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1801 Broadway, Suite 280, Denver Colorado 80202  
303.297.0456 voice; 303.297.0460 fax

**Comments on HB 09-1143  
Testimony to the  
Senate Health and Human Service Committee  
March 12, 2009**

My name is Robin Baker and I am a senior policy analyst and director of the health project at the Bell Policy Center. The Bell Policy Center has taken a neutral position on HB 09-1143. By offering a limited HMO benefit plan, this bill may expand opportunity for some workers to obtain health care services that they might not otherwise receive.

However, this bill represents only a small step forward to solving the glaring problem of making quality health insurance affordable for more Coloradans. We are concerned that the benefit cap *alone* does not adequately protect workers who enroll in these policies from large costs of a catastrophic health event such as a heart attack.

The Bell Policy Center has nine gateways to opportunity. Each gateway constitutes a series of experiences and events that make it possible to realize one's economic, social and personal potential. Three of these gateways stress that a healthy life—from birth to adulthood—depends on one's opportunity to access quality health care.

HB 09-1143 has the potential to improve access to health care for *some* workers.

- Unlike traditional limited benefit plans offered by non-HMO insurers, HMO limited benefit plans would offer basic health care services as defined in Colorado law (CRS 10-16-102(5)). However, they would impose an annual cap on *total benefit spending for each person covered by the plan*. Traditional limited benefit plans are *supplemental insurance* that limit coverage on specific services such as outpatient care or hospitalization, and the number of visits allowed for certain services. They do not place limits on maximum annual out-of-pocket costs but often exclude coverage for specific services and treatments such as maternity care.
- HMO limited benefit plans could encourage greater use of prevention and wellness care and provide an affordable option for certain elective and needed surgeries such as gynecological surgery, orthopedic procedures or angioplasty (clearing obstructed arteries).
- Nationally, about half of the U.S. population spends very little on health care, while 5 to 10 percent of the population accounts for most health care spending.<sup>1</sup>

Based on the national trends, it is reasonable to assume that about half of Colorado's population would not spend beyond a reasonable annual benefit cap

- Benefit caps tend to lower premium costs which may allow more small businesses to offer workers a benefit plan with lower premiums.
- Lower premiums may encourage more people to enroll in and maintain continuous health care coverage—an important part of maintain a healthy life.

While HB 09-1143 has advantages, there are also substantial disadvantages.

- A job that pays well and provides benefits not only helps workers stay healthy, it also gives workers a better chance to become self-sufficient and build wealth. HB 09-1143 may provide workers with an opportunity to build wealth but, the annual benefit cap does not protect workers from losing those financial gains through a single catastrophic event such as a heart attack, cancer or a traumatic injury.
- The annual cap may be too low to be useful. The often cited \$50,000 in annual health care spending which most consumers do not exceed comes from a 1984 Canadian study of what it cost for dialysis patients to maintain a year of quality life. Adjusted to 2002 U.S. dollars, the number increases to \$93,500 per year and a 2008 Wharton and Stanford study puts the number at \$129,090.<sup>2</sup>

The disadvantages embedded in HB 09-1143 limit its long-term effectiveness as a solution to Colorado's health coverage needs. In the short-term the bill offers an opportunity for a small number of lower-income uninsured Coloradoans to more easily afford a limited form of basic health services while also providing consumer protection through the Colorado Division of Insurance's oversight. Still, it leaves citizens extremely vulnerable to financial disaster in the event of a catastrophic health crisis.

The Bell would recommend that a reporting requirement to the Division of Insurance be added to the bill that would track how many people enroll in HMO limited benefit plans, how many exceed the cap and the nature of the illness or injury that pushed costs beyond the cap. This information could be used to better inform insurers, consumers and policymakers about the level of financial risk enrollees are exposed.

Capping annual benefit spending is a rational step toward allocating resources and limiting health care costs. It is also a value statement on how much money we are willing to allocate to help mostly lower- and middle-income citizens maintain a certain quality of life—including financial stability.

Even with federal aid, Colorado's unique fiscal constraints make controlling health care costs and insuring more Coloradans an especially daunting task. In the end, the state must identify stable revenue streams to help hardworking Coloradans afford quality health coverage.

The Bell Policy Center views this bill as a short-term measure that could make health care more affordable for some workers and their families. However, it is not a permanent

solution. We must still address the broader question of how to make quality health care affordable without leaving Coloradans vulnerable to financial devastation.

Thank you. I would be happy to answer any questions.

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<sup>1</sup> Conwell, L. J. and Cohen, J.W. (March 2005). Characteristics of Persons with High Medical Expenditures in the U.S. Civilian Noninstitutionalized Population, 2002 Agency for Healthcare Research and Quality.

[http://www.meps.ahrq.gov/mepsweb/data\\_files/publications/st73/stat73.pdf](http://www.meps.ahrq.gov/mepsweb/data_files/publications/st73/stat73.pdf)

<sup>2</sup> Knowledge@Wharton (April 30, 2008). Cost-effective Medical Treatment: Putting an Updated Dollar Value on Human Life. Wharton Health Economics online.

<http://knowledge.wharton.upenn.edu/article.cfm?articleid=1949>

