



The Bell Policy Center

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**Testimony to the Health Care Task Force
Monday, August 10, 2009
House Committee Room 0112
Colorado State Capitol**

My name is Robin Baker and I am a senior policy analyst and director of the health project for the Bell Policy Center. The Bell is a non-profit public policy research and advocacy organization dedicated to making Colorado a state of opportunity - a place where all people can build better lives for themselves and their families. Gaps in health insurance coverage impede opportunity by putting Coloradans health and financial security at risk.

In an ideal world, people would have continuous health coverage regardless of changes in job, family or geography. But most health care coverage is tied to ones place of employment. To boost continuous coverage for those changing or losing jobs, federal law established COBRA and HIPAA protections and many states have established state-subsidized high-risk pools. While these coverage plans allow more people access to continuous coverage, they frequently pose significant cost barriers.

The Commonwealth Fund estimates that in 2007 two out of three working adults were eligible to buy into COBRA, but because workers pay the full costs of the premiums—four to six times more than they were paying under their employer-based plan—only about nine percent of eligible unemployed workers used COBRA coverage.

The American Recovery and Reinvestment Act (ARRA) will provide COBRA subsidies to help defray costs for the recently unemployed. While there is no available data showing current take-up rates, estimates from the Congressional Joint Committee on Taxation indicate that ARRA's COBRA subsidies will cover approximately 7 million people at some point during 2009. This estimate includes those who would have enrolled in COBRA coverage without subsidies suggesting that health premiums—even with a 65 percent subsidy—may be too expensive for many unemployed individuals and families.

When COBRA benefits end, the Health Insurance Portability and Accountability Act (HIPAA) gives workers and their families the guaranteed right to purchase non-group health insurance without a pre-existing condition clause. Though an important safety-net, there are NO limits on premiums and some pre-existing condition exclusions may still apply for a period of time after the enrollment date. Colorado also offers a COBRA conversion plan for people who have used up COBRA benefits. A conversion policy is an individual policy purchased from the company that insured the workers employer's

group plan. There is not preexisting condition clause under a conversion policy, however, the policy's benefits may be less generous and it may cost much more than the group plan.

High-risk pools like CoverColorado provide major-medical health insurance for non-HIPAA, non-Medicaid, non-Medicare individuals that cannot get other insurance but premiums are set higher than the standard market rate. In Colorado, premiums are currently set at 140 percent of the standard market rate with about 30 percent of low-income enrollees paying between 100 and 120 percent of the standard market rate.

When COBRA benefits run out or when non-HIPAA, non-Medicaid, non-Medicare eligible people seek health coverage, the only alternative is non-group coverage. Increasingly, the non-group market is viewed as a reasonable vehicle for expanding coverage and growing portable health insurance. A closer look, however, shows that the non-group market is riddled with problems of inequity and lower premiums often obscure higher cost-sharing and inadequate benefits.

To make Colorado's non-group market a viable option for expanding coverage, disparities must be addressed and, as the 2008 Colorado Centennial Care Choice final report concluded, there must be a balance between adequate coverage and affordability.

Three Colorado reports have been distributed to the committee: *The Cost of Care* from Colorado Center on Law and Policy and Colorado Voices for Coverage; *Health Insurance Benefit Adequacy* from The Colorado Health Foundation and *Non-group Insurance* from the Bell Policy Center. These reports do not deal exclusively with portability they do, however, highlight barriers to transferable health insurance. I would like to share with you some key findings from these reports.

- 1. People overwhelming prefer employer-based health benefits.**
 - Regardless of changes in employer-based coverage, Medicaid expansions or numbers of uninsured, the percentage of people enrolled in the individual market has remained around 7 percent since 1994.
 - Research consistently finds that non-group coverage is used primarily as a bridge between employer-based coverage—the median length of non-group enrollment is eight months, with most people holding a policy for less than six months.
- 2. The non-group market serves a limited population.**
 - Nearly half of enrollees have sales and service occupations; less than 1 percent of enrollees have farming, fishing and forestry occupations.
 - People between 45 and 64 are more likely to be enrolled than are young adults between 19 and 26 years of age.
 - Enrollees are more likely to have attended college or have a bachelor's degree, and more likely to have moderate to high family median incomes--\$60,000 or more.
 - Minority populations are significantly underrepresented. Nationally and in Colorado, more than 80 percent of non-elderly enrollees are non-Hispanic white.

- In the non-group market there are many sellers going after relatively small amounts of business giving carriers greater ability to segment customers according to health and potential profitability.
- Healthier people are much more likely to be enrolled in a non-group plan because less healthy people are often denied coverage.
- People with pre-existing or chronic conditions are frequently denied coverage or offered policies with elimination riders or coverage exclusions.

3. Affordability is a major concern

- Underwriting practices, elimination riders, and lack of rate caps contribute to greater cost-sharing and out-of-pocket expenses making non-group coverage less expensive up front but more expensive over time.
- Non-group enrollees pay the full cost of insurance premiums but receive minimal tax benefits to help defray the cost of premiums.
- The state's high-risk pool, CoverColorado, is the only option for those with pre-existing or chronic conditions and it is not affordable for many. In Colorado, even people living up to 500 percent of the federal poverty level (\$106,000 for a family of four) will cut back on basic necessities and investments in long-term opportunities once the family's health care consumes more than 5 percent of family income.

We know that inconsistent and inadequate coverage has substantial negative consequences. As more people lose employer-based coverage we better see the many cracks in our transitional or portable coverage options. We also find ourselves in an unprecedented time of economic turmoil that makes lasting solutions more difficult to implement.

But solutions are possible. As the *Health Insurance Benefit Adequacy* report stresses, health insurance is just one of several factors that determine whether an individual or a family has adequate protections. The availability of other programs and supports influence how adequate health coverage will be. It is therefore important to view transitional or portable health care in a holistic manner.

Some possible ways to ease health insurance transitions and increase portability include:

- Letting older children stay on their parents' health plans longer;
- Extending state mini-COBRA law for under 20 employee groups so COBRA lasts longer and there are more ways to stay on it;
- Require the "next" insurer to honor decisions of the prior insurer so patients do not have to start health treatments over again;
- Allow a three month gap between policies to meet creditable coverage standards;
- Merge the small and non-group market using the small group rating structure.
- Use a common sense measure for what people can pay that includes necessary expenses such as food and housing as well as other financial responsibilities.

Thank you for the opportunity to share this information with you today. If you have any questions or would like to receive additional information, please contact me or any of the authors of the reports you have in hand.

