HB 08-1390

COVERCOLORADO

LONG-TERM FUNDING TASK FORCE

FINAL REPORT TO THE COLORADO GENERAL ASSEMBLY

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Facilitation • Public Engagement • Strategy

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I. EXECUTIVE SUMMARY

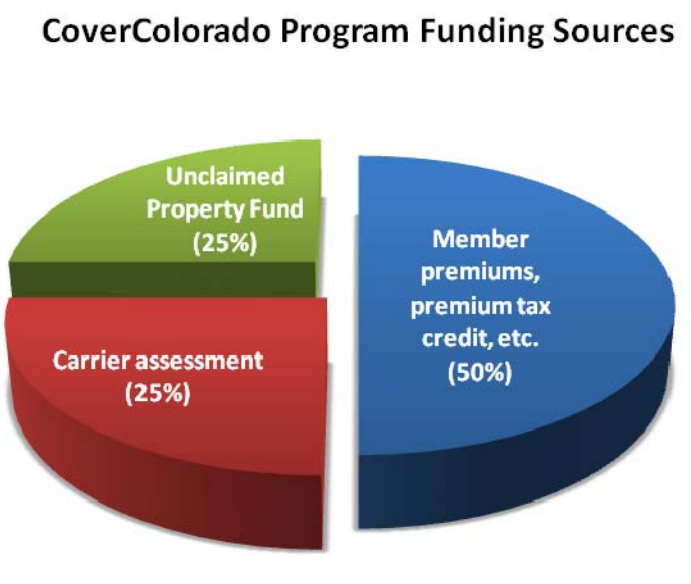
OVERVIEW

CoverColorado is a non-profit unincorporated public entity created by the Colorado General Assembly to serve as the state's high-risk health insurance pool. Since its inception, CoverColorado has been available to any individual who is ineligible for health coverage through a public program and is unable to obtain health insurance or unable to obtain health insurance except at prohibitive rates or with restrictive exclusions.

In the 2008 legislative session, the General Assembly passed House Bill 1390, which implemented a new funding structure to support the program, created the CoverColorado Long-Term Funding Task Force, and directed its members to develop a plan for sustaining this vital program over the next ten years.

CURRENT FUNDING AND IMMEDIATE CONCERNS

As defined in HB 08-1390, the funding structure that currently supports the CoverColorado program derives approximately fifty percent of program funding from a combination of member premiums, monies in the CoverColorado cash fund, and contributions from state insurance premium tax credit allocations and other gifts, grants, and donations. Another twenty-five percent of program funding is collected from an assessment of special fees on health insurance and stop loss carriers that are regulated by the Colorado Division of Insurance, and the remaining twenty-five percent is transmitted from the State's Unclaimed Property Fund.

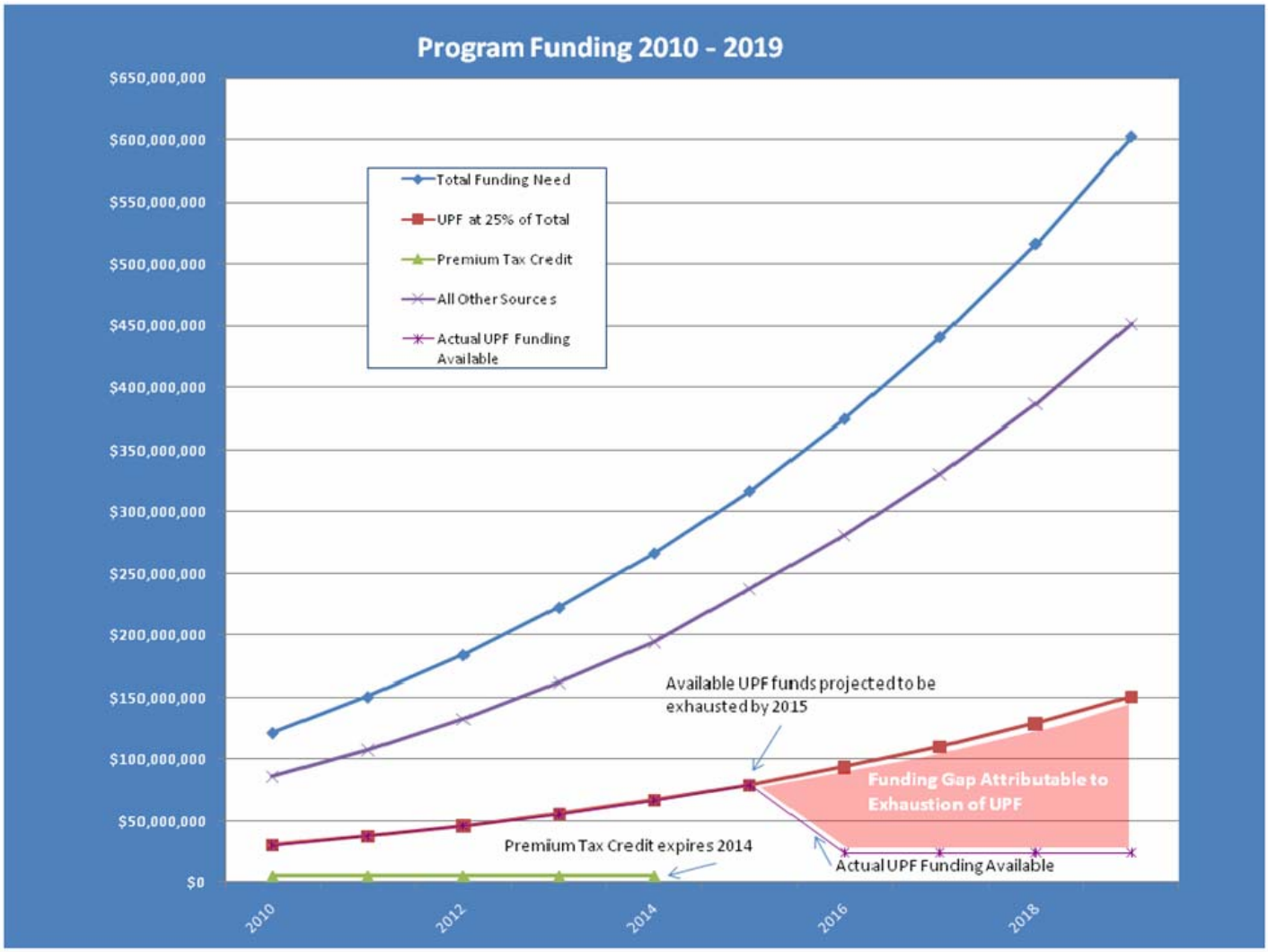


According to the actuarial analysis commissioned by the CoverColorado Long-Term Funding Task Force, CoverColorado's total funding need for the 2009 program year is nearly ninety-five million dollars. That amount is projected to increase significantly in the future—considering membership growth, claim trends resulting from calculations of medical cost and utilization, and trends in administrative expenses—and reach several hundred million dollars within the next decade.

CONSIDERATIONS AND TIMING OF RECOMMENDATIONS

CoverColorado's projected funding needs over the next ten years are substantial, and members of the Task Force recognize that the program's current funding structure is sound for only the next five years and is not equipped to keep pace with expected increases in demand over the long term. However, Task Force members also are aware of the possibility that significant changes to state and/or federal health care policy will occur within a two to four year timeframe, and these could have profound implications on the function, operation, and purpose of CoverColorado.

According to actuarial modeling, and as demonstrated in the graph below, the total funding need for CoverColorado is projected to increase drastically over the next decade. The insurance premium tax credit, which currently supplies $5 million in annual funding, is set to expire in 2014. If cost trends continue to increase as expected, the available monies from the Unclaimed Property Fund (UPF) will be significantly reduced by 2015. At that point, CoverColorado will be in violation of its statutory requirements because the UPF will be unable to constitute 25% of total program funding. The category of other funding sources in the below graph includes member premiums and the carrier assessment.



Graph based on modeling scenario (A) presented in Appendix C.

In consideration of these factors and the critical need demonstrated by financial and actuarial projections of future program costs, the Task Force recommends a flexible, staged approach to resolving program funding issues—implementing some items immediately and revisiting others in a timely manner once the policy uncertainty is resolved and the economic downturn abates.

LONG-TERM FUNDING AND COST CONTAINMENT RECOMMENDATIONS

As directed by the legislature, the Task Force examined and analyzed a number of options for funding CoverColorado in the long term as well as strategies for containing program costs to reduce demand for future resources. Each option was assessed according to the Task Force's overall goal of ensuring program sustainability in a broad and equitable manner, and the options that were determined in line with this goal and other guiding criteria were selected and developed as recommendations. Task Force members considered a number of additional measures for which recommendations were not developed, and these are identified and discussed in Section VI.

RECOMMENDATIONS

The CoverColorado Long-Term Funding Task Force recommends the following funding and cost containment options for consideration and implementation by the General Assembly:

Near-Term Recommendations (1 – 2 years):

1. Grant the CoverColorado Board of Directors statutory authority to establish a provider reimbursement schedule based upon a multiplier of Medicare reimbursement rates, which would provide immediate cost-savings for the program after implementation while ensuring that providers are paid reasonable rates; and
2. Authorize the CoverColorado Board of Directors to adjust the collection periods for the program's carrier assessment so that payments can be collected on a quarterly or monthly basis instead of semi-annually.

Long-Term Recommendations (3 – 5 years):

3. Provide a more equitable, broad, and sustainable source of funding than the current carrier assessment mechanism through implementing either a health facility fee surcharge in lieu of carrier assessments or by adding third party administrators on a per-covered-life basis to the assessment base;
4. Extend the insurance premium tax credit for ten more years, to 2024, consider raising the $5 million annual maximum, and build flexibility into the annual maximum amount by tying it to the Consumer Price Index to keep the limit current with the rate of inflation; and
5. Work with the relevant State and Federal agencies to draw down federal matching dollars through the Upper Payment Limit to effectively double the amount of funding for CoverColorado from eligible sources or revenue streams.

II. INTRODUCTION

BACKGROUND

CoverColorado is a non-profit unincorporated public entity created by the Colorado General Assembly to provide medical insurance for eligible state residents who, because of a pre-existing medical condition, are unable to obtain health insurance or unable to obtain health insurance except at prohibitive rates or with restrictive exclusions and who are ineligible for other public insurance programs.[1] CoverColorado also serves as the state's plan for individuals who are eligible under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) coverage provisions.[2] The program offers a statewide major medical plan with a choice of eight different levels of cost sharing that is based upon a preferred provider organization (PPO) network. Members who enroll in CoverColorado pay a monthly premium, which is currently set at approximately 140% of the premium costs for a comparable commercial insurance plan in Colorado's individual market. The program offers sliding scale premium discounts to its members with low household incomes, and about 30% of the member population pays a reduced rate (between 100 - 120% of standard individual market rates) through these discounts.

HOUSE BILL 08-1390

Primarily sponsored by Representative Anne McGihon (D-3) and Senator Jim Isgar (D-6), HB 08-1390 was approved by the Colorado General Assembly and signed into law by Governor Bill Ritter, Jr., during the 2008 legislative session. (See Appendix B for complete text of HB 08-1390.) The bill recognized that CoverColorado's program funding needs are increasing and that the previous plan for meeting those needs was not sustainable, so legislators created a new funding structure—described in Section IV of this report—and established the CoverColorado Long-Term Funding Task Force with the charge of investigating options and developing a plan for funding the program in the long term. Task Force members were appointed by the Governor, the Speaker of the House of Representatives, and the President of the Senate to represent the relevant views, interests, and areas of expertise needed to meet the body's legislative charge. A complete listing of Task Force members and organizational affiliations can be found in Appendix A.

[1] 10-8-502, C.R.S.

[2] Individuals are eligible for coverage through CoverColorado under HIPAA if 1) their most recent coverage was not terminated as a result of non-payment of premiums or fraud; 2) they have 18 or more months of previous credible coverage, most recently under a group plan, governmental plan, or church plan; 3) they have elected and exhausted any continuation coverage under COBRA or a similar State program and that coverage has not lapsed; and 4) they are not eligible for Medicare or Medicaid or covered under any other health insurance.

KEY ISSUES & CONCERNS

The CoverColorado Long-Term Funding Task Force first examined CoverColorado's current enrollment trends and program funding needs. At the conclusion of its first year of operation, CoverColorado had fewer than 600 members; after nearly 18 years, the program now has grown to a member population of over 8,500 and is expected to grow to more than 10,000 by the end of 2009. This enrollment growth demonstrates that the program has been successful in serving its members and attracting new enrollees, which has had the positive effect of reducing the number of uninsured Coloradans. The growing numbers also reveal a troubling fact—that more and more people in Colorado find themselves unable to obtain or retain health insurance coverage in the private market. CoverColorado provides coverage to Coloradans who are otherwise uninsurable, meaning a dissolution of the program would likely result in a majority of its current members becoming uninsured. Additionally, since CoverColorado serves as the state's plan for individuals who are eligible under HIPAA, the program takes this burden off the private market and consequently helps reduce costs for privately insured residents and business owners.

CoverColorado and the members of the Long-Term Funding Task Force have a positive view of program enrollment growth but also acknowledge the impact it has on program costs and funding needs. The CoverColorado staff and Board of Directors have been working diligently on methods to positively impact program costs, some of which are enumerated in Section VI of this report. Although the program has successfully implemented strategies to curb increasing trends, the Task Force recognizes the indisputable fact that covering more people costs more money and has therefore worked to identify more sustainable funding to support CoverColorado's activities and operations on an ongoing, expanded basis.

III. CONTEXTUAL CONSIDERATIONS & TIMING OF RECOMMENDATIONS

STATE AND FEDERAL CONTEXT

Task Force members believe that the revised funding plan created in HB 08-1390 is sound for the next five years. However, after that time and as described in this report, long-term funding becomes increasingly problematic for a variety of reasons that range from expected program growth to the expiration or exhaustion of elements of the current funding plan.

A more fundamental issue that policymakers must acknowledge is that healthcare policy discussions at both the state and federal level could result in a reduction of CoverColorado enrollees or obviate the need for the program altogether within the next few years. Fifty-two percent of CoverColorado adults are over the age of 50 and 8% are children. Twenty-six percent of enrollees have a household income of less than $40,000 per year. An expansion of Medicaid and Medicare at the state or federal level to cover these individuals would immediately reduce the rolls of CoverColorado. It is also possible that in the next few years the federal government could enact reforms adopting guaranteed issue insurance, likely with community rating, and even couple these provisions with an individual

mandate for health coverage. These reforms would bring into question the need for a state high-risk insurance pool and may call for significant changes in state policy and the health care system as a whole.

