

**Amendment 69
State Health Care System**

1 **Amendment 69 proposes amending the Colorado Constitution to:**

- 2 ♦ establish ColoradoCare, a state system to pay for health care services
3 for all Colorado residents;
- 4 ♦ require that federal approval be obtained before ColoradoCare is
5 implemented;
- 6 ♦ create a new income tax and redirect existing state and federal health
7 funding to pay for the services and administration of ColoradoCare, and
8 exempt ColoradoCare from constitutional limits on revenue;
- 9 ♦ establish a board of trustees, initially appointed and then elected, to
10 oversee the operations of ColoradoCare and allow for the operations of
11 ColoradoCare to terminate in certain circumstances.

12 **Summary and Analysis**

13 **Background.** Health care in Colorado is currently paid for by a variety of public
14 and private sources, including private health insurance and government programs
15 such as Medicaid and Medicare. Under the federal Patient Protection and Affordable
16 Care Act, all people, with limited exceptions, are required to have health insurance
17 coverage of some kind. The majority of Coloradans receive health insurance through
18 an employer. If employer-based health insurance is not available, a person may
19 purchase private insurance through an insurance broker or the state health insurance
20 exchange. Persons meeting income or other eligibility criteria may qualify for health
21 care coverage through a publicly funded program such as Medicaid.

22 **Persons served by ColoradoCare.** If Amendment 69 is passed and fully
23 implemented, covered health care services for most Coloradans will be paid by
24 ColoradoCare, a new state system to finance health care services. Most individuals
25 who currently have private health insurance coverage will be covered by
26 ColoradoCare. Persons with coverage through state government health programs,
27 including Medicaid and the Children's Basic Health Plan, will instead receive coverage
28 through ColoradoCare, and state and federal funds for these programs will be
29 redirected to ColoradoCare. ColoradoCare will also pay the medical portion of
30 worker's compensation benefits, which is currently covered by worker's compensation
31 insurance policies obtained by employers.

32 Under the measure, some people will maintain their existing health care coverage,
33 but will still be required to pay the income tax that funds ColoradoCare. ColoradoCare
34 will not replace Medicare, military and veterans' health care programs, and certain
35 federally operated health care programs. Coloradans may also choose to maintain

1 private health insurance. For persons with these additional types of health care
2 coverage, ColoradoCare will serve as a secondary payer for any remaining health
3 care costs that are not paid by the other plan and that are covered under
4 ColoradoCare.

5 **Implementation.** If Amendment 69 is passed by voters, there are several steps
6 that must be taken before ColoradoCare may begin paying for health care services.
7 Colorado must seek and receive federal approval to implement ColoradoCare since it
8 will replace the existing Medicaid program and supersede various requirements of the
9 federal Patient Protection and Affordable Care Act. If federal approval is not received,
10 ColoradoCare will not be implemented and any unused funds will be returned.

11 During the 2017 legislative session, the state legislature must pass laws to
12 implement ColoradoCare. This includes laws that implement the new tax, allocate
13 state and federal funds, eliminate the state health insurance exchange, and transfer
14 the responsibility for administering various state health care programs to
15 ColoradoCare.

16 During the initial implementation phase, the new tax, collected at an initial rate of
17 0.9 percent, will pay for the costs associated with seeking federal approval and
18 preparing for the full implementation of ColoradoCare. These costs will include
19 building information technology systems, hiring staff, and establishing the basic
20 operations of ColoradoCare. The initial tax will not pay for health care services.

21 **Health care benefits and delivery of services.** Amendment 69 outlines the
22 health services that ColoradoCare must cover. These services include primary and
23 specialty care, hospitalization, prescription drugs, and emergency and urgent care.
24 The ColoradoCare board of trustees will determine the exact services and procedures
25 that will be covered and the rates paid to providers for these services. Coloradans
26 may select a primary care provider of their choice under Amendment 69. Health care
27 providers must contract with ColoradoCare to be reimbursed for health care services
28 provided.

29 ColoradoCare is prohibited from charging deductibles, but may require
30 copayments for some health care services. A deductible is the amount of medical
31 costs a patient must pay before an insurance plan starts to cover medical costs.
32 Typically, a copayment is a fixed amount that a patient must pay at the time of service.
33 Under Amendment 69, copayments may not be charged for primary and preventative
34 care services, such as annual doctor visits, and may be waived if a patient faces
35 financial hardship.

36 **Governance.** ColoradoCare will be governed by a board of trustees. Initially, a
37 15-member interim board of trustees will be appointed by state legislative leadership
38 and the Governor. The duties of the interim board include establishing rules and
39 procedures, approving an operating budget, and hiring employees and consultants for
40 ColoradoCare. The interim board must also determine procedures for electing a
41 21-member board of trustees.

