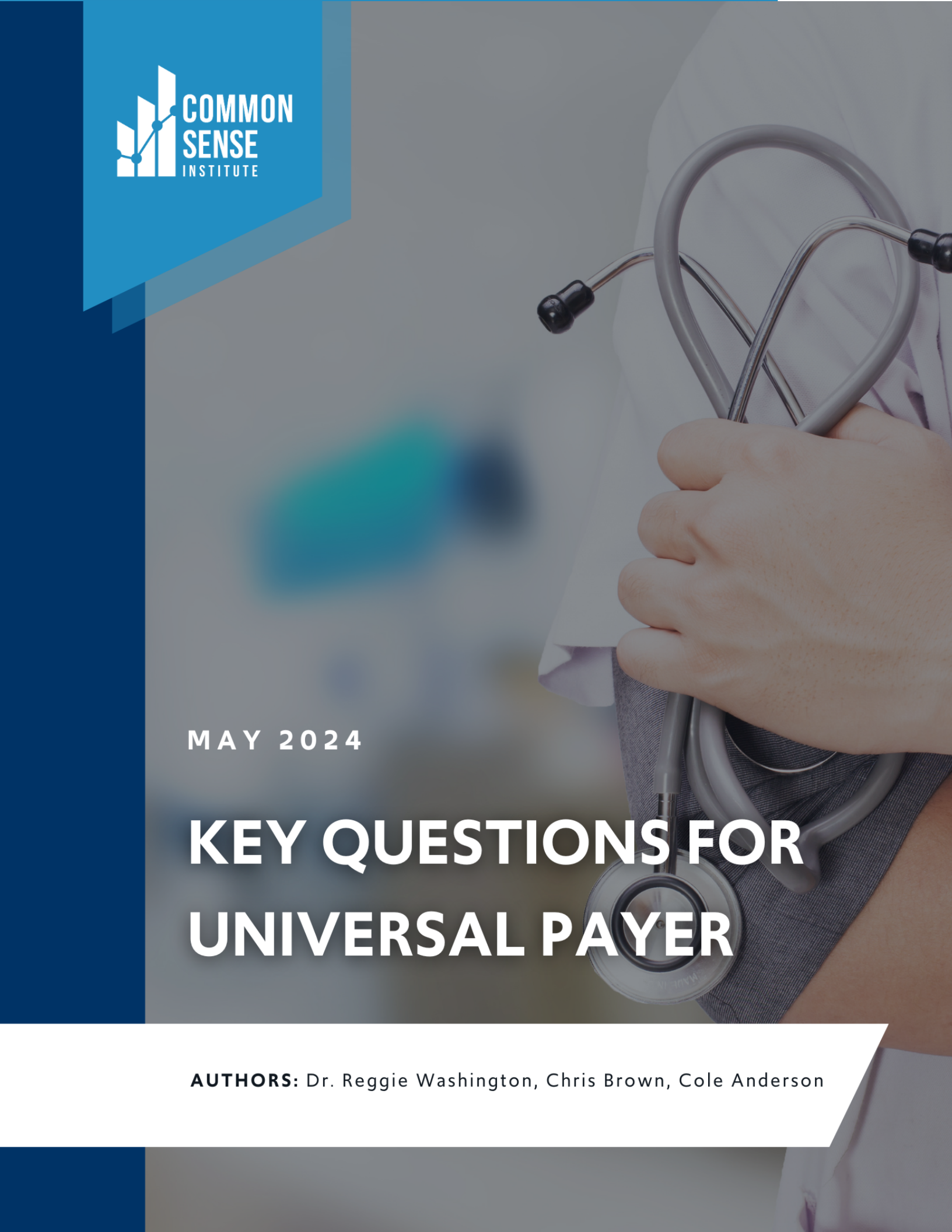
COMMON SENSE INSTITUTE



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KEY QUESTIONS FOR UNIVERSAL PAYER

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About the Author

Dr. Reggie Washington is CSI's Health and Wellness Fellow. Dr. Washington was the Chief Medical Officer at Rocky Mountain Hospital for Children and Presbyterian St. Luke's Medical Center until 2023. In 2008 he co-founded the Rocky Mountain Children's Health Foundation to provide support to families whose children were in need of care or mothers requiring breast milk for their babies. He was the Co-founder and Medical Director of Rocky Mountain Pediatric Cardiology and expanded outreach clinics throughout a four-state area.

About Common Sense Institute

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Coloradans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

Common Sense Institute Teams & Fellows Statement

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

QUESTIONING THE PREMISE

House Bill 1075, pending in the 2024 session, comes on the heels of major federal and state reforms and the ripple effects of COVID, including elevated medical inflation and workforce shortages.[i] However, instead of offering new incremental changes, it proposes to study a single-payer policy that will only be identified after the bill passes, as a push to make Colorado the first state in the county to establish a publicly funded single-payer health care system. While nearly 80% of voters rejected a measure in 2016 that would have done just this, HB24-1075 represents the latest effort to revive this policy platform.