In February, President Barack Obama signed into law the American Recovery and Reinvestment Act of 2009, which contains a provision for temporary subsidies for employees who lose their employer-sponsored health insurance between September 1, 2008 and December 31, 2009. It is possible that Coloradans who would normally have moved to CoverColorado will choose to stay enrolled in their former employers' plan under COBRA[3] because these subsidies will make it more affordable to do so. Although this is only a temporary program, it demonstrates the Task Force's statement that changes in federal policy can have real and substantive effects on CoverColorado program enrollment and operations.

Furthermore, the economic downturn and its impact on the state have created a complex and changing policy environment that will continue to require innovation and unconventional approaches to solving the state's most pressing issues.

TIMING OF RECOMMENDATIONS

In consideration of these factors and given that the program is anticipated to be financially solvent for the next five years, the Task Force's recommendations have been developed to call for action on a limited number of items immediately while waiting to revisit others in a timely manner once current policy uncertainty is resolved and the economic downturn abates.

The Task Force's first recommendation, that the General Assembly grant the CoverColorado Board of Directors statutory authority to establish a reimbursement schedule based upon a multiplier of Medicare reimbursement rates, should be considered as soon as practical. Modeling shows that implementing a reimbursement schedule would provide significant overall cost-savings for the program while ensuring that providers are paid reasonable rates. As developed in Section V, savings from the implementation of a provider reimbursement schedule would immediately accrue to the program and relieve some of the pressure on CoverColorado's current funding sources.

The second recommendation, that the General Assembly authorize the CoverColorado Board of Directors to adjust the collection periods for the program's carrier assessment so that payments can be collected on a quarterly or monthly basis, should also be considered in the near term.

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[3] Employees leaving their jobs with firms that offer health coverage and have more than 20 employees are eligible for continued insurance benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), although the former employees are required to pay the cost of the full premium—including the share previously contributed by their employers. The subsidy provision signed into law this year allows COBRA-eligible individuals who lost their jobs in the specific timeframe to receive a 65% discount on their health insurance premiums for a period of up to nine months. This subsidy is also available to Colorado residents eligible under Colorado's so-called "mini-COBRA" law which provides comparable continuation of coverage for employees working in Colorado firms with fewer than 20 employees.

CoverColorado could experience cash-flow issues if the collection periods for this assessment do not occur more frequently.

The remaining recommendations regarding long-term funding in Section V require more consideration and should be implemented gradually to help ensure future program sustainability. Although the Task Force expects these options to take three to five years of preparation before they can be implemented, members believe it is important to begin the preparatory work for these recommendations as soon as possible.

IV. CURRENT FUNDING & IMMEDIATE CONCERNS

FUNDING STRUCTURE

CoverColorado's current sources of funding were articulated in statute with the passage of HB 08-1390. Under this structure, approximately fifty percent of program funding is derived from a combination of member premiums, monies in the CoverColorado cash fund, and contributions from state insurance premium tax credit allocations and other gifts, grants, and donations. A target of twenty-five percent of program funding is collected from an assessment of special fees on health insurance and stop loss carriers that are regulated by the Colorado Division of Insurance. This assessment is based upon the number of lives each carrier covers within the State of Colorado and is collected by the program two times per calendar year. The remaining twenty-five percent of needed program funding is transmitted from the state's Unclaimed Property Fund.

PROJECTED NEEDS

In order to develop and consider options for funding CoverColorado in the long term, Task Force members first had to assess the projected need for program funding over the next decade and consider the current structure's ability to meet that need. The Task Force enlisted the help of an expert actuarial consultant, Leif Associates, to accurately model CoverColorado's funding sources, projected growth, and expected demand for future resources.

According to the actuarial analysis, CoverColorado's total funding need for the 2009 program year is nearly ninety-five million dollars. That amount increases significantly over five years—considering membership growth, claim trends resulting from calculations of medical cost and utilization, and trends in administrative expenses—to reach nearly $266 million in 2014. Projections of need over ten years are less reliable in terms of continuing trends and assumptions, but even conservative estimates of program funding needs for 2019 again double the amount required five years earlier. These figures and an in-depth examination of funding requirements and projections are available in Appendix C – CoverColorado Long Term Funding Task Force Ten-Year Funding Projections and Options.

HB 08-1390 FUNDING STRUCTURE WARNINGS

CoverColorado's projected funding needs over the next ten years are substantial, and the Task Force recognizes that the program's funding structure as defined in HB 08-1390 is not equipped to keep pace with expected increases in demand. Task Force members warn of three structural issues in particular that have the near-term effect of jeopardizing the program's sustainability:

1) SIGNIFICANTLY REDUCED AVAILABILITY OF FUNDING FROM THE UNCLAIMED PROPERTY FUND

Nearly a decade ago, in 1999 and early 2000, CoverColorado experienced an unprecedented amount of growth in membership over a short period of time. Recognizing the need for additional funding resources, program staff met with leaders of the insurance industry and State officials to discuss ways to sustain the program and allow CoverColorado to continue enrolling new members to meet increasing demands. A three-way compromise between the industry, the State, and CoverColorado was reached regarding the funding structure: first, the program members would pay premiums set at 135% of the standard individual commercial rate; second, the State would contribute by dedicating the interest earnings for the Unclaimed Property Trust Fund to the program; and third, the industry agreed to be assessed on the condition that CoverColorado would begin covering those individuals eligible for coverage under HIPAA. This three-way agreement became legislation and went into effect on July 1, 2001.

The following year, during a fiscal downturn, the legislature transferred the monies from the Unclaimed Property Trust Fund to the general fund to cover pressing State needs. This depletion of the Trust Fund changed the financial balance for CoverColorado and triggered the first insurance carrier assessment in 2002 and the second in 2003. In 2004, the General Assembly reduced the need for future assessments by giving CoverColorado access to the entire Unclaimed Property Fund (UPF), not just the interest accrued from the trust each year. Having access to all but the reserve funds needed to pay out claims and administration of the UPF program temporarily eliminated the need for a CoverColorado insurance carrier assessment. However, renewed growth in CoverColorado's membership over the next few years resulted in escalating and unsustainable withdrawals from the Unclaimed Property Fund.

A new three-way compromise between the program, the State, and the insurance industry resulted in the introduction and passage of HB 08-1390, establishing the current funding structure for CoverColorado. Monies from the UPF now contribute twenty-five percent of total program funding, but even this formula is not sustainable according to projections for program growth and increasing costs over the next ten years. Because contributions from the UPF now are derived from the Fund's principal, instead of just the interest gained, the funding demand for CoverColorado stands to exhaust monies available to the program from the UPF within the coming decade. Although newly collected unclaimed property comes in annually, and will contribute $25 million in new funds in 2009, this property is held in trust by the State for the

citizens to whom it is owed and is not considered a renewable revenue source for state programs.

Continued growth in CoverColorado and escalating health care costs indicate that program funding requests are projected to surpass collections and will exhaust funding available to CoverColorado from the Unclaimed Property Fund within six years under the structure set forth in HB 08-1390.

2) EXPIRATION OF THE PREMIUM TAX CREDIT

In 2004, the General Assembly authorized an insurance premium tax credit for carrier contributions to CoverColorado, with an annual maximum amount of $5 million. This credit is authorized only through 2014, after which it expires and CoverColorado stands to lose a significant annual contribution.

3) RESTRICTIONS WITHIN PROGRAM FUNDING FORMULA

As described above, the funding structure articulated in HB 08-1390 requires that 50% of total program funding be derived from a combination of member premiums, monies in the CoverColorado cash fund, and contributions from state insurance premium tax credit allocations and other gifts, grants, and donations. Another 25% of funding is contributed by the Unclaimed Property Fund and the remaining 25% is assessed to Colorado insurance carriers. Because this was implemented statutorily, the CoverColorado Board of Directors does not have the authority to alter or adjust these requirements. The formula established in statute with its 50%, 25%, and 25% funding requirements could cause serious problems if projected trends continue and no significant program reforms are made in the next decade.

If funding from the UPF is significantly reduced, CoverColorado clearly could not meet the requirement that 25% of funding be derived from that source. If the premium tax credit is allowed to expire in 2014, member premiums would have to increase to make up the $5 million gap and meet 50% of total program funding. It is also possible that even raising the premiums to the maximum allowable amount would still not be enough to meet the 50% requirement. This is because CoverColorado is limited by statute to charge premiums between 100% and 150% of the Standard Risk Rates (SRR), which is a weighted average of Colorado's five largest individual health insurance carriers' premiums adjusted for the value of benefit differences. These possible scenarios demonstrate that the funding formula as detailed in HB 08-1390 is not sustainable in the long term and will need to be revisited and reformed to ensure future program stability.

PROJECTED LONG-TERM FUNDING CHALLENGES

The above are concrete issues that demonstrate an immediate need to make adjustments to the funding structure for the CoverColorado program. However, although they will have substantive impacts, these issues concerning the Unclaimed Property Fund, the insurance premium tax credit, and restrictions inherent in the funding formula are by no means the only challenges to the

program's future sustainability. As the financial modeling in Appendix C demonstrates, every funding source will be increasingly strained as program costs are projected to increase over the next decade and beyond.

Unless there is a change to the current statutory mandate that fifty percent of total program funding derive from member premiums, double-digit percentage rate increases on an annual basis will be required in the next few years. This is particularly true in the years after 2014 when the premium tax credit has expired, since allocations from this credit currently augment the amount collected through member premiums and help meet the fifty-percent requirement more quickly.

The amount charged to insurance carriers as an assessment of special fees on each covered life also stands to increase significantly. In 2009, the assessment is $2.09 per covered employee or covered individual policyholder per month, or $25.13 per year. Because CoverColorado can only assess those carriers that are regulated by the Division of Insurance, the pool that must contribute to this assessment and bring in enough funds to meet the twenty-five percent of total funding requirement is not as broad or as sizeable as it could be. Only carriers in the fully insured markets and stop loss carriers in the partially self-insured market are assessed through this mechanism, meaning the cost of funding CoverColorado falls disproportionately on the shoulders of small businesses, self-employed individuals, and people with individual health insurance plans. This burden will only increase with time if membership, medical trends, claims trends, and administrative expenses continue to grow as projected.

Additionally, the current carrier assessment is collected by CoverColorado two times per calendar year. Because of increasing resource demands, this semiannual assessment becomes insufficient after a few more years of operation. It is possible that the program will have to begin taking out operational loans to maintain a positive cash position between semiannual carrier assessment payments if they are not collected on a more frequent basis.

It is because of the issues articulated above and the critical need demonstrated by financial and actuarial projections of future program costs that the Task Force recommends a flexible, phased approach to resolving program funding issues, implementing some changes immediately and developing comprehensive revisions over the next five years.

V. RECOMMENDATIONS

As directed by HB 08-1390, the CoverColorado Long-Term Funding Task Force examined options for funding CoverColorado in the long term as well as options for containing program costs to reduce demand for future resources. In consultation with CoverColorado's actuary, Leif Associates, Task Force members were able to project the need for program funding over the next decade and consider the current structure's ability to meet that need.

After determining that the funding structure as detailed in HB 08-1390 will not be able to support CoverColorado on a continuing, sustainable basis if cost trends and membership growth continue to rise as projected, Task Force members developed and considered a number of funding options that could serve as supplements and alternatives to the existing structure and analyzed strategies for containing program costs.

This section describes the Task Force's recommendations for developing a long-term funding plan for CoverColorado. Each option was assessed according to the Task Force's overall goal of ensuring program sustainability and weighed against guiding criteria that stress the importance that each option be:

- equitable;
- as broad as possible;
- sustainable;
- predictable;
- politically acceptable;
- widely beneficial; and
- not regressive.

The options for containing program costs and funding CoverColorado into the future articulated in this Section V have been thoroughly examined by Task Force members and determined to be in line with the goals and criteria described above. Task Force members organized their recommendations into near- and long-term strategies in recognition of the need for immediate implementation of some changes and further investigation and in-depth consideration of others. Although three of the recommendations are expected to be implemented after three to five years, Task Force members believe it is important that preparatory work for these strategies begin as soon as possible.

RECOMMENDATIONS

The CoverColorado Long-Term Funding Task Force recommends the following funding and cost containment options for consideration and implementation by the General Assembly:

Near-Term Recommendations (1 – 2 years):

1. Grant the CoverColorado Board of Directors statutory authority to establish a provider reimbursement schedule based upon a multiplier of Medicare reimbursement rates, which would provide immediate cost-savings for the program after implementation while ensuring that providers are paid reasonable rates; and

2. Authorize the CoverColorado Board of Directors to adjust the collection periods for the program's carrier assessment so that payments can be collected on a quarterly or monthly basis instead of semi-annually.

Long-Term Recommendations (3 – 5 years):

3. Provide a more equitable, broad, and sustainable source of funding than the current carrier assessment mechanism through implementing either a health facility fee surcharge in lieu of

carrier assessments or by adding third party administrators on a per-covered-life basis to the assessment base;

4. Extend the insurance premium tax credit for ten more years, to 2024, consider raising the $5 million annual maximum, and build flexibility into the annual maximum amount by tying it to the Consumer Price Index to keep the limit current with the rate of inflation; and

5. Work with the relevant State and Federal agencies to draw down federal matching dollars through the Upper Payment Limit to effectively double the amount of funding for CoverColorado from eligible sources or revenue streams.

NEAR-TERM RECOMMENDATIONS

Since its inception, CoverColorado has been available to any individual who is unable to qualify for health coverage through a public program or who is unable to obtain health insurance or unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. No limitations have been placed on the number of individuals covered by the program. Although there have been fluctuations in membership trends over the life of the program, there has been significant growth for the past several years. In 2000, CoverColorado had 1,227 members. By 2008, this number had grown to 8,200. As membership growth occurs total program costs also increase, not only as a result of ongoing medical inflation but as a result of the additional individuals served. Consequently, program funding rose from $9,334,721 in 2000 to $72,341,166 in 2008. Barring fundamental changes as a result of state or federal health care reform, current projections anticipate continued increase in membership and costs.

HB 08-1390 charged the Task Force with investigating options for long-term funding and cost containment measures for CoverColorado as a means of reducing the burden on current funding sources. To this end, the Task Force considered various program modifications that are described in Section VI but did not issue recommendations for them because they did not attain consensus from Task Force members, they did not provide significant funding or cost savings, or they worked to the detriment of the program's mandate.

PROVIDER REIMBURSEMENT SCHEDULE

CoverColorado currently reimburses health care providers at commercial market reimbursement rates. The Task Force considered this issue and recommends that the program instead base its reimbursement rates on a fixed schedule through which all Colorado providers would be reimbursed for services provided to CoverColorado members. Introducing a provider reimbursement schedule would include fixing CoverColorado's provider reimbursement rates for hospital and clinical care at a percentage of Medicare's payment schedule in lieu of paying reimbursement rates equal to those paid by commercial insurance plans. The rationale for such a strategy is that CoverColorado is a non-profit unincorporated public entity that provides coverage for Colorado's "uninsurable" citizens at a subsidized rate. Given the nature of this program and the public benefit it provides, the Task Force believes that CoverColorado should not be paying commercial market reimbursement rates.