1 Within three years of the effective date of the measure, the interim board must
2 schedule the first board of trustees election. The measure outlines the length of terms
3 of the elected trustees, term limits, and procedures for filling vacancies.
4 ColoradoCare trustees are not subject to recall elections, but may be removed by a
5 majority vote of the board. Once the elected board assumes responsibility for the
6 operations of ColoradoCare, its duties will include:

- 7 • establishing rules and procedures for the operation of ColoradoCare,
8 determining benefits for Coloradans, and setting payment rates for
9 providers;
- 10 • hiring an executive team to administer the operations of ColoradoCare;
- 11 • administering all state funds for health care services provided to
12 Coloradans;
- 13 • facilitating the creation of medical records and billing records systems;
- 14 • establishing an internal office for fraud investigation;
- 15 • funding external offices in the Division of Insurance to respond to
16 inquiries and complaints from the public and health care providers and
17 make recommendations to the board; and
- 18 • ensuring financial stability of ColoradoCare and approving a publically
19 available annual budget.

20 **ColoradoCare elections.** ColoradoCare is responsible for conducting its own
21 elections. All Coloradans who are at least 18 years of age and have continuously
22 resided in the state for at least one year may vote in ColoradoCare elections. The
23 measure requires ColoradoCare elections for the selection of board trustees and the
24 approval of tax rate increases for ColoradoCare.

25 The interim board must establish seven voter districts in Colorado with
26 substantially the same number of residents prior to the first election of the 21-member
27 board. Three nonpartisan trustees will be elected from each of the seven districts.
28 The trustees must live in the district they seek to represent. The interim board must
29 promulgate rules regarding the selection and eligibility of trustee candidates, the
30 conduct of elections, the regulation of campaign contributions and spending, and
31 certification of election results.

32 **Taxpayer impacts.** Currently, Coloradans pay a flat 4.63 percent income tax that
33 funds the state's general operations. Amendment 69 creates a new state income tax
34 to fund ColoradoCare that will be in addition to the current state income tax. When
35 fully implemented at a 10 percent tax rate, the new tax is projected to generate more
36 than \$25 billion in revenue each year.

37 Under the new tax, income earned in Colorado is taxed at an initial rate of
38 0.9 percent beginning on July 1, 2017. The initial tax is expected to generate
39 approximately \$2 billion per year. The new tax increases to the full 10 percent rate
40 30 days before ColoradoCare assumes responsibility for health care payments.

1 The new tax only applies to the first \$350,000 in taxable income for single filer
 2 taxpayers and the first \$450,000 in taxable income for joint filers. These amounts are
 3 increased by inflation each year. For wage income, which includes salaries, tips, and
 4 other income reported on an employee W-2 form, the tax is split between employees
 5 and employers as shown in Table 1. For non-wage income, the tax is paid solely by
 6 the income earner. Non-wage income includes capital gains, dividends, interest,
 7 rental income, non-business income, and retirement income, including Social Security
 8 income. However, retirement income up to \$20,000 for those ages 55 to 64, and up to
 9 \$24,000 for those 65 and older is not taxed. Certain types of income are excluded
 10 from the new tax, including unemployment compensation and alimony.

11 **Table 1**
 12 **New Taxes Under Amendment 69**

	Initial Tax Rate	Full Tax Rate
Wage Income		
<i>Employee Share</i>	0.3%	3.33%
<i>Employer Share</i>	0.6%	6.67%
Total	0.9%	10.0%
Non-Wage Income	0.9%	10.0%

19 Amendment 69 exempts ColoradoCare from the constitutional limits on revenue
 20 and the existing requirements for seeking voter approval of a tax increase. Under the
 21 measure, tax increases for ColoradoCare must be approved at a ColoradoCare
 22 election. The board of trustees may request a tax increase no more than once per
 23 year.

24 ColoradoCare will not pay for health care services in the initial years after the
 25 passage of Amendment 69, when taxpayers pay the initial 0.9 percent tax rate.
 26 During this initial period, individuals will be responsible for maintaining health
 27 insurance coverage and paying any necessary premiums. Table 2 shows the amount
 28 of taxes owed under Amendment 69 for representative employee and household
 29 incomes under the initial 0.9 percent tax rate and the full 10 percent tax rate.

