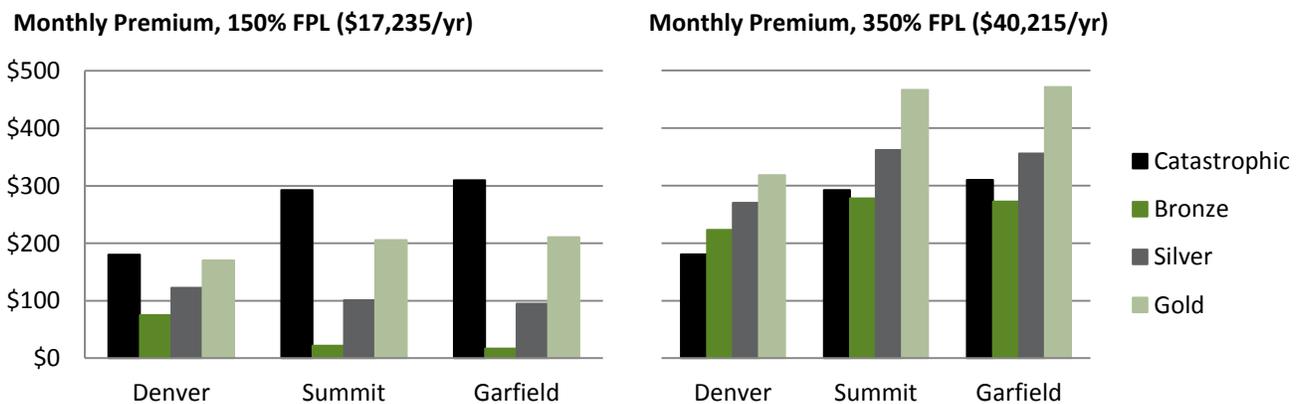


For plan-types that are consistently more expensive in Summit and Garfield, the difference between the premiums in Summit or Garfield and Denver is significantly reduced by tax credits. Unsubsidized gold plans are more than 70 percent more expensive in Summit than in Denver regardless of age. However, for 64-year-olds receiving tax credits, gold plans in Summit average 15 to 27 percent more than in Denver. For 40-year-old individuals, gold plans cost an average 13 to 40 percent more than in Denver.

Tax credits make better coverage less expensive for younger adults

Adults under 30 purchasing health coverage through Connect for Health Colorado may purchase a plan that provides catastrophic coverage. Catastrophic plans provide benefits that are less robust than metal tier plans (e.g. bronze, silver or gold) and individuals cannot use tax credits to help them pay catastrophic plan premiums.

Figure 4. Average monthly premium after tax credits for 27-year-old adults by income, plan type, and county



Because tax credits can only be applied to metal tier plans, catastrophic plans are often much more expensive than more comprehensive coverage. (See Figure 4.) For example, gold plans, with some of the lowest deductibles and most extensive benefits, on average, are less expensive than catastrophic plans for 27-year-old nonsmokers making \$17,235 (150 percent FPL). In Summit and Garfield counties, catastrophic plans are still more expensive than more comprehensive bronze plans for younger adults making \$40,000 per year (350 percent FPL).

Thousands of Summit and Garfield County adults and children may qualify for tax credits

More than 30,000 adults and children under age 65 in Summit and Garfield counties may qualify for tax credits to purchase health insurance through Connect for Health Colorado.^{7,8} Making up 39 percent of these counties' populations, this estimate includes more than 10,000 people in Summit County and more than 20,000 in Garfield County. Many of these individuals are younger adults, or "young invincibles" an important population that may have been less likely to purchase insurance in the past. Nearly 4,000 Summit residents and nearly 6,000 Garfield residents between ages 18 and 34 may qualify for tax credits. Table 2 details the income distribution of non-Medicare eligible residents of Summit and Garfield counties.

Table 2. Numbers of people under 65 by income level and county⁹.

County	Summit County	Garfield County
Less than 150% FPL	3,695 (13.5%)	11,932 (21.6%)
150% to 400% FPL	10,248 (37.4%)	22,012 (39.9%)
Above 400% FPL	11,339 (41.4%)	16,388 (29.7%)

Conclusion

Health care costs in resort and mountain communities in Colorado are higher than in many other parts of the state, and unsubsidized premiums reflect those costs. However, for low and middle income Coloradans living in Summit and Garfield counties, tax credits available through Connect for Health Colorado make many plans less expensive than in Denver. Further, tax credits for younger adults can make better coverage less expensive than coverage with more limited benefits. While the high cost of health care in many Colorado counties threatens the long term affordability of coverage, the Affordable Care Act is making quality coverage more affordable for Coloradans in communities facing the highest health care costs.

Notes

¹ "Garfield County will Challenge health insurance rating zone." Glenwood Springs Post Independent. October 8, 2013. "Garfield County can't alter insurance rating until 2015." Glenwood Springs Post Independent. October 23, 2013. "High Country cost of health care, Part 1: Affordable Care Act plans in Summit County aren't so affordable." Aspen Times. November 1, 2013. "High Country cost of health care, Part 3: To insure or not to insure?" Glenwood Springs Post Independent. November 3, 2013. McCrimmon KK. "Polis fights sky-high rates as ski town signups stall." Health Policy Solutions. October 23, 2013.

² Section 1401. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010.

³ The left side of Figure 1 compares the tax credits available to a 40-year-old nonsmoker with an income of 200 percent of the Federal poverty level in three counties. The right side of Figure 1 compares the tax credit of nonsmoking Summit county residents of different ages with incomes at 200 percent of the federal poverty level.

⁴ CCLP used Denver Zip code 80203, Summit County Zip Code 80443, and Garfield County Zip Code 81601.

⁵ See web-based tool "Browse Plans" at <https://prd.connectforhealthco.com/individual>.

⁶ See web-based tool “Do I qualify for Financial Assistance?” at <https://prd.connectforhealthco.com/individual>. CCLP calculated tax credits based on the second lowest cost silver plan listed on Connect for Health Colorado’s website. Connect for Health Colorado’s web-based tax credit calculator returned identical calculations for all income levels in Denver and Summit counties. In Garfield County, Connect for Health Colorado’s web-based tool returned slightly lower tax credit estimates than CCLP’s calculations, as if the tool were calculating tax credits based on the lowest cost, instead of the second lowest cost, silver plan. CCLP used its own calculations of tax credits for Garfield county analyses.

⁷ Age by Ratio of Income to Poverty Level in the Past 12 Months. American Fact Finder. U.S. Census Bureau.
http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_3YR_B17024&prodType=table

⁸ The number of adults and children in households with incomes between 150 and 399 percent of federal poverty level living in either Summit or Garfield County is 32,260. The limitations of income brackets reported in census data meant that CCLP could not estimate the exact number of residents in these counties that had household incomes between 138 and 400 percent of the federal poverty level. Some of these residents may have access to employer sponsored coverage or other minimum essential coverage that would make them ineligible for tax credits to purchase insurance through Connect for Health Colorado.

⁹ Parentheses show the percentage of the total county population each number represents. Percentages do not add to 100 percent because individuals 65 and older (Medicare eligible individuals) are excluded from these counts.