CoverColorado contracts with an existing commercial insurance carrier to gain access to the discounts available from the carrier's network of providers. The actual reimbursement rates are considered confidential, contractual information between the carrier and the providers. CoverColorado is not allowed to know the specific network provider rates currently paid by the program and is therefore not able to negotiate different or more favorable provisions.

Based on actuarial analysis, it is believed that a reimbursement schedule based on a multiplier of Medicare rates could provide a significant cost-saving for CoverColorado while ensuring that providers are paid reasonable rates. As demonstrated by modeling in Appendix C, the implementation of a reimbursement schedule and the concurrent reduction in medical costs could reduce the funding needs required from the State Unclaimed Property Fund, the CoverColorado carrier assessment, and the amount of premiums charged to program members. Wisconsin and North Carolina have successfully implemented this approach to reimbursement.

Concerns

- *Determining an Equitable Payment Schedule* –The Task Force recommends that a legislative proposal authorize the Colorado Division of Insurance (DOI), on behalf of the Board of CoverColorado, to implement a reimbursement schedule through the rule-making process. The purposes of these rules would be to determine the appropriate levels of reimbursement. Because the proposal authorizes the DOI to promulgate the fee schedule through rule, the Administrative Procedures Act requires public hearing process in which all interested stakeholders may voice their concerns and support.

- *Implementation and Enforcement* – In order for a reimbursement schedule to be implemented and effective, the General Assembly would need to establish it in statute, making clear that the State has the authority to enforce a schedule, implemented by the CoverColorado Board, that fixes the rates at which all services to program members shall be compensated. The state has recognized other reimbursement schedules in statute, and the CoverColorado schedule could follow the precedents set by Colorado's Medicaid and Workers' Compensation reimbursement schedules. A statutory reimbursement schedule provision should explicitly require providers serving CoverColorado members to accept payment according to the established schedule and prohibit them from balance-billing patients to make up the difference. Because CoverColorado members represent a small portion of the state population and because they are geographically dispersed across Colorado, it is not expected that this change in provider reimbursement will have more than a marginal effect on any particular provider.

RECOMMENDATION

1. *The Task Force recommends that the General Assembly grant the CoverColorado Board of Directors statutory authority to establish a provider reimbursement schedule based upon a multiplier of Medicare reimbursement rates, which would provide immediate cost-savings for the program after implementation while ensuring that providers are paid reasonable rates.*

MODIFY COLLECTION PERIODS FOR CARRIER ASSESSMENT

Currently, CoverColorado's carrier assessment of special fees applies to health insurance and stop loss carriers regulated by the DOI, is based upon the number of lives each carrier covers within the state, and is collected by the program two times per calendar year. As discussed in part A below, the Task Force recommends two alternative options for improving and broadening this assessment. Regardless of whether the current or one of the alternative carrier assessment mechanisms is in place, Task Force members believe there is opportunity for the semiannual collection periods to be reexamined, possibly to be adjusted to more frequent remittances to assist CoverColorado in avoiding cash-flow problems in the future.

As is demonstrated in the financial modeling in Appendix C, the current funding structure experiences a sharp decline in the amount of interest raised in the out-years (2016 - 2019). The modeling shows this decline because of negative fund balances that occur between the semiannual assessments. If the program has to borrow money to keep a positive cash position through the calendar year, CoverColorado may end up losing money by having to take out temporary operational loans and pay them back with interest. Adjusting the carrier assessment mechanism to allow payments to be collected on a quarterly or a monthly basis could address this issue and contribute to the sustainability of the program.

Concerns

- Modifying the collection periods for the carrier assessment to a more frequent remittance could increase the administrative burden of this mechanism. The carriers and CoverColorado would need to adjust their processes for transmission and collection to the new timeframe. Additionally, the DOI enforces this assessment and may need to modify its internal process or rules accordingly.

RECOMMENDATION

2. *The Task Force recommends that the General Assembly give the CoverColorado Board of Directors the authority to adjust the collection periods for the program's carrier assessment so that payments can be collected on a quarterly or monthly basis instead of semi-annually.*

LONG-TERM FUNDING RECOMMENDATIONS

A. BROADEN BASE FOR COVERCOLORADO ASSESSMENT

CoverColorado is a program that benefits the entire state because it offers health insurance coverage for individuals who are unable to acquire it in the individual market. Therefore, Task Force members believe that it should be supported as broadly as possible. The current carrier assessment only applies to carriers providing coverage to those persons who are enrolled in fully-insured in plans and individuals who are partially-insured through a stop-loss carrier regulated by the Colorado Division of Insurance. In order to address this inequity, the Task Force recommends two options for improving

the program's carrier assessment: 1) implementing a health facility fee surcharge, or 2) initiating a direct assessment of third party administrators on a per-covered-life basis. Following the background information, enforcement issues, and regulatory considerations that are shared by both of these mechanisms is a detailed description of each option for broadening the CoverColorado assessment.

Background

A quarter of CoverColorado's funding needs, as articulated by HB 08-1390, is met through assessing special fees on health insurance carriers, including stop-loss carriers, regulated by the DOI. The rationale for such an assessment is that health insurance carriers, including stop-loss carriers, and the people they cover benefit from the existence of CoverColorado and should be responsible for doing their part in sustaining it. The program insures many of the most high-risk—and therefore most expensive—Coloradans, relieving the State's other insurance markets and programs of this burden and helping to keep costs down. However, some argue that the CoverColorado carrier assessment is not equitable because it only applies to Colorado health insurance carriers in the fully insured markets and stop loss carriers in the partially self-insured market. It is estimated that there are hundreds of thousands of Coloradans with private health insurance coverage who currently are not included in CoverColorado's carrier assessment and therefore are not contributing their share to support this important state program. For example, Colorado employees working for large firms that are headquartered in another state are not assessed unless the firm happens to purchase health insurance or stop loss coverage from a Colorado carrier.

Task Force members investigated methods for broadening the base of this carrier assessment—ways to more evenly and widely assess covered lives in Colorado—to ensure that more private payors contribute their share of supporting CoverColorado. Through this investigation, the Task Force found that the most promising strategy for broadening the base is to create a mechanism for including third party administrators in the program's carrier assessment through one of the two options discussed below.

Enforcement

Task Force members recommend two different options for collecting a more broadly-based assessment, but both options necessitate the establishment of an enforcement mechanism to ensure that the assessed amounts are actually paid by the relevant payors and received by CoverColorado. The ability to enforce first requires authority, and the Task Force recognizes the State of Colorado currently does not have authority over all private health payors. The health insurance and stop loss carriers that are regulated by the DOI within the Department of Regulatory Agencies (DORA) are already required to support CoverColorado through the carrier assessment as defined in section 10-8-530 (1.5), C.R.S. The Task Force anticipates that enforcing and collecting an assessment from other private payors—who are not under the DOI's jurisdiction—could prove more challenging. The most notable category of private healthcare payors that are not within the regulatory authority of the DOI are self-funded employer health plans. These plans are exempt from state regulation through a federal section of statute called the Employee Retirement Income Security Act, and are commonly referred to as ERISA self-funded plans. More than half of Coloradans with employer-sponsored

coverage receive their health coverage through so-called ERISA self-funded plans.[4] Any attempt by a state government to regulate or influence an ERISA plan is subject to preemption by federal law, so it is not plausible for the State of Colorado to attempt to directly assess a special fee on an ERISA plan as it currently does on DOI-regulated health insurance and stop loss carriers.

However, nearly all large employers with fully self-funded health plans contract with a carrier or third party administrator to process their employees' claims, submit payment for the appropriate health services, and handle the daily administration of the health plan. These third party administrators (TPAs) are not contemplated by ERISA—unlike the employer plans they manage—and are therefore not exempt from the possibility of state regulation. Additionally, since TPAs are responsible for submitting payments for the charges incurred by the ERISA plans' enrollees, it is feasible that TPAs can be required to remit a state-mandated assessment on behalf of those enrollees.

Regulation of Third Party Administrators

Enforcing a CoverColorado assessment and requiring payment from all private payors necessitates state regulation of TPAs. The State must have the capacity to identify all TPAs doing business in Colorado and require that they meet certain standards, and this can only be done through a formal regulatory process.

Task Force members considered this issue and determined that initiating regulation of TPAs will be required for successful implementation of either of the following options for broadening CoverColorado's carrier assessment. TPAs could be required to register with DORA periodically and meet certain criteria to be eligible to do business in the state. One such criterion should require them to be current on all CoverColorado assessment payments before registration can be initiated or renewed. Because TPAs are business entities instead of an occupational or professional group, the Task Force recommends their regulation be under the purview of the DOI. The CoverColorado program already is associated with the Division, and DOI currently has the authority to enforce carrier payment of the program's annual assessment. Task Force members considered the possibility of initiating a DORA Sunrise Review process for the regulation of TPAs and determined that because TPAs are entities and not a profession or occupation that the Sunrise Review process did not seem applicable. The Task Force acknowledges that TPAs may also be insurance companies that are not acting as insurers but are providing other services. Therefore, in some aspects, they are already a regulated industry. The Task Force recognizes that initiating registration of TPAs will likely carry a fiscal impact to DORA and the DOI.

Options for Broadening the Base for CoverColorado Assessment

Once TPAs are registered to do business in Colorado and required to pay CoverColorado assessments, the two options for broadening the funding base as described below have real potential to provide a reliable and equitable funding stream for CoverColorado, because they will draw payment from a

[4] "Role of Private Insurance." Presentation given by Peg Brown, Esq., Deputy Commissioner for Consumer Affairs, Division of Insurance, Colorado Department of Regulatory Agencies. 16 Feb 2009.

greater number of private payors and more evenly distribute the burden of supporting this crucial program. The following options should be considered alternatives to one another, in that they are two different methods of collecting assessments from the same base of payors. Task Force members considered the advantages and disadvantages of both and support the adoption and implementation of either option, pending a comprehensive legal review. The Task Force is not equipped to elevate one of these options over the other because each requires a thorough legal analysis to determine its viability and admissibility under federal law.

OPTION 1: HEALTH FACILITY FEE SURCHARGE

Task Force members considered broadening the base for CoverColorado's carrier assessment by implementing a surcharge that would be added to relevant health care service bills charged by certain health care facilities. This surcharge would be paid by *all* private payors, not just those regulated by the DOI, thus making the assessment mechanism more equitably distributed across the Colorado population.

Under this health facility fee surcharge funding option, CoverColorado would determine the amount of a surcharge to be added to fees charged by select health facilities based on the program's per annum funding need. The facilities would then add this surcharge onto all relevant patient bills and forward them on for payment by insurance carriers and other private payors. The facilities would be responsible for collecting the surcharge amounts (upon payment by the private payor) and periodically remitting them to CoverColorado. This surcharge is not intended to be the financial responsibility of the facilities but, instead, of the insurance carriers and other private payors. Additionally, this surcharge is intended to replace the carrier assessment mechanism included in HB 08-1390, since it is essentially a different method of assessing Colorado carriers that would also require payment from other private payors.

The Task Force thoroughly examined this option and has determined it is administratively feasible and effective in generating a more broadly-based and dependable source of funding. Task Force members developed the following framework for such a health facility fee surcharge:

- Facilities apply a fixed fee surcharge to each service bill, which could be calculated on a per-unique-patient or per-patient-encounter basis
  - Types of facilities applying this surcharge:
    - Hospitals
    - Free-standing Emergency Rooms
  - Types of services performed at these facilities that will incur the surcharge:
    - Inpatient (including partial hospitalization)
    - Emergency Room Visit
  - Payors exempt from paying any surcharge:
    - Self-pay uninsured
    - Federal government employees covered through the Federal Employee Health Benefits Program (FEHBP)
    - Public insurance programs including, but not limited to, Medicaid, Medicare, Child Health Plan *Plus*, TRICARE, & Colorado Indigent Care Program

- Facilities send patient bills to insurance carriers and other private payors and collect surcharge payments to remit periodically to CoverColorado
    - The surcharge is applicable to co-pays and deductibles and made transparent to the patient
    - Facilities have the opportunity to retain all interest earned between periodic remittances and could be given the option of retaining a small percentage of surcharge payments as compensation for administrative costs
- Upon remitting payments, facilities report to CoverColorado the number of surcharges applied during the relevant period and any outstanding surcharges for which they have not received payment from the responsible private payor(s)

Similar health facility fee surcharges are applied in a number of other states to raise revenue for public health coverage programs: Maine and New York utilize a facility surcharge to finance public coverage expansions while Louisiana, Maryland, and West Virginia employ this mechanism to fund their respective high-risk insurance pools.

Task Force members engaged in the appropriate due diligence to investigate whether a health facility fee surcharge could be effectively utilized to support the high-risk pool in Colorado. Taking into consideration the necessary administrative processes, viable enforcement mechanisms, regulatory requirements, and legal implications, the Task Force believes this funding option to be feasible for CoverColorado, although a number of concerns would first need to be addressed.

Concerns:

- This option is not viable until the State initiates regulation of TPAs, without which the assessment would not be enforceable upon all payors.
- This option requires coordination between the DOI, DORA, and the Colorado Department of Public Health and Environment (CDPHE), because it involves both insurance carriers and hospitals throughout the state. Relevant provisions would need to be pursued within CDPHE, and within statute, to ensure that hospitals fulfill their role in applying, collecting, and remitting the surcharge to CoverColorado. It is possible that these agencies would require increased funding to perform these administrative functions so implementing legislation would likely carry a fiscal impact.
- This option is administratively complex and requires cooperation from a variety of entities. The process of determining surcharge amounts, applying surcharges to patient service bills, collecting payments from private payors, remitting surcharge amounts to CoverColorado, and coordinating with the DOI to enforce compliance will all require a significant amount of administration on the part of all parties involved.
- Task Force members considered including outpatient surgeries as an additional category of services that would incur this fee but had significant concerns about the enforcement of this option. Outpatient surgical services are provided both by hospitals and Ambulatory Surgical Centers. Because there is a lack of information and regulation concerning Ambulatory Surgical Centers in Colorado, enforcing a fee surcharge on these facilities would prove very difficult in

today's regulatory climate. It would be inequitable to impose a surcharge on outpatient surgeries performed in hospitals without also including those provided by Ambulatory Surgical Centers. Although the Task Force believes that Ambulatory Surgical Centers should participate in paying the surcharge, this is not possible until there is better information and adequate regulation. Therefore, members have not recommended including outpatient surgeries as a type of service that should incur the CoverColorado fee surcharge at this time.