The opening text of HB24-1075 declares that both a 2008 commission and a 2021 state task force report "clearly showed that a single, nonprofit system for health care can save money, cover everyone in the state, and support better health care."[ii]

> The 2021 study underpinning HB24-1075 suggests a single publicly financed non-profit would act as single payer for all Coloradans. Responsible for more than an estimated $35 billion in healthcare payments it would be larger than all state tax revenue combined and 2/3 the size of the state budget.

From a cost perspective, the report simply shows that imposing government-set payment rates can potentially lower the total amount of expenditures in the system. It draws no conclusion about the quality of healthcare resulting from reducing what patients pay, given it did not evaluate if the assumed lower payment rates would be sufficient to cover the cost of delivering care. It also did not address whether public

payers would lose access to providers, given the reductions in what current privately insured payers would pay.

If savings and better health care were clearly shown, then the text of the bill declaration immediately following, "To achieve better, more affordable, and fairer health are, the people of Colorado need answers to very important questions regarding universal health care; and an analysis of draft model legislation for health-care payment system is important in order to determine whether such a system would achieve the goals of better, more affordable, and fairer health care for all Coloradans," would seem unnecessary.

While the basis for the need for the analysis may be contradictory in the bill itself, HB24-1075 has passed through the House and awaits a hearing in the Senate. In line with the declaration that "Coloradans need answers," should HB24-1075 pass, here are a few critical questions to be answered of an analysis of any single-payer health care model.

KEY QUESTIONS FOR POTENTIAL ANALYSIS

HOW WOULD A UNIVERSAL HEALTHCARE PAYMENT SYSTEM CONTROL COSTS BETTER THAN A SYSTEM WITH MULTIPLE PAYERS WHILE ENSURING HIGH QUALITY CARE?

Any analysis resulting from the potential passage of HB24-1075 should measure outcomes relative to the status quo, as well as incremental reforms that would improve competition and affordability within a multi-payer system. Consumer choice forms the foundation of competition that drives innovation and quality. Without consumer choice for coverage options and benefits, what will be the primary driver to control the underlying costs of delivering care? Medicare, the publicly financed payment model for older Americans, is perpetually plagued with high claim-denial rates.

Another area of reform highlighted in CU's 2021 report is increasing Coloradan's ability to access primary care rather than having to rely on receiving care in an emergency room. The report states that "increasing primary care access can prevent individuals from experiencing

more serious health crises, which would reduce emergency care use and contribute to health care cost-savings over time." This alludes to the fact that with greater access to care, emergency care visits will decrease and thus lead to a decrease in healthcare costs.

While analysis referenced in the current legislation points to a resurgence of preventative care spurred by a single payer system to unlock healthcare savings, the rate of uninsured Coloradans fell from 13.5% in 2009 to just 4.6% in 2023.[iii] In line with this, the rate of Coloradans with a preventative care visit within the last year increased from 65.5% to 74% between 2009 and 2019.

Yet despite these gains in healthcare access and preventative care use, the share of Coloradans who visited the emergency room within the last year increased from 20.2% in 2009 to 20.8% in 2019.[iv]

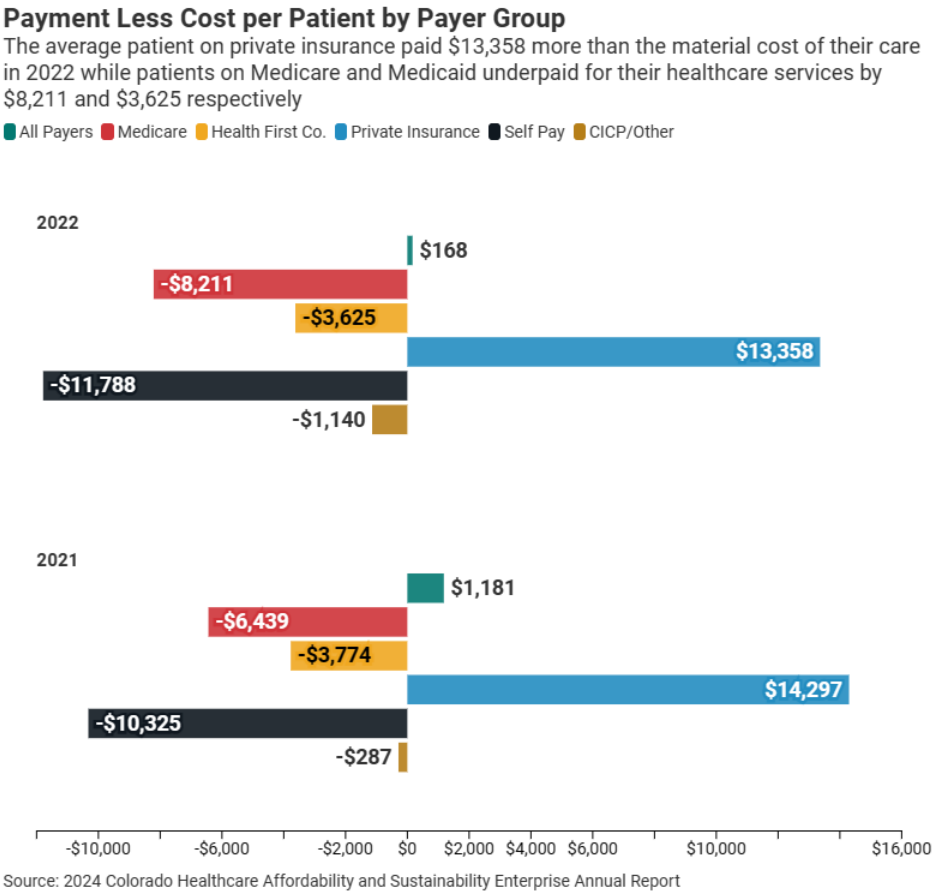
- If profits are the main source of funding to expand business and invest in higher quality care and medical devices, how would future investments in healthcare work under a single payer system?
- How could reforms to improve consumer choice and access be incorporated without a single payer system?
- What reforms to the multi-payer system could improve social determinants of health, thereby achieving improved outcomes and lower costs from status quo?
- Given differences in patient outcomes across payer types and plans, how can more recent health plan quality reporting be used to improve a multi-payer system?