1 **Table 2**
 2 **New Taxes Owed Under Amendment 69 for Representative Households**

		Initial 0.9% Rate New Taxes Owed		
Household	Taxable Income	Employee	Employer	Total
A	Wage: \$25,000	\$75	\$150	\$225
B	Wage: \$50,000 Non-wage: \$1,000	\$159	\$300	\$459
C	Wage: \$100,000 Non-wage: \$5,000	\$345	\$600	\$945
D	Wage: \$250,000 Non-wage: \$10,000	\$840	\$1,500	\$2,340
		Full 10% Rate New Taxes Owed		
Household	Taxable Income	Employee	Employer	Total
A	Wage: \$25,000	\$833	\$1,667	\$2,500
B	Wage: \$50,000 Non-wage: \$1,000	\$1,865	\$3,335	\$5,200
C	Wage: \$100,000 Non-wage: \$5,000	\$3,830	\$6,670	\$10,500
D	Wage: \$250,000 Non-wage: \$10,000	\$9,325	\$16,675	\$26,000

*For information on those issue committees that support or oppose the measures on the ballot at the **November 8, 2016**, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:*

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

1 **Arguments For**

2 1) Amendment 69 creates an equitable health care payment system that provides
3 coverage for all Coloradans. All people should have access to affordable health care
4 regardless of their ability to pay. The current health care system leaves many people
5 uninsured or unable to access care due to insurance denials or high deductibles.
6 ColoradoCare prohibits deductibles and eliminates financial barriers to needed care.
7 The measure ensures that individuals and families will not face financial ruin from
8 trying to pay for needed health care services.

9 2) Amendment 69 offers a means to control health care costs and improve patient
10 outcomes. In the United States, health care costs are higher than in any other
11 industrialized country. Under Amendment 69, health care costs could be controlled by
12 lowering administrative costs, adjusting payment rates to health care providers, and
13 reducing the amount of unpaid care provided by health care providers. By creating a
14 centralized system for health care records, ColoradoCare may improve the
15 coordination of care and create cost saving by more efficiently sharing information
16 between providers, monitoring medical conditions, and reducing diagnostic testing.

17 3) ColoradoCare provides a more transparent system that serves the interests of
18 Coloradans, instead of the interests of corporate shareholders. The current private
19 health insurance system is profit-motivated, which contributes to rising health care
20 costs. ColoradoCare offers an alternative that shifts incentives toward improving
21 patient care by allowing Coloradans to elect health care decision-makers. Under
22 Amendment 69, Coloradans also have control over tax increases for ColoradoCare,
23 increasing local control over health care costs. Unlike private insurance companies,
24 ColoradoCare board meetings are subject to open meetings laws, which allows
25 Coloradans to be aware of the decisions made by the board.

26 **Arguments Against**

27 1) Amendment 69 offers no guarantee that ColoradoCare will improve patient
28 care, expand access, or reduce health care costs. Coloradans may never receive the
29 benefits promised under ColoradoCare if federal approval is not granted or revenues
30 are not sufficient. The measure does not specify critical details of how ColoradoCare
31 will be implemented, and has no required implementation date. ColoradoCare may
32 not solve fundamental problems of rising health care costs and limited access. If the
33 state fully transitions to ColoradoCare and it fails, it could take years to re-establish a
34 private health insurance market and government programs, and taxpayers will have
35 paid billions of dollars for a failed system.

1 2) Amendment 69 imposes a new 10 percent tax, which will cost taxpayers more
2 than \$25 billion annually. This new tax may harm the Colorado economy by burdening
3 taxpayers and eliminating jobs. Currently, the entire state budget is \$27 billion, and
4 the tax increase under this measure will nearly double state government spending.
5 Many individuals and businesses will pay more with the new tax than they currently
6 pay for health insurance premiums. In the initial years, taxpayers will pay about
7 \$2 billion a year into a system without receiving any direct benefits. The uncertainties
8 and new tax created by Amendment 69 could discourage businesses from operating
9 in Colorado. Additionally, ColoradoCare may cause private health insurance
10 businesses to downsize or leave the state, leaving many people unemployed.

11 3) ColoradoCare may limit consumer choice and strain the health care system.
12 Health care providers may be unwilling to serve ColoradoCare patients if
13 reimbursement rates are too low. This could reduce options for patients and increase
14 wait times to receive services. Also, the health care system could be further burdened
15 by people coming to the state to receive health care without adequately contributing to
16 the taxes that pay for their care. If the system fails to control costs, health services
17 covered by ColoradoCare may be reduced. Additionally, private health insurance may
18 not be available or affordable if Amendment 69 passes. This could leave people with
19 limited options for accessing alternative coverage or needed care, forcing some
20 people to leave the state.

21 **Estimate of Fiscal Impact**

22 *(Please Note: A summary of the fiscal impact will be included in this space in the*
23 *second draft of the analysis, and an official fiscal note will be prepared and placed on*
24 *the web when the final blue book is sent to voters.)*