- The permissibility of the health facility fee surcharge under ERISA is not a settled question. Task Force members consulted a national ERISA expert who stated that CoverColorado and the State would have a sound argument that the health facility fee surcharge is permissible because the surcharge is imposed on claims paid by all private payors and would only indirectly and marginally affect fully self-insured ERISA plans. The expert also pointed to the fact that other states, such as New York[5] and Maine[6], have successfully imposed similar surcharges on all private payors. However, given the possibility that opponents of a surcharge may bring an ERISA challenge, the Task Force recommends that the State seek a comprehensive legal analysis of the permissibility of the health facility fee surcharge before implementation.

OPTION 2: DIRECT ASSESSMENT OF THIRD PARTY ADMINISTRATORS

The health facility fee surcharge option enumerated above is intended to broaden the base of payors for CoverColorado's current carrier assessment financing mechanism, in order to take some of the burden of supporting the program off the shoulders of Coloradans getting their health coverage through the fully insured markets and stop loss carriers in the partially self-insured market.

A direct assessment of TPAs and insurance carriers providing claims administrative services for self-funded plans could also achieve the goal of broadening the base of payors without requiring the administrative complexity of a facility fee surcharge. Under this option, CoverColorado would continue a modified version of its carrier assessment, but it would cease assessing stop loss carriers in the partially self-funded market and instead include TPAs in the per-covered-life assessment. Directly assessing TPAs along with the DOI-regulated carriers could effectively broaden the payor base to include nearly all privately insured Coloradans.

Concerns

- As with the health facility fee surcharge, this option would require state regulation of TPAs if payment is to be enforced. This provision may carry a fiscal impact to DORA and the DOI.

- In terms of interaction with federal law, a direct assessment on TPAs is more likely than a health facility fee surcharge to invoke a legal challenge based on the provisions of ERISA. The Task Force sought preliminary legal advice on this issue during its deliberative process. The Task Force believes CoverColorado and the State would have a legally sound argument in support of this

[5] N.Y. Public Health Law § 2807-j
[6] Me. Rev. Stat. Ann. tit. 24A, § 6913-A

funding option as well. However, it is in the best interest of the State to conduct its own due diligence on the legal issues involved. Since there is little precedent of states imposing direct assessments on TPAs, a legal challenge should not be unexpected.

RECOMMENDATION

3. *The Task Force recommends that the General Assembly provide a more equitable, broad, and sustainable source of funding than the current carrier assessment mechanism through implementing either a health facility fee surcharge in lieu of carrier assessments or by adding third party administrators on a per-covered-life basis to the assessment base.*

   The Task Force encourages the General Assembly to obtain legal analysis of the health facility fee surcharge and direct assessment of third party administrator options and implement that which is determined most viable and admissible in the Colorado context.

B. EXTEND PREMIUM TAX CREDIT

As mentioned in the funding structure warnings in Section IV, the insurance premium tax credit authorized by HB 04-1206 will expire in five years, in 2014. This tax credit allows insurance carriers to claim a 100 percent credit against required state insurance premium taxes for a contribution to CoverColorado, and requires the Commissioner of Insurance to allocate up to a maximum of $5 million of these tax credits annually. CoverColorado has reported instances when the program has had to return contributions from insurance carriers to the State's general fund because the $5 million annual maximum had been exceeded. The Task Force believes there is opportunity to extend the insurance premium tax credit and raise the annual maximum that currently restricts this funding mechanism. Additionally, tying the annual maximum to the Consumer Price Index, and allowing increases when necessary, could help in keeping this limit current with the rate of inflation.

Concerns

- While extending the existing premium tax credit beyond its original expiration date of 2014 is not likely to pose a problem, raising the annual maximum could present some legal issues in regard to the funding and financing of an increased credit. This scenario would need further investigation and vetting with relevant stakeholders.

RECOMMENDATIONS

4. *The Task Force recommends that the General Assembly extend this tax credit for ten more years, to 2024, and consider raising the $5 million annual maximum.*

   Additionally, the Task Force recommends building flexibility into the annual maximum amount by tying it to the Consumer Price Index and allowing increases when needed to keep the limit current with the rate of inflation.

C. OPPORTUNITIES FOR FEDERAL MATCH

The CoverColorado Long-Term Funding Task Force investigated methods for securing federal contributions to support the program and its funding needs. The mechanisms considered leveraging existing state monies that can then be matched dollar-for-dollar from federal funds. A principal source of federal matching for health care programs is the Upper Payment Limit, which is the maximum amount hospitals can be reimbursed for serving Medicaid patients. The Upper Payment Limit is equal to the amount a hospital would have received for all Medicaid patients served if the state had reimbursed it at Medicare rates instead. States are allowed to set Medicaid reimbursement at rates that are lower than the levels paid by the federal government for Medicare patients, and the difference between the two amounts is eligible for federal match.

Pursuing options for drawing matching funds to support CoverColorado would involve the following: 1) using existing state general funds or private, non-provider funds; 2) running those funds through a hospital which serves a high percentage of Medicaid patients and whose Medicaid reimbursement rates are substantially lower than Medicare's; and 3) drawing down federal match on those funds to help support CoverColorado. The Task Force investigated which funding options and sources of revenue could possibly be leveraged and matched through this mechanism and came up with a number of viable options.

Before a revenue source can be eligible for federal match under the Upper Payment Limit, it must first be deposited within the state's general fund and appropriated to a non-governmental hospital partner through the Department of Health Care Policy and Financing (HCPF). Recognizing the risk inherent in depositing CoverColorado funds into the larger pool of the State general fund, Task Force members investigated the possibility of creating a distinct fund within the general fund that could protect CoverColorado monies from being diverted to other state programs. This distinct fund could be created for the General Assembly or a state agency like HCPF, and state appropriations or privately funded gifts, grants, and donations could be deposited in the distinct fund for purposes of securing federal matching dollars for CoverColorado.

Depending on the mechanisms through which they are implemented, many of the possible funding sources for CoverColorado could be employed to draw down federal funds. The premium tax credit might be routed through the general fund and to a hospital partner to bring in $10 million instead of $5 million. The annual state allocations from the Unclaimed Property Fund could feasibly be set up in much the same way, and the infusion of federal funds could potentially decrease the need for revenue from the UPF that is in the process of being exhausted by increasing program demand. And finally, federal funds could be employed to match donations from private foundations and other non-governmental sources, given they are not health care service providers, once the monies are routed through the state general fund and appropriated accordingly.

After being deposited into the distinct fund within the general fund, these CoverColorado monies could be appropriated to HCPF, transferred to a non-governmental hospital partner, and thus be eligible for federal match. The hospital would then collect the federal match and remit the original appropriation plus the federal matching dollars to CoverColorado—doubling the amount of funding

available from that source. The hospital would likely request to be reimbursed for the administrative costs of receiving the appropriation, collecting the federal funds, and remitting the monies, so CoverColorado may agree to support an additional full-time employee equivalent at the partner hospital, or other compensatory mechanisms, thus reducing the amount remitted to the program by the negotiated reimbursement for the costs of administration.

Concerns

- *Partnerships and Federal Approval* – To effectively route program funding through the proper channels, CoverColorado would need to identify a non-governmental hospital partner that would be willing to apply for federal matching funds based on receiving a state reimbursement above standard Medicaid rates and agree to donate the state and federal monies received to CoverColorado. The program would also need to work with HCPF to ensure funding is properly transmitted to the hospital for federal reimbursement. If CoverColorado worked with a hospital partner who already receives federal matching under its Upper Payment Limit, such as The Children's Hospital, additional federal approval would not be needed. If the hospital partner does not currently receive this type of federal match, HCPF would have to submit a State Plan Amendment allowing for this matching mechanism for approval by the federal Centers for Medicare and Medicaid Services within the U.S. Department of Health and Human Services. This process could take anywhere from 90 days to 2 years and should be initiated long before the funding is expected to be utilized.

- *State vs. Private Entity* – While it is unclear whether CoverColorado is considered an entity of state government under Colorado law, it is possible that it would be considered such under federal provisions due to its power to collect an assessment from health insurance carriers. If CoverColorado is indeed considered a state entity, federal law will prohibit it from receiving any portion of the federal match money. Under federal law, a state government or entity is prohibited from making contributions under the Upper Payment Limit with the intent of generating federal match monies for its own purposes. The Task Force recommends that the General Assembly conduct a legal investigation of this issue to determine whether CoverColorado would be deemed the type of state entity under federal law that would be subject to this prohibition and order an analysis of possible remedies in the event of an adverse conclusion. This analysis could consider how CoverColorado's statutory language and authority might be changed so that the program is not considered a "state entity" by federal law and the implications of those changes to the program's operations and structure.

- *Political Context* – Given that a mechanism for drawing down federal matching funds through utilization of Colorado hospitals' Upper Payment Limits is currently being considered by the General Assembly in House Bill 09-1293, the Task Force recommends that CoverColorado and interested parties wait until the 2010 session before implementing further strategies for securing federal match.

RECOMMENDATION

5. *The Task Force recommends that the General Assembly work with the relevant State and Federal agencies to draw down federal matching dollars through the Upper Payment Limit to effectively double the amount of funding for CoverColorado from eligible sources or revenue streams.*

   The Task Force also encourages the General Assembly to obtain legal analysis to determine whether CoverColorado is contemplated as a state entity under federal law and to consider the implications of such a determination.

VI. ADDITIONAL ITEMS CONSIDERED BUT FOR WHICH RECOMMENDATIONS WERE NOT CREATED

Members of the CoverColorado Long-Term Funding Task Force conducted a thorough analysis of options for long-term funding and cost containment strategies in an effort to develop a plan that will ensure future program sustainability. The mechanisms in Section V are preferred and recommended, but they are not the only options considered by the Task Force. The following cost containment and funding options were considered, analyzed, and discussed but are not recommended for implementation by the General Assembly.

COST CONTAINMENT OPTIONS CONSIDERED BUT FOR WHICH RECOMMENDATIONS WERE NOT CREATED

- ***Limiting length of enrollment***
  As 39% of program members stay enrolled for over two years, CoverColorado could realize savings by instituting a two-year limit on coverage and decreasing enrollment. CoverColorado could also require that individuals enroll in their spouses' employer health plans or in a Business Group of One plan, regardless of whether the cost of such plans is more than the CoverColorado rates, at the next available enrollment period.

  The Task Force declined to recommend these options, as an individual deemed uninsurable has little recourse to affordable insurance and could easily become uninsured. Also, most individuals who have the option of enrolling on a spousal plan do so; requiring that CoverColorado police other enrollment options could create more administrative expense than potential program savings.

- ***Enhancing means testing***
  CoverColorado enrollment figures increased markedly following the introduction of its premium discount program. Although CoverColorado requires potential enrollees in the discount program to file an income and asset statement, it could consider more rigorous means testing such as

conducting audits to determine if individuals truly merit premium discounts. This information could also be computerized to facilitate more efficient annual status reviews that would require enrollees to update their information to re-qualify for discounts.

After reviewing CoverColorado's application procedures, all but one member of the Task Force determined that any further measures are unlikely to enhance cost savings significantly.

- ***Tightening eligibility requirements.***
  Colorado statute sets forth the circumstances under which people are eligible for CoverColorado. This list of eligibility criteria could be narrowed. For example, people who are eligible for COBRA could be required to exhaust their benefits before applying to CoverColorado, even if their COBRA coverage is more expensive than CoverColorado. It has also been suggested that CoverColorado could increase the required number of denials by private insurers from one to two in order to qualify for coverage.

  After discussion, the Task Force determined that it is very unlikely that a private insurer would extend insurance to an individual deemed uninsurable, and that requiring individuals to remain on an expensive COBRA policy could force them to become uninsured.

- ***Increasing access to private coverage***
  The individual health insurance market does not preclude underwriting based on health conditions nor is it a guarantee-issue market. If insurers were required to guarantee issue coverage to all individuals without regard to pre-existing conditions, the need for a high-risk insurance pool declines. CoverColorado experienced this phenomenon in 1994 when Colorado first required coverage to be guarantee issued to all small groups. In addition to mandating guarantee-issue in the individual market, Colorado could limit the conditions under which individual coverage could be denied or limit the frequency with which insurers could deny coverage.

  Issuing a recommendation on this option is outside the scope and charge of the CoverColorado Long-Term Funding Task Force, but Task Force members believe it important to consider the effects a requirement for guaranteed issue individual policies could have on the future of the program.

- ***Increasing access to public coverage***
  Twenty-nine percent of CoverColorado enrollees have family incomes under $50,000 and 23% are between the ages of 60 and 65. If eligibility for Medicaid, Medicare, or the Child Health Plan *Plus* were expanded (e.g., by changing age or income requirements), fewer people would be eligible for and thus request enrollment in CoverColorado. Additionally, the federal government shares the cost of these programs with the state—paying 50% of Medicaid and 65% of CHP+ costs—and is the sole government payor for Medicare.

The Task Force recognizes that increased access to public coverage programs could have a significant effect on CoverColorado, but changing dynamics at the federal and state levels make anticipating such changes in health care policy difficult at present.

- ***Capping enrollment***

  Another option for containing program costs is to limit the number of enrollees allowed in the program at one time. This may be accomplished by capping the program as existing members exit, keeping the membership at a predetermined level. Alternatively, if the intent were to decrease the size of the program, a cap could be fixed and the program could be reduced through attrition. Four of the 33 states with high risk pools have used caps to control costs.

  The Task Force noted that capping enrollment runs counter to the current legislative declaration concerning the purpose of the program. Therefore, limiting enrollment by making it harder for people to afford or qualify for coverage, unless they have other options, should be considered only after other options have been exhausted.

- ***Strengthening case management activities***

  The Task Force concluded that the CoverColorado Board of Directors has given due consideration to cost containment and in some cases surpassed cost containment measures implemented by private insurers. CoverColorado uses a variety of case management techniques to contain costs and track the health of program participants. All applicants are required to complete a health history that is transmitted to the care management vendor, which contacts participants with chronic conditions and assigns them a nurse who tracks their health status. All individuals are required to obtain preauthorization from the vendor for most health services—the goal of which is to use this information to guide care management. Additionally, the Board of CoverColorado has the contractual authority to terminate coverage if a participant refuses care management services. Finally, in an effort to address prescription drug costs, CoverColorado has engaged a pharmacy benefit management consultant to evaluate and make recommendations to the Board on changes in the pharmacy program.

  Task Force members support the continuation of these policies and recommend that the CoverColorado Board continue pursuing measures to contain program costs through case management and other activities.

- ***Combating adverse selection and system "gaming"***

  The CoverColorado Board of Directors has also given due consideration to the issue of adverse selection and potential methods that could be used to "game"—or inappropriately use—the system and the benefits offered by CoverColorado. At present, the staff of CoverColorado carefully reviews each application that is received. Staff speaks personally with the applicants, follows up to be sure that all required and supporting documentation that verifies eligibility is submitted with the application. The application forms are frequently reviewed as new potential 'gaming' issues are identified. As necessary, statute has been changed to prohibit, for example,

third party payments from physicians, drug companies, hospitals, federal programs, or anyone who stands to gain financially from paying premiums for an individual.