HOW WOULD A SINGLE PAYER SYSTEM ENSURE FINANCIAL STABILITY?

In Colorado's current healthcare system, the cost of providing care to a patient often exceeds the payment received in return for the services provided. On average among the various major health insurance groups (Medicare, Health First Colorado, private insurance, self-pay, CICP), only patients covered by private insurance pay the full amount of their cost of care back to their provider, as seen in **Figure 1**.

While the proposed analysis aims to save costs for all, dissolving private insurance plans would erase the single positive contributor to healthcare providers' cost of care budget. Lowering costs for everyone, including those on private insurance, leaves an enormous gap in the revenue generated by providing healthcare in Colorado; if private payers are to see their rates fall, the financial shortfall created would then need to be paid for with higher rates for those currently on public insurance plans.

FIGURE 1 – PAYMENT LESS COST PER PATIENT BY PAYER GROUP



Source: 2024 Colorado Healthcare Affordability and Sustainability Enterprise Annual Report

In addition to creating a deficit for healthcare providers, a decrease in revenue inevitably leads to a decrease in the quality and accessibility of healthcare services. Although federal stimulus helped hospitals temporarily cover inflated expenditures due to COVID, the most recent hospital payment-to-cost ratio in Colorado was 1.01 in 2022 meaning the total payment received in 2022 was 101% of hospital costs. The ratio of 1.01 is the lowest since the Department of Health Care Policy and Financing began tracking the metric and will lead to further constraints on hospital services in Colorado.[v]

- Given private insurance is the only payer that compensates providers above the cost of delivering care, how would price controls impact provider's margins across a range of services and regions of the state?
- How will patient access to services be impacted by price controls?

HOW MUCH WILL A SINGLE PAYER SYSTEM REALLY COST COLORADANS AND WHO PAYS?

HB24-1075 indicates that the plan design must include "benefits for medical care, including dental, hearing, vision, and mental health. Provide long-term care and support services to all residents at least at the level of coverage available to those residents who are eligible to receive medical assistance." Understanding the costs of these coverage provisions is important, however it is also critical to know if there are additional costs some Coloradans would face if they desire or require additional health-related coverage items.

The bill also states that the analysis "may… include a cost estimate of the first, second, fifth, and tenth-year costs for operating a universal health care system." It is unclear if the "operating" of a universal healthcare system includes the transition costs and expenses related to establishing the new agency's administrative system. If those expenses must be incurred prior to the collection of a new fee/premium to pay for coverage, what will be source of funding for establishing the non-profit?

- Would federal revenue continue to come to the state to cover Medicare and Medicaid patients?
- Would premium have to be voted on by Coloradans as a new fee?
- Would the new fee be paid for by all Coloradans, or just the more than 50% of taxpayers who are not on Medicare or Medicaid?[vi]
- Would the premium vary by income and the number of people in your household who received coverage?
- How would Coloradans get coverage for other healthcare-related expenses, not covered by the universal coverage plan? How much would that cost, and would that be considered multiple payers?

BOTTOM LINE

Conducting in-depth research into the costs/benefits and tradeoffs of complex and major legislative reforms is a worthy effort. However, for a publicly funded study to shed light on the correct policy path forward, it should start with a scope of work that allows for full exploration of intended and unintended outcomes.

Reducing payments in the healthcare system through price controls without decreasing the underlying cost of care will lead to a decrease in the quality and scope of services provided in Colorado. Another study to examine the financial and economic impacts of establishing a first in the nation, state-level single payer health care system should not begin with the disputed premise that consumer savings are foregone, or that more substantive true system-wide cost savings cannot be achieved by other incremental reforms.

REFERENCES

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