Task Force members support the continuation of these policies and recommend that the CoverColorado Board continue pursuing measures to combat gaming of the system and adverse selection against the program.

LONG-TERM FUNDING OPTIONS CONSIDERED BUT FOR WHICH RECOMMENDATIONS WERE NOT CREATED

- ***Increasing the share of program costs paid by member premiums or collected through the carrier assessment***

  As described in section IV of this report, the current funding structure will likely need to change within the next five or six years. Currently, HB 08-1390 directs that fifty percent of total program funding for CoverColorado be derived from a combination of member premiums, monies in the CoverColorado cash fund, and contributions from state insurance premium tax credit allocations and other gifts, grants, and donations and that 25% of total program funding be generated from the carrier assessment. One or both of these sources could be increased through changes to this formula.

  Increasing share from member premiums: Adjusting the structure so that a higher percentage of funding comes from member premiums could decrease the demand on other sources of revenue; in particular, it could reduce the drain on the Unclaimed Property Fund. Understanding that CoverColorado is a high-risk insurance pool, meaning that its member population is significantly less healthy than that of an individual commercial plan and substantially more expensive to insure, it is not unreasonable to charge premiums that are higher than those in the commercial market—which is why the program is authorized to charge up to 150% of commercial market rates for individual health insurance plans. CoverColorado currently charges premiums that are approximately 140% of comparable commercial rates in the individual market, with just under a third of low-income program enrollees receiving a sliding scale premium discount. In order to make program funding more sustainable, CoverColorado could raise premium rates and increase the percentage share of total funding paid through premium collection.

  Increasing share from carrier assessment: 26 states fund their high risk pools in part via a carrier assessment. There is a broad range of total program funding derived from this source, with many states in the range of 35-50%. Colorado would be well within the mainstream if it chose to increase its reliance on this source to support CoverColorado.

Concerns

Regarding increasing premium share: As aforementioned, an overwhelming majority of CoverColorado members have already opted for the program's higher-deductible plans and are therefore carrying a significant part of the burden for their care as individuals already. An additional increase in premiums may be untenable for some of these members and could prevent a number of newly uninsured from joining the program. Additionally, the CoverColorado Board of Directors currently has the authority to set member premiums at rates as high as 150% of comparable individual commercial rates and has chosen not to do so because of the impacts premium increases have on enrollment and the 50% restriction in the program funding formula. When the Board reduced premium rates to 140% and implemented sliding scale premium discounts for lower-income enrollees a number of years ago, program membership increased significantly. This demonstrates that CoverColorado's membership is rather sensitive to premium rate changes, which could be used to increase or decrease enrollment in the future. Given the concern of some stakeholders about the price of CoverColorado coverage, it appears unlikely that increasing the member premium share above currently allowable levels would be broadly supported.

Regarding increasing carrier assessment share: Given the concern from some stakeholders about the current assessment, it appears unlikely that raising this assessment would be broadly supported. Furthermore, some states provide a tax credit to carriers as an offset to the high risk pool assessment and Colorado does not currently utilize this mechanism.

Task Force members considered the advantages and disadvantages of both options but did not make a recommendation to increase the share of program costs paid by either member premiums or the carrier assessment.

- ***Augmenting the Unclaimed Property Fund***

  The Office of the State Treasurer is responsible for auditing Colorado businesses and collecting unclaimed property on a continuing basis. These collections are then deposited into the UPF and held by the state on behalf of the citizens to whom they are owed. The Treasurer's Office must audit thousands of businesses on an individual basis to ensure unclaimed property is remitted to the state.

  The CoverColorado Long-Term Funding Task Force considered the possibility of augmenting the Treasurer's efforts to audit and collect unclaimed property, with the goal of increasing the amount deposited into the UPF each year. Under this option, CoverColorado would gift an amount of money to the State Treasurer for the purpose of increasing staff activity in seeking out and securing unclaimed property. The Treasurer's Office regularly contracts with outside agencies for auditing services, so it is possible that CoverColorado monies could be used to hire additional auditors on a contracted, commissioned basis to seek unclaimed property for inclusion in the fund. The amount of potential funding resulting from this effort is unknown. Because it is based on hiring additional auditors who may or may not be able to increase the amount of property

collected in any given year, this option does not create a steady, reliable funding source but instead may augment the current revenue stream coming from the UPF.

Concerns

Task Force members recognize that there are a number of challenges associated with this option and therefore decided not to recommend its implementation. First, an outside entity has not—to the knowledge of the Task Force members—previously provided such support to the Treasury, so there is no precedent for this strategy. Additionally, augmenting the amount deposited into the UPF will not necessarily result in increased funding for CoverColorado; it could merely increase the amount paid out to unclaimed property claimants. Additionally, an increase in funds could potentially be diverted to other state programs in lieu of bolstering funding for CoverColorado. And finally, this strategy of increasing the use of UPF monies to finance state programs has not been sufficiently vetted in the courts and requires further legal investigation.

- ***Implementing professional and facility licensing fees***

  Health care professions and facility licensing fees levied in Colorado are relatively low compared to other states. For example, a physician licensed in Colorado pays about $300 every two years, while a California physician pays well over twice that much.[7] The Task Force examined the possibility of raising licensing fees for individuals and facilities providing health care services in order to generate increased revenue for the state's high-risk pool.

  The Department of Regulatory Agencies administers health professions licenses, while the Department of Public Health and Environment is charged with regulating health facility licenses and fees. Under this funding option, the amount for each relevant licensing fee within DORA and CDPHE would be increased by a fee that is commensurate with CoverColorado's annual program funding need. This revenue source could be used to supplement the other major funding streams that support CoverColorado under the current or a newly structured scenario.

  The rationale for this funding option is that health care professionals and facilities benefit from the existence of CoverColorado, which reimburses them for services provided to otherwise uninsurable patients. As they receive a benefit, these professionals and facilities could be expected to join patients, insurance carriers, and other payors in paying a fee—and doing their part—to sustain the program. In recognition that different health professionals provide different levels of service, there would be a three-tier system of fees so professionals pay an amount appropriate to the level of services they provide.

  For demonstrative purposes, the Task Force modeled the amount of funding these licensing fees could provide if the professionals were charged an aggregate of $50 per two-year licensing cycle and the facility licensing fees made up the remainder of 10% of total program funding. As the modeling in Appendix C demonstrates, facility licensing fees that would be charged on a per-bed

[7] Medical Board of California, Department of Consumer Affairs: http://www.medbd.ca.gov/licensee/renew_license.html

basis would need to be unreasonably high to constitute this amount of funding and would not provide a politically viable funding option.

Concerns

Statutory Restrictions – Colorado statute defines licensing fees as covering the direct and indirect costs of administering a state oversight program.[8] The General Assembly adopted this definition to prevent legislators from increasing fees during times of tight budget constraints to supplement general fund revenues. In order for this funding option of increasing health professional and facility licensing fees to be implemented, statutory language would need to be changed to allow for the reallocation of licensing fee revenue. Also, the statute would need to stipulate the funding and deferral mechanisms (i.e. set a schedule of how the CoverColorado portion of the fee is to be applied and at what amounts) in a way that adjusts to differing program funding needs.

Administrative Complexity – Administration of this option would be very complex. CoverColorado could collect its portion of the licensing fee directly from the licensees, but this would be difficult because each individual health professional and facility would have to make two payments—one to the State and one to CoverColorado. Administrative complexity is then compounded by the fact that CoverColorado would have to communicate with DORA and CDPHE to verify whether each individual or facility paid the relevant fee, and the departments would have to enforce payment from any licensee who fails to send CoverColorado its portion of the licensing fee. A preferred option would be for the departments to collect the entire fee and remit CoverColorado's portion to the program annually, in a manner which does not trigger adverse state financing restrictions.

Fiscal Impact – The Task Force recognizes this funding option's potential to have a fiscal impact on DORA and CDPHE. The two departments would need to administer and process these fees, verify payment, and remit monies to CoverColorado. Additionally, new computer programs may be needed to implement the collection and disbursement of this new fee structures and separate the two fee allocations from a licensee's single payment. This process would almost certainly need to be phased in to allow the departments time to adjust and reorganize their fee collections systems. Also, in order to ensure that individual and facility licensees pay the CoverColorado fee, DORA and CDPHE would need the authority to revoke licenses to enforce nonpayment. This process could be a major administrative burden for the departments and would in turn contribute to the fiscal impact of such a proposal.

Political viability – Finally, increasing health professional and facility licensing fees would be politically difficult and may not constitute enough funding potential to justify the complexity in implementing such an option.

[8] 24-34-105, C.R.S.

VII. CONCLUSION

CoverColorado is a vitally important program that requires adequate funding in order to serve a population with no alternative form of health coverage. The current funding mechanism under HB 08-1390 is only sustainable for approximately five more years due to the looming expiration of the insurance premium tax credit and the potential exhaustion of available monies in the Unclaimed Property Fund. Seventy-four percent of CoverColorado enrollees are enrolled in plans with deductibles in excess of $2,000. Members in certain age brackets are paying premiums of well over $500 per month. The program can only increase premiums so much to cover lost state funding before the cost becomes untenable for enrollees and they are forced into the ranks of the uninsured. Additionally, both the cost of healthcare and the rising tide of unemployment due to the economic downturn are impacting the program: in January 2009 alone, CoverColorado applications spiked by 30% over average levels from the last year as individuals lost their employer-sponsored health plans and were refused coverage in the individual market. Broad-based funding is critical to the ongoing stability of the program and the health of this population.

The benefits of CoverColorado are well-documented and extend to all Coloradans. Uninsurable individuals receive coverage for the vital care they need to stay healthy, and in many cases, alive. Insurers can offer more affordable programs to the greater population as they do not bear the costs of treating expensive pre-existing and chronic conditions. Healthcare facilities and professionals are compensated for the care they provide to insured individuals, and they can offer preventive care that staves off the most serious manifestations of chronic conditions, rather than waiting to treat critically ill people in the emergency room. And ultimately, a healthier population is a more productive population that can contribute to the state's economic and social wellbeing. It is important that any funding mechanisms ensure, to the extent possible, that all who benefit assist with the cost. Diversifying and broadening the program's funding sources will ensure that the program can serve all those who require it, and that it can continue to benefit those who are fortunate enough to be covered elsewhere.

THE COVERCOLORADO LONG-TERM FUNDING TASK FORCE

MEMBERS

Suzanne Bragg-Gamble, Chair
Executive Director, CoverColorado

Christine Gilroy, M.D.
Chair, CoverColorado Board of Directors

Jim Hertzel
Alumni Consulting Group, Inc.

Julie Hoerner
America's Health Insurance Plans

John Hopkins
Vice Chair, CoverColorado Board of Directors
Rocky Mountain Health Plans

Pam Nicholson
Centura Health

John Postolowski
Deputy Commissioner of Insurance, State of Colorado
Designee of Insurance Commissioner Marcy Morrison

Eric Rothaus
Deputy State Treasurer, State of Colorado
Designee of State Treasurer Cary Kennedy

Jamie Scholl
Scholl Associates

Don Shovein
Consumer Representative, CoverColorado Board of Directors

Barbara Yondorf
Consultant to Rose Community Foundation

STAFF & CONSULTANTS:

Barbara Brett
Program Director, CoverColorado

Barb Crawford
Crawford & Cleveland, P.C.

Elizabeth Leif
Leif Associates, Inc.

Don Vancil
Consultant

PROJECT TEAM:

Chris Adams
President, The Adams Group

Lynn Marie Bell
The Adams Group

Liza Fox
The Adams Group

An Act

HOUSE BILL 08-1390

BY REPRESENTATIVE(S) McGihon, Carroll M., Carroll T., Ferrandino, Green, Labuda, Mitchell V., Roberts, Stafford, and Todd;
also SENATOR(S) Isgar, Bacon, Boyd, Gibbs, Groff, Morse, Sandoval, Shaffer, Tapia, Tupa, Veiga, Williams, and Windels.

CONCERNING THE COVERCOLORADO PROGRAM.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 10-8-509 (3), Colorado Revised Statutes, is amended to read:

10-8-509. Administering carrier. (3) The administering carrier shall serve for a period ~~of three years~~ DETERMINED BY THE BOARD, subject to removal for cause. ~~At least one year~~ Prior to the expiration of ~~each three-year~~ THE period of service, the board shall invite all interested parties, including the current administering carrier, to submit bids to serve as the administering carrier for the succeeding ~~three-year~~ period. ~~Selection of the administering carrier for the succeeding period shall be made at least six months prior to the end of the current three-year period.~~

SECTION 2. 10-8-530 (1), (1.3), (1.5) (a), (1.5) (b) (I) (A), (1.5) (b) (I) (B), (1.5) (b) (III), (1.5) (c), (1.5) (d), (1.5) (e), (1.5) (h), and (4) (b),

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

Colorado Revised Statutes, are amended, and the said 10-8-530 (1.5) is further amended BY THE ADDITION OF A NEW PARAGRAPH, to read:

10-8-530. Funding of program - rules - repeal. (1) (a) The program shall be funded ~~by~~ FROM the following SOURCES, AND ON AND AFTER JANUARY 1, 2009, THOSE FUNDING SOURCES SHALL CONSTITUTE, AS NEARLY AS POSSIBLE, THE PERCENTAGES OF TOTAL FUNDING FOR THE PROGRAM AS SPECIFIED IN PARAGRAPH (b) OF THIS SUBSECTION (1):

~~(a)~~ (I) Moneys transmitted pursuant to section 38-13-116.5 (2.7), C.R.S.;

~~(b)~~ (II) Premiums charged pursuant to section 10-8-512;

~~(c)~~ (III) Moneys remaining in the CoverColorado cash fund, created pursuant to this section, as it existed prior to July 1, 1997;

~~(d)~~ (IV) Special fees assessed against insurers as provided in subsection (1.5) of this section;

~~(e)~~ (V) Any moneys accepted through gifts, grants, or donations received by the board for operation of the program, including contributions received pursuant to the premium tax credit allocation provisions of section 10-8-534.

(b) (I) EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPH (d) OF THIS SUBSECTION (1), MONEYS TRANSMITTED TO THE PROGRAM PURSUANT TO SUBPARAGRAPH (I) OF PARAGRAPH (a) OF THIS SUBSECTION (1) SHALL CONSTITUTE, AS NEARLY AS POSSIBLE, TWENTY-FIVE PERCENT OF THE TOTAL FUNDING FOR THE PROGRAM FOR A GIVEN CALENDAR YEAR.

(II) MONEYS CHARGED, ACCEPTED, OR AVAILABLE FOR THE PROGRAM PURSUANT TO SUBPARAGRAPH (II), (III), OR (V) OF PARAGRAPH (a) OF THIS SUBSECTION (1) SHALL CONSTITUTE, AS NEARLY AS POSSIBLE, FIFTY PERCENT OF THE TOTAL FUNDING FOR THE PROGRAM FOR A GIVEN CALENDAR YEAR.

(III) MONEYS COLLECTED FROM SPECIAL FEES ASSESSED AGAINST INSURERS PURSUANT TO SUBPARAGRAPH (IV) OF PARAGRAPH (a) OF THIS SUBSECTION (1) SHALL CONSTITUTE, AS NEARLY AS POSSIBLE, TWENTY-FIVE

PERCENT OF THE TOTAL FUNDING FOR THE PROGRAM FOR A GIVEN CALENDAR YEAR, AND IN NO CASE SHALL THE SPECIAL FEES CONSTITUTE MORE THAN TWENTY-FIVE PERCENT OF THE TOTAL FUNDING FOR THE PROGRAM IN ANY GIVEN CALENDAR YEAR. THE SPECIAL FEES MAY CONSTITUTE LESS THAN TWENTY-FIVE PERCENT OF THE TOTAL FUNDING FOR THE PROGRAM IN A CALENDAR YEAR IF THE PROGRAM EXPERIENCES UNEXPECTED GROWTH.

(c) (I) ON AND AFTER JANUARY 1, 2009, THE BOARD SHALL SUBMIT AN ANNUAL REPORT TO THE STATE TREASURER SPECIFYING THE FOLLOWING INFORMATION:

(A) INCURRED CLAIMS AND ADMINISTRATIVE EXPENSES OF THE PROGRAM IN THE IMMEDIATELY PRECEDING CALENDAR YEAR;

(B) THE EXPECTED ANNUAL PROGRAM ENROLLMENT GROWTH, CLAIMS EXPENSES, AND OTHER ACTUARIAL CONSIDERATIONS OF THE PROGRAM; AND

(C) THE AMOUNT NEEDED FROM THE UNCLAIMED PROPERTY TRUST FUND TO PROVIDE TWENTY-FIVE PERCENT OF THE TOTAL FUNDING FOR THE PROGRAM FOR THE CURRENT CALENDAR YEAR, BASED ON THE PROJECTED OPERATING REVENUES OF THE PROGRAM AND THE PROJECTED CASH BALANCE OF ALL PROGRAM ACCOUNTS.

(II) AFTER RECEIPT OF THE REPORT REQUIRED BY THIS PARAGRAPH (c), THE STATE TREASURER SHALL TRANSMIT THE AMOUNT SPECIFIED IN SUB-SUBPARAGRAPH (C) OF SUBPARAGRAPH (I) OF THIS PARAGRAPH (c) TO THE PROGRAM IN TWELVE EQUAL MONTHLY INSTALLMENTS. THE MONEYS TRANSMITTED BY THE STATE TREASURER SHALL BE USED TO PAY CLAIMS AND ADMINISTRATIVE EXPENSES OF THE PROGRAM AND TO MAINTAIN RESERVES FOR CLAIMS INCURRED BUT NOT REPORTED AND A SURPLUS EQUAL TO FIVE PERCENT OF PROJECTED ANNUAL CLAIMS. NO PART OF THE MONEYS TRANSMITTED BY THE STATE TREASURER SHALL BE USED TO PAY FOR THE ADMINISTRATIVE EXPENSES OR LOSSES OF ANY DEPENDENTS WHO HAVE CHOSEN COVERAGE UNDER THE PROGRAM.

(d) IF THE PROGRAM EXPERIENCES UNEXPECTED GROWTH, AND IF THE LOSSES FOR THE PROGRAM FOR CLAIMS AND ADMINISTRATIVE EXPENSES EXCEED THE PROJECTED LOSSES FOR THE PROGRAM IN THAT CALENDAR YEAR, THE BOARD SHALL CALCULATE THE EXCESS LOSSES AND REPORT THE

AMOUNT OF EXCESS LOSSES TO THE STATE TREASURER WITHIN NINETY DAYS AFTER THE END OF THE CALENDAR YEAR IN WHICH THE EXCESS LOSSES ARE INCURRED. UPON RECEIPT OF THE BOARD'S REPORT ON THE PROGRAM'S EXCESS LOSSES, THE STATE TREASURER SHALL MAKE A SUPPLEMENTAL TRANSMITTAL OF MONEYS FROM THE UNCLAIMED PROPERTY TRUST FUND TO THE PROGRAM TO COVER THE EXCESS LOSSES.

(e) AS USED IN THIS SECTION:

(I) "TOTAL FUNDING FOR THE PROGRAM" MEANS THE AMOUNT NEEDED IN A GIVEN CALENDAR YEAR TO FUND PROJECTED CLAIMS, ADMINISTRATIVE EXPENSES, RESERVES FOR CLAIMS INCURRED BUT NOT REPORTED, AND A SURPLUS EQUAL TO FIVE PERCENT OF THE PROJECTED ANNUAL CLAIMS OF THE PROGRAM.

(II) "UNEXPECTED GROWTH" MEANS AN INCREASE IN PROGRAM ENROLLMENT OR CLAIMS EXPENSES IN A CALENDAR YEAR OF MORE THAN ONE HUNDRED FIFTEEN PERCENT OF THE AMOUNT OF THE PROJECTED GROWTH IN PROGRAM ENROLLMENT OR CLAIMS EXPENSES FOR THAT CALENDAR YEAR.

(1.3) (a) The board shall report to the state treasurer annually, based on the projected operating revenues of the program, combined with the projected cash balance of all program accounts, if the program's moneys will not be adequate over the next twenty-four-month period to provide for the projected claims, administrative expenses, reserves for claims incurred but not reported, and surplus equal to ten percent of projected annual claims. The report shall be substantiated by the actuarial evaluations required by paragraph (c) of subsection (1.5) of this section. Based on this report, the state treasurer shall transmit to the board the amount necessary to meet the projected claims, administrative expenses, reserves for claims incurred but not reported, and surplus equal to ten percent of projected annual claims, pursuant to and within the limitations of section 38-13-116.5 (2.7), C.R.S. The moneys transmitted by the state treasurer shall be used to pay the administrative expenses and the losses related to eligible individuals. No part of the moneys transmitted by the state treasurer shall be used to pay for the administrative expenses or losses of any dependents who have chosen coverage under the program.

(b) THIS SUBSECTION (1.3) IS REPEALED, EFFECTIVE JANUARY 1,

2009.

(1.5) (a) (I) The program may assess against insurers such special fees as may be reasonable and necessary for the operation of the program. The special fees shall be assessed on a prospective, per capita basis, with the amount of the special fee assessed to each insurer equal to the number of Colorado lives insured by the insurer under a policy issued and delivered in the state of Colorado, multiplied by the per capita assessment. Special fees shall be assessed only when it is determined that the amounts available to be transferred to the program pursuant to paragraph (a) of subsection (1) of this section and contributions received pursuant to the premium tax credit allocation provisions of section 10-8-534, will not be adequate over the next twenty-four-month period to provide for the projected claims, administrative expenses, reserves for claims incurred but not reported, and surplus equal to ten percent of projected claims. All special fees collected shall be used to pay the administrative expenses and the losses related to eligible individuals. No part of the special fees shall be used to pay for the administrative expenses or losses of any dependents who have chosen coverage under the program. In the event that any insurer fails to pay its special fee to the program in accordance with the time frames set forth by rule, the commissioner is authorized to utilize all powers conferred on the commissioner by the insurance laws of this state to enforce payment of the special fees.

(II) THIS PARAGRAPH (a) IS REPEALED, EFFECTIVE JANUARY 1, 2009.

(a.5) (I) ON AND AFTER JANUARY 1, 2009, THE PROGRAM SHALL ASSESS SPECIAL FEES AGAINST INSURERS IN AN AMOUNT NECESSARY TO PROVIDE THE PERCENTAGE OF TOTAL FUNDING FOR THE PROGRAM SPECIFIED IN PARAGRAPH (b) OF SUBSECTION (1) OF THIS SECTION. THE AMOUNT OF THE SPECIAL FEES SHALL BE DETERMINED BY THE BOARD BASED ON THE INCURRED CLAIMS AND ADMINISTRATIVE EXPENSES OF THE PROGRAM IN THE IMMEDIATELY PRECEDING CALENDAR YEAR, THE EXPECTED ANNUAL PROGRAM GROWTH, AND OTHER ACTUARIAL CONSIDERATIONS OF THE PROGRAM.

(II) SPECIAL FEES ASSESSED PURSUANT TO THIS SUBSECTION (1.5) SHALL BE USED TO PAY THE ADMINISTRATIVE EXPENSES AND LOSSES RELATED TO ELIGIBLE INDIVIDUALS IN THE PROGRAM. NO PART OF THE SPECIAL FEES SHALL BE USED TO PAY FOR THE ADMINISTRATIVE EXPENSES

OR LOSSES OF ANY DEPENDENTS WHO HAVE CHOSEN COVERAGE UNDER THE PROGRAM.

(III) IF AN INSURER FAILS TO PAY A SPECIAL FEE TO THE PROGRAM IN ACCORDANCE WITH THE TIME PERIODS ESTABLISHED BY RULE, THE COMMISSIONER MAY USE ALL POWERS CONFERRED BY THE INSURANCE LAWS OF THIS STATE TO ENFORCE PAYMENT OF THE SPECIAL FEES.

(b) (I) The commissioner shall promulgate rules to implement this subsection (1.5), including, but not limited to:

(A) The reasonable time ~~frames~~ PERIODS for the ~~determination of the need for an equitable assessment and for the~~ billing and collection of ~~such~~ THE SPECIAL fees;

(B) The process for determining the ~~per capita~~ ALLOCATION OF THE assessment AMONG INSURERS, including the process for obtaining accurate information about the number of lives insured by any insurer within the six months prior to an assessment;

~~(III) In promulgating such rules, the commissioner shall include provisions that notice of the first assessment shall be provided to the insurers no later than February 1, 2002, and that payment for such assessment shall be made no earlier than June 1, 2003.~~

~~(c) Prior to notice of the first assessment to be paid by insurers, prior to an increase in the amount of the assessment pursuant to this subsection (1.5), and prior to submission of a request for moneys from the unclaimed property trust fund pursuant to subsection (1.3) of this section, the board shall obtain at least two actuarial evaluations of the amount of the assessment or for the request of transfer of moneys from the unclaimed property trust fund.~~

~~(d) The department of regulatory agencies in cooperation with the division of insurance shall conduct a review of the efficacy of the assessment pursuant to section 24-34-104, C.R.S. Such review shall be completed by October 15, 2007. The division of insurance shall make copies of the report available to every member of the general assembly.~~

~~(e) In the event the assessment pursuant to this subsection (1.5)~~

~~equals fifty percent of the administrative and claims expenses totaled that are projected for the program, the board shall conduct a review of the premium levels, benefit design, costs of administration, cost containment measures available, and any other factors that might contribute to the continued financial solvency of the program. Such review shall be presented to the members of the joint budget committee within ninety days after an assessment that equals fifty percent of the expenses of the program is made.~~

(h) ~~This subsection (1.5) is repealed, effective July 1, 2008.~~

(4) (b) Any moneys received from the treasurer pursuant to paragraph (a) of subsection (1) of this section shall be collected by and deposited into the accounts of the program for the uses provided in ~~subsection (1.3)~~ SUBPARAGRAPH (II) OF PARAGRAPH (c) OF SUBSECTION (1) of this section. Any moneys that are not immediately needed to pay expenses and losses shall be invested as determined by the board in accordance with the investment guidelines set forth in its plan of operation.

SECTION 3. 10-8-530, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SUBSECTION to read:

10-8-530. Funding of program - rules - repeal. (5) (a) PARAGRAPHS (b) TO (e) OF SUBSECTION (1) OF THIS SECTION AND PARAGRAPH (a.5) OF SUBSECTION (1.5) OF THIS SECTION ARE REPEALED, EFFECTIVE JULY 1, 2017.

(b) PRIOR TO THE REPEAL OF THE PARAGRAPHS SPECIFIED IN THIS SUBSECTION (5), THE STATE AUDITOR SHALL CONDUCT OR CAUSE TO BE CONDUCTED A REVIEW AND EVALUATION OF THE EFFICACY OF THE FUNDING STRUCTURE OF THE PROGRAM AS SPECIFIED IN THOSE PARAGRAPHS. THE STATE AUDITOR SHALL SUBMIT A REPORT TO THE GENERAL ASSEMBLY BY JANUARY 1, 2017, DETAILING ITS REVIEW AND EVALUATION OF THE FUNDING STRUCTURE OF THE PROGRAM AND MAKING A RECOMMENDATION REGARDING WHETHER THE FUNDING STRUCTURE, AS SPECIFIED IN PARAGRAPHS (b) TO (e) OF SUBSECTION (1) OF THIS SECTION AND PARAGRAPH (a.5) OF SUBSECTION (1.5) OF THIS SECTION, SHOULD BE CONTINUED, MODIFIED, OR REPEALED.

SECTION 4. Part 5 of article 8 of title 10, Colorado Revised

Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

10-8-536. CoverColorado long-term funding task force - members - funding plan - repeal. (1) THERE IS HEREBY CREATED THE COVERCOLORADO LONG-TERM FUNDING TASK FORCE, REFERRED TO IN THIS SECTION AS THE "TASK FORCE", TO DEVELOP A PLAN FOR THE LONG-TERM FUNDING OF THE PROGRAM TO ENSURE ITS FUTURE FINANCIAL HEALTH AND VIABILITY.

(2) THE TASK FORCE SHALL CONSIST OF ELEVEN MEMBERS AS FOLLOWS:

(a) THE EXECUTIVE DIRECTOR OF THE PROGRAM;

(b) THE COMMISSIONER OR THE COMMISSIONER'S DESIGNEE;

(c) THE STATE TREASURER OR THE STATE TREASURER'S DESIGNEE;

(d) THREE MEMBERS OF THE BOARD, WHICH SHALL INCLUDE THE CHAIR OF THE BOARD, A CONSUMER REPRESENTATIVE DESIGNATED BY THE CHAIR OF THE BOARD, AND THE PHYSICIAN REPRESENTATIVE;

(e) THE GOVERNOR SHALL APPOINT THREE MEMBERS AS FOLLOWS:

(I) ONE REPRESENTATIVE OF THE HOSPITAL INDUSTRY;

(II) ONE REPRESENTATIVE OF AN ORGANIZATION THAT REPRESENTS PRIVATE BUSINESS; AND

(III) ONE REPRESENTATIVE OF HEALTH PLANS;

(f) THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE SHALL JOINTLY APPOINT TWO MEMBERS AS FOLLOWS:

(I) ONE REPRESENTATIVE OF CARRIERS; AND

(II) ONE REPRESENTATIVE OF A COMMUNITY HEALTH FOUNDATION.

(3) THE MEMBERS OF THE TASK FORCE SHALL BE APPOINTED AS SOON

AS POSSIBLE BUT NO LATER THAN JULY 31, 2008. THE EXECUTIVE DIRECTOR OF THE PROGRAM SHALL SERVE AS THE CHAIR OF THE TASK FORCE. THE PROGRAM SHALL PROVIDE ADMINISTRATIVE AND CONSULTING STAFF TO ASSIST THE TASK FORCE.

(4) THE TASK FORCE SHALL DEVELOP A PLAN FOR FUNDING THE PROGRAM OVER AT LEAST A TEN-YEAR PERIOD. IN DEVELOPING ITS PLAN, THE TASK FORCE SHALL CONSIDER AT LEAST THE FOLLOWING:

(a) THE ANTICIPATED ENROLLMENT GROWTH OF THE PROGRAM;

(b) THE LONG-TERM VIABILITY OF FUNDING THE PROGRAM USING THE FUNDING SOURCES SPECIFIED IN SECTION 10-8-530 (1);

(c) INCREASING THE PREMIUM TAX CREDIT FOR DONATIONS TO THE PROGRAM;

(d) REVISING THE METHODOLOGY, ADMINISTRATION, AND COLLECTION OF THE ASSESSMENT AUTHORIZED IN SECTION 10-8-530 (1.5), INCLUDING THE CREATION OF AN ALL-PAYER SYSTEM THAT WOULD FUND THE PROGRAM THROUGH AN ASSESSMENT ADDED TO THE RATES PAID FOR HEALTH CARE PROVIDED AT ALL REGULATED INPATIENT AND OUTPATIENT FACILITIES; AND

(e) REDUCING CLAIMS COSTS TO THE PROGRAM BY MODIFYING BENEFIT DESIGNS, IMPLEMENTING A FEE SCHEDULE FOR SERVICES FROM HEALTH CARE PROVIDERS, IMPOSING AN ENROLLMENT LIMIT, OR OTHER COST-CONTAINMENT MEASURES.

(5) THE TASK FORCE SHALL SUBMIT ITS PLAN TO THE GENERAL ASSEMBLY BY MARCH 31, 2009.

(6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2009.

SECTION 5. 38-13-116.5 (2.7) (a), (2.7) (b), and (2.7) (d), Colorado Revised Statutes, are amended, and the said 38-13-116.5 (2.7) is further amended BY THE ADDITION OF A NEW PARAGRAPH, to read:

38-13-116.5. Unclaimed property trust fund - creation - payments - interest - appropriations - records - rules - repeal.

(2.7) (a) (I) Subject to the provisions of paragraph (b) of this subsection (2.7), on and after August 4, 2004, the state treasurer shall transmit to CoverColorado the amount equal to the principal and interest in the trust fund minus:

~~(I)~~ (A) The claims paid pursuant to this article for each fiscal year;

~~(II)~~ (B) The reserve amount necessary to pay anticipated claims; and

~~(III)~~ (C) Publication and correspondence expenses pursuant to section 38-13-111 (7).

(II) THIS PARAGRAPH (a) IS REPEALED, EFFECTIVE JANUARY 1, 2009.

(a.5) (I) ON AND AFTER JANUARY 1, 2009, THE STATE TREASURER SHALL TRANSMIT TO COVERCOLORADO AN AMOUNT OF THE PRINCIPAL AND INTEREST IN THE TRUST FUND EQUAL TO THE AMOUNT REQUESTED PURSUANT TO SECTION 10-8-530 (1) (c), C.R.S., MINUS:

(A) THE CLAIMS PAID PURSUANT TO THIS ARTICLE FOR EACH FISCAL YEAR;

(B) THE RESERVE AMOUNT NECESSARY TO PAY ANTICIPATED CLAIMS; AND

(C) PUBLICATIONS AND CORRESPONDENCE EXPENSES PURSUANT TO SECTION 38-13-111 (7).

(II) UPON RECEIPT OF A REQUEST FOR A SUPPLEMENTAL TRANSMITTAL PURSUANT TO SECTION 10-8-530 (1) (d), C.R.S., THE STATE TREASURER SHALL TRANSMIT TO COVERCOLORADO AN AMOUNT OF THE PRINCIPAL AND INTEREST IN THE TRUST FUND EQUAL TO THE AMOUNT SO REQUESTED.

(b) (I) If, based on the determination of the amount necessary by the board of CoverColorado pursuant to section 10-8-530 (1.3), C.R.S., and substantiated by the actuarial evaluations required pursuant to section 10-8-530 (1.5) (c), C.R.S., the board of CoverColorado determines that CoverColorado requires only a portion of the moneys available pursuant to paragraph (a) of this subsection (2.7), the state treasurer shall only transmit

the portion required pursuant to section 10-8-530 (1.3), C.R.S.

(II) THIS PARAGRAPH (b) IS REPEALED, EFFECTIVE JANUARY 1, 2009.

(d) ~~The treasurer may promulgate rules pursuant to article 4 of title 24, C.R.S., concerning the time frame for the transmittal of moneys to CoverColorado pursuant to this subsection (2.7).~~

SECTION 6. Repeal. 24-34-104 (39) (b) (XIII), Colorado Revised Statutes, is repealed as follows:

24-34-104. General assembly review of regulatory agencies and functions for termination, continuation, or reestablishment. (39) (b) The following agencies, functions, or both, shall terminate on July 1, 2008:

(XIII) ~~Review of the assessment imposed by section 10-8-530 (1.5), C.R.S., by the division of insurance in cooperation with the department of regulatory agencies;~~

SECTION 7. Anticipated transfer of moneys. The general assembly anticipates that, for the fiscal year beginning July 1, 2008, the state treasurer will reduce the amount of moneys transferred from the unclaimed property trust fund as required by section 38-13-116.5 (2.7), Colorado Revised Statutes, by eleven million one hundred sixty-four thousand eight hundred sixty-two dollars ($11,164,862), as a result of the enactment of this act.

SECTION 8. Effective date. This act shall take effect July 1, 2008.

SECTION 9. Safety clause. The general assembly hereby finds,

determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Andrew Romanoff
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Peter C. Groff
PRESIDENT OF
THE SENATE

Marilyn Eddins
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Karen Goldman
SECRETARY OF
THE SENATE

APPROVED May 27th, 2008 at 8:26 A.M.

Bill Ritter, Jr.
GOVERNOR OF THE STATE OF COLORADO

State of Colorado

HOUSE BILL NO. 08-1390

BY REPRESENTATIVE(S) McGihon, Carroll M., Carroll T., et al;
ALSO SENATOR(S) Isgar, Bacon, Boyd, et al.

An Act

CONCERNING THE COVERCOLORADO PROGRAM.

STATE OF COLORADO, SS.

THIS ACT ORIGINATED IN THE HOUSE

Marilyn Eddins
Chief Clerk
House of Representatives

STATE OF COLORADO,)
GOVERNOR'S OFFICE) SS.

This Act was filed in my office this 27 *day of* May
A.D. 20 08 *, at* 8:26 *o'clock* A *M.*

Bill Ritter Jr.
Governor

By

STATE OF COLORADO,)
SECRETARY'S OFFICE) SS.

This Act was filed in my office this 29th *day of* May
A.D. 20 08 *, at* 4:54 *o'clock* P *M.*

Mike Coffman
Secretary of State

By Heidi M Hamilton
~~Deputy Secretary~~
Executive Assistant to the Secretary of State

LEIF ASSOCIATES, INC.

1515 Arapahoe Street
Tower 1, Suite 410
Denver, Colorado 80202
Phone 303.294.0994
Fax 303.294.0979
Email ejleif@leif.net

March 15, 2009

Suzanne Bragg-Gamble
Executive Director
CoverColorado
425 S. Cherry Street, Suite 160
Glendale, CO 80246

Dear Suzanne:

Leif Associates has prepared the attached actuarial report to demonstrate the projected impact of various funding approaches under consideration by the CoverColorado Long-term Funding Task Force. The purpose of this letter is to provide background regarding the methodology used in developing the projections as well as to emphasize some key issues they reveal.

Background

The projections included in our report are based on actual historical CoverColorado membership, premium, claim, and expense data through December 2008. The projections are estimates of future events based on many assumptions. To provide a framework for the projections, we have created a model that includes a range of assumptions. The projections include three assumption scenarios, which we have labeled Most Likely, Less Conservative, and More Conservative. Each page of the report is organized such that the Most Likely results are shown at the top, followed by the Less Conservative scenario in the middle and the More Conservative scenario at the bottom of the page. It is important to understand that while we believe we have used reasonable assumptions based on the information available to us, actual future results may be influenced by unforeseen events that we have not anticipated.

The total projected funding needed for the program for each year of the ten-year period 2010 through 2011 can be found on page 2 of the report, along with the key assumptions that underlie each of the three assumption scenarios. The following pages of the report include a different funding approach on each page, with a total of 14 different funding approaches, labeled Option A through Option N. Option A is the current funding approach. A brief description of each funding approach can be found in the Summary of Projections on page 2 and in the header on each page. Issues with each funding option, such as the depletion of the Unclaimed Property Fund, are identified under each set of projections.

The Task Force also requested a comparison of CoverColorado rates to rates in the Small Group market in Colorado, which can be found on page 17.

Key Issues

The following bullets summarize what we believe to be the key issues related to future funding for CoverColorado.

- In the absence of major healthcare reform that would change its purpose, CoverColorado's funding needs will grow from approximately $100 million in 2009 to over $600 million in 2019. While this may seem to be an extreme result, it is based simply on a continuation of the membership growth and healthcare cost trend that the program has experienced in recent years.
- The current funding sources required by law will face significant problems in future years if changes are not made. Specifically, the Unclaimed Property Fund (UPF) will likely no longer have funds adequate to support the required 25% contribution by sometime in 2015. In addition to the fact that the money taken out of the UPF will exceed its expected growth each year, the problem is further exacerbated by the termination of the $5 million annual premium tax credit after 2014.
- Also under the current funding approach, CoverColorado is likely to experience cash flow problems beginning in 2017, when the semi-annual carrier assessment will not provide adequate funds to cover CoverColorado's expenses until the next installment is received. This would probably result in CoverColorado needing to borrow funds on a short-term basis, thus incurring interest expense that could otherwise be avoided with a different funding stream.

Qualifications Statement

I am a member of the American Academy of Actuaries and I meet the qualification standards of the Academy to perform the work and render the opinions included in this report.

If questions should arise regarding our report, please do not hesitate to contact me.

Sincerely,
Leif Associates, Inc.

Elizabeth Leif, FSA
Consulting Actuary

CoverColorado
Long Term Funding Task Force
Ten-Year Funding Projections and Options
March 15, 2009

Prepared by
Elizabeth Leif, FSA

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CoverColorado
Long Term Funding Task Force
Summary of Projections

CoverColorado
Long Term Funding Task Force
Ten-Year Projections of Total Funding Requirement

Most Likely Scenario

	Year	Average Members	Member Months	Incurred Claims	Admin Costs	Total Funding Need
Base Year	2009	9,809	117,710	$87,775,075	$7,155,182	$94,930,257
1	2010	11,438	137,256	$112,480,499	$8,764,631	$121,245,129
2	2011	12,926	155,112	$139,728,554	$10,395,773	$150,124,327
3	2012	14,414	172,968	$171,284,319	$12,168,117	$183,452,436
4	2013	15,902	190,824	$207,735,662	$14,091,707	$221,827,369
5	2014	17,390	208,680	$249,744,867	$16,177,235	$265,922,102
6	2015	18,878	226,536	$298,057,632	$18,436,087	$316,493,719
7	2016	20,366	244,392	$353,513,124	$20,880,381	$374,393,505
8	2017	21,854	262,248	$417,055,210	$23,523,014	$440,578,224
9	2018	23,342	280,104	$489,744,995	$26,377,709	$516,122,704
10	2019	24,830	297,960	$572,774,830	$29,459,067	$602,233,897

Assumptions	2009	2010 - 2019
Membership Growth Per Month	174	124
Claim Trend	14%	10%
Admin Cost Trend	5%	5%

Less Conservative Scenario

	Year	Average Members	Member Months	Incurred Claims	Admin Costs	Total Funding Need
Base Year	2009	9,729	116,747	$85,463,908	$6,982,510	$92,446,418
1	2010	11,192	134,298	$106,050,510	$8,278,980	$114,329,491
2	2011	12,524	150,282	$128,070,022	$9,539,013	$137,609,035
3	2012	13,856	166,266	$152,923,507	$10,867,196	$163,790,703
4	2013	15,188	182,250	$180,922,957	$12,266,485	$193,189,441
5	2014	16,520	198,234	$212,412,120	$13,739,951	$226,152,071
6	2015	17,852	214,218	$247,769,587	$15,290,784	$263,060,371
7	2016	19,184	230,202	$287,412,158	$16,922,302	$304,334,461
8	2017	20,516	246,186	$331,798,540	$18,637,950	$350,436,490
9	2018	21,848	262,170	$381,433,377	$20,441,306	$401,874,683
10	2019	23,180	278,154	$436,871,665	$22,336,089	$459,207,755

Assumptions	2009	2010 - 2019
Membership Growth Per Month	161	111
Claim Trend	12%	8%
Admin Cost Trend	3%	3%

More Conservative Scenario

	Year	Average Members	Member Months	Incurred Claims	Admin Costs	Total Funding Need
Base Year	2009	9,889	118,673	$89,962,926	$7,330,418	$97,293,344
1	2010	11,685	140,214	$118,819,197	$9,269,434	$128,088,631
2	2011	13,329	159,942	$151,617,602	$11,308,201	$162,925,803
3	2012	14,973	179,670	$190,557,897	$13,586,974	$204,144,871
4	2013	16,617	199,398	$236,640,155	$16,129,365	$252,769,520
5	2014	18,261	219,126	$291,015,877	$18,961,115	$309,976,992
6	2015	19,905	238,854	$355,009,916	$22,110,276	$377,120,193
7	2016	21,549	258,582	$430,145,491	$25,607,411	$455,752,901
8	2017	23,193	278,310	$518,172,694	$29,485,803	$547,658,497
9	2018	24,837	298,038	$621,100,997	$33,781,695	$654,882,691
10	2019	26,481	317,766	$741,236,276	$38,534,530	$779,770,806

Assumptions	2009	2010 - 2019
Membership Growth Per Month	188	137
Claim Trend	16%	12%
Admin Cost Trend	6%	7%

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option A - Current Requirements

Most Likely Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Insured Lives	Assessment Per Insured Per Month
1	2010	$121,245,129	$30,311,282	$30,311,282	$54,155,572	$5,000,000	$1,466,992	45%	6.3%	887,081	$2.85
2	2011	$150,124,327	$37,531,082	$37,531,082	$68,652,256	$5,000,000	$1,409,907	46%	12.5%	851,598	$3.67
3	2012	$183,452,436	$45,863,109	$45,863,109	$85,383,044	$5,000,000	$1,343,175	47%	11.8%	817,534	$4.67
4	2013	$221,827,369	$55,456,842	$55,456,842	$104,647,513	$5,000,000	$1,266,171	47%	11.4%	784,833	$5.89
5	2014	$265,922,102	$66,480,526	$66,480,526	$126,783,560	$5,000,000	$1,177,491	48%	11.0%	753,440	$7.35
6	2015	$316,493,719	$79,123,430	$79,123,430	$157,113,738	$0	$1,133,121	50%	14.4%	723,302	$9.12
7	2016	$374,393,505	$93,598,376	$93,598,376	$186,181,224	$0	$1,015,529	50%	10.0%	694,370	$11.23
8	2017	$440,578,224	$110,144,556	$110,144,556	$219,407,482	$0	$881,630	50%	10.0%	666,595	$13.77
9	2018	$516,122,704	$129,030,676	$129,030,676	$257,332,881	$0	$728,471	50%	10.0%	639,931	$16.80
10	2019	$602,233,897	$150,558,474	$150,558,474	$300,563,407	$0	$553,542	50%	9.9%	614,334	$20.42

Issues: Depletion of the UPF will occur by 2015 (assumes $24 M new money annually and starting balance of $130M).
Fund balance is negative just prior to assessment payment in 2017 - 2019.
Assumes number of insured lives drops 4% per year (equivalent to actual drop in last four years).

Less Conservative Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Insured Lives	Assessment Per Insured Per Month
1	2010	$114,329,491	$28,582,373	$28,582,373	$50,396,604	$5,000,000	$1,768,142	44%	1.0%	887,081	$2.69
2	2011	$137,609,035	$34,402,259	$34,402,259	$62,087,652	$5,000,000	$1,716,866	45%	10.4%	851,598	$3.37
3	2012	$163,790,703	$40,947,676	$40,947,676	$75,238,073	$5,000,000	$1,657,278	46%	9.8%	817,534	$4.17
4	2013	$193,189,441	$48,297,360	$48,297,360	$90,004,451	$5,000,000	$1,590,269	47%	9.4%	784,833	$5.13
5	2014	$226,152,071	$56,538,018	$56,538,018	$106,561,021	$5,000,000	$1,515,014	47%	9.1%	753,440	$6.25
6	2015	$263,060,371	$65,765,093	$65,765,093	$130,034,773	$0	$1,495,413	49%	13.2%	723,302	$7.58
7	2016	$304,334,461	$76,083,615	$76,083,615	$150,767,085	$0	$1,400,145	50%	8.1%	694,370	$9.13
8	2017	$350,436,490	$87,609,123	$87,609,123	$173,923,800	$0	$1,294,445	50%	8.0%	666,595	$10.95
9	2018	$401,874,683	$100,468,671	$100,468,671	$199,761,038	$0	$1,176,304	50%	8.0%	639,931	$13.08
10	2019	$459,207,755	$114,801,939	$114,801,939	$228,559,469	$0	$1,044,408	50%	8.0%	614,334	$15.57

Issues: Depletion of the UPF will occur by 2015.
Fund balance is negative just prior to assessment payment in 2019.
Assumes number of insured lives drops 4% per year (equivalent to actual drop in last four years).

More Conservative Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Insured Lives	Assessment Per Insured Per Month
1	2010	$128,088,631	$32,022,158	$32,022,158	$57,847,678	$5,000,000	$1,196,637	45%	11.3%	887,081	$3.01
2	2011	$162,925,803	$40,731,451	$40,731,451	$75,326,656	$5,000,000	$1,136,245	46%	14.6%	851,598	$3.99
3	2012	$204,144,871	$51,036,218	$51,036,218	$96,007,688	$5,000,000	$1,064,747	47%	13.8%	817,534	$5.20
4	2013	$252,769,520	$63,192,380	$63,192,380	$120,404,600	$5,000,000	$980,160	48%	13.3%	784,833	$6.71
5	2014	$309,976,992	$77,494,248	$77,494,248	$149,108,144	$5,000,000	$880,352	48%	12.9%	753,440	$8.57
6	2015	$377,120,193	$94,280,048	$94,280,048	$187,746,875	$0	$813,222	50%	15.8%	723,302	$10.86
7	2016	$455,752,901	$113,938,225	$113,938,225	$227,201,719	$0	$674,731	50%	12.0%	694,370	$13.67
8	2017	$547,658,497	$136,914,624	$136,914,624	$273,316,081	$0	$513,168	50%	12.0%	666,595	$17.12
9	2018	$654,882,691	$163,720,673	$163,720,673	$327,117,142	$0	$324,204	50%	11.9%	639,931	$21.32
10	2019	$779,770,806	$194,942,702	$194,942,702	$389,781,804	$0	$103,599	50%	11.9%	614,334	$26.44

Issues: Depletion of the UPF will occur by 2014.
Fund balance is negative just prior to assessment payment in 2016 - 2019.
Assumes number of insured lives drops 4% per year (equivalent to actual drop in last four years).

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option B - Hospital Fees Replace Carrier Assessment

Most Likely Scenario

	Year	Total Funding Need	UPF 25%	Hospital Fee 25%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	Hospital Utilization Inpatient Days	ED Visits	Amb Surgery	Total Units	Fee Per Unit
1	2010	$121,245,129	$30,311,282	$30,311,282	$53,874,488	$5,000,000	$1,748,077	710,581	1,012,683	116,545	1,839,809	$16
2	2011	$150,124,327	$37,531,082	$37,531,082	$68,282,818	$5,000,000	$1,779,346	717,687	1,011,670	115,846	1,845,203	$20
3	2012	$183,452,436	$45,863,109	$45,863,109	$84,931,255	$5,000,000	$1,794,963	724,864	1,010,659	115,151	1,850,673	$25
4	2013	$221,827,369	$55,456,842	$55,456,842	$104,100,895	$5,000,000	$1,812,790	732,112	1,009,648	114,460	1,856,220	$30
5	2014	$265,922,102	$66,480,526	$66,480,526	$126,127,965	$5,000,000	$1,833,086	739,433	1,008,638	113,773	1,861,845	$36
6	2015	$316,493,719	$79,123,430	$79,123,430	$156,333,144	$0	$1,913,715	746,828	1,007,630	113,090	1,867,548	$42
7	2016	$374,393,505	$93,598,376	$93,598,376	$185,257,504	$0	$1,939,249	754,296	1,006,622	112,412	1,873,330	$50
8	2017	$440,578,224	$110,144,556	$110,144,556	$218,320,140	$0	$1,968,972	761,839	1,005,615	111,737	1,879,192	$59
9	2018	$516,122,704	$129,030,676	$129,030,676	$256,058,763	$0	$2,002,589	769,457	1,004,610	111,067	1,885,134	$68
10	2019	$602,233,897	$150,558,474	$150,558,474	$299,076,370	$0	$2,040,579	777,152	1,003,605	110,401	1,891,158	$80

Issues: Depletion of the UPF will occur by 2015.
Hospital fee assumed to be paid monthly. Premium lower because interest is higher.
Hospital utilization from CHA, excludes Medicare, Medicaid, Champus. Trends based on 2007 to 2008.

Less Conservative Scenario

	Year	Total Funding Need	UPF 25%	Hospital Fee 25%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	Hospital Utilization Inpatient Days	ED Visits	Amb Surgery	Total Units	Fee Per Unit
1	2010	$114,329,491	$28,582,373	$28,582,373	$50,098,562	$5,000,000	$2,066,184	710,581	1,012,683	116,545	1,839,809	$16
2	2011	$137,609,035	$34,402,259	$34,402,259	$61,706,168	$5,000,000	$2,098,349	717,687	1,011,670	115,846	1,845,203	$19
3	2012	$163,790,703	$40,947,676	$40,947,676	$74,783,717	$5,000,000	$2,111,635	724,864	1,010,659	115,151	1,850,673	$22
4	2013	$193,189,441	$48,297,360	$48,297,360	$89,468,263	$5,000,000	$2,126,458	732,112	1,009,648	114,460	1,856,220	$26
5	2014	$226,152,071	$56,538,018	$56,538,018	$105,933,073	$5,000,000	$2,142,963	739,433	1,008,638	113,773	1,861,845	$30
6	2015	$263,060,371	$65,765,093	$65,765,093	$129,304,073	$0	$2,226,113	746,828	1,007,630	113,090	1,867,548	$35
7	2016	$304,334,461	$76,083,615	$76,083,615	$149,921,470	$0	$2,245,761	754,296	1,006,622	112,412	1,873,330	$41
8	2017	$350,436,490	$87,609,123	$87,609,123	$172,949,819	$0	$2,268,426	761,839	1,005,615	111,737	1,879,192	$47
9	2018	$401,874,683	$100,468,671	$100,468,671	$198,643,823	$0	$2,293,519	769,457	1,004,610	111,067	1,885,134	$53
10	2019	$459,207,755	$114,801,939	$114,801,939	$227,282,597	$0	$2,321,281	777,152	1,003,605	110,401	1,891,158	$61

Issues: Depletion of the UPF will occur by 2015.

More Conservative Scenario

	Year	Total Funding Need	UPF 25%	Hospital Fee 25%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	Hospital Utilization Inpatient Days	ED Visits	Amb Surgery	Total Units	Fee Per Unit
1	2010	$128,088,631	$32,022,158	$32,022,158	$57,587,726	$5,000,000	$1,456,589	710,581	1,012,683	116,545	1,839,809	$17
2	2011	$162,925,803	$40,731,451	$40,731,451	$74,976,262	$5,000,000	$1,486,640	717,687	1,011,670	115,846	1,845,203	$22
3	2012	$204,144,871	$51,036,218	$51,036,218	$95,568,284	$5,000,000	$1,504,151	724,864	1,010,659	115,151	1,850,673	$28
4	2013	$252,769,520	$63,192,380	$63,192,380	$119,860,180	$5,000,000	$1,524,580	732,112	1,009,648	114,460	1,856,220	$34
5	2014	$309,976,992	$77,494,248	$77,494,248	$148,440,152	$5,000,000	$1,548,344	739,433	1,008,638	113,773	1,861,845	$42
6	2015	$377,120,193	$94,280,048	$94,280,048	$186,933,828	$0	$1,626,268	746,828	1,007,630	113,090	1,867,548	$50
7	2016	$455,752,901	$113,938,225	$113,938,225	$226,218,776	$0	$1,657,675	754,296	1,006,622	112,412	1,873,330	$61
8	2017	$547,658,497	$136,914,624	$136,914,624	$272,134,539	$0	$1,694,710	761,839	1,005,615	111,737	1,879,192	$73
9	2018	$654,882,691	$163,720,673	$163,720,673	$325,703,876	$0	$1,737,470	769,457	1,004,610	111,067	1,885,134	$87
10	2019	$779,770,806	$194,942,702	$194,942,702	$388,098,614	$0	$1,786,789	777,152	1,003,605	110,401	1,891,158	$103

Issues: Depletion of the UPF will occur by 2014.

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option C - UPF Capped at $25M, 10% From Licenses, Balance is Hospital Fees

Most Likely Scenario

	Year	Total Funding Need	UPF $25M	Licenses 10%	Hospital Fee Balance	Other Sources = 50% Premium	Prem Tax Credit	Interest	Hosp Fee Per Unit	Hospital Funding %	Facility Licenses Total Beds	Facility Licenses Per Bed	Prof Licenses Total Licenses	Prof Licenses Fee Per Unit
1	2010	$121,245,129	$25,000,000	$12,124,513	$23,227,048	$54,155,572	$5,000,000	$1,737,996	$13	19%	51,661	$151	173,312	$25
2	2011	$150,124,327	$25,000,000	$15,012,433	$34,692,277	$68,652,256	$5,000,000	$1,767,361	$19	23%	51,661	$207	173,312	$25
3	2012	$183,452,436	$25,000,000	$18,345,244	$47,943,043	$85,383,044	$5,000,000	$1,781,106	$26	26%	51,661	$271	173,312	$25
4	2013	$221,827,369	$25,000,000	$22,182,737	$63,200,302	$104,647,513	$5,000,000	$1,796,816	$34	28%	51,661	$346	173,312	$25
5	2014	$265,922,102	$25,000,000	$26,592,210	$80,731,608	$126,783,560	$5,000,000	$1,814,723	$43	30%	51,661	$431	173,312	$25
6	2015	$316,493,719	$25,000,000	$31,649,372	$100,837,954	$157,113,738	$0	$1,892,655	$54	32%	51,661	$529	173,312	$25
7	2016	$374,393,505	$25,000,000	$37,439,351	$123,857,785	$186,181,224	$0	$1,915,146	$66	33%	51,661	$641	173,312	$25
8	2017	$440,578,224	$25,000,000	$44,057,822	$150,171,480	$219,407,482	$0	$1,941,440	$80	34%	51,661	$769	173,312	$25
9	2018	$516,122,704	$25,000,000	$51,612,270	$180,206,358	$257,332,881	$0	$1,971,195	$96	35%	51,661	$915	173,312	$25
10	2019	$602,233,897	$25,000,000	$60,223,390	$214,442,264	$300,563,407	$0	$2,004,836	$113	36%	51,661	$1,082	173,312	$25

Less Conservative Scenario

	Year	Total Funding Need	UPF $25M	Licenses 10%	Hospital Fee Balance	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Uni	Hospital Funding %	Facility Licenses Total Beds	Facility Licenses Fee Per Bed	Prof Licenses Total Licenses	Prof Licenses Fee Per Unit
1	2010	$114,329,491	$25,000,000	$11,432,949	$20,443,940	$50,396,604	$5,000,000	$2,055,997	$11	18%	51,661	$137	173,312	$25
2	2011	$137,609,035	$25,000,000	$13,760,904	$29,673,998	$62,087,652	$5,000,000	$2,086,481	$16	22%	51,661	$182	173,312	$25
3	2012	$163,790,703	$25,000,000	$16,379,070	$40,075,363	$75,238,073	$5,000,000	$2,098,196	$22	24%	51,661	$233	173,312	$25
4	2013	$193,189,441	$25,000,000	$19,318,944	$51,754,764	$90,004,451	$5,000,000	$2,111,282	$28	27%	51,661	$290	173,312	$25
5	2014	$226,152,071	$25,000,000	$22,615,207	$64,849,976	$106,561,021	$5,000,000	$2,125,866	$35	29%	51,661	$354	173,312	$25
6	2015	$263,060,371	$25,000,000	$26,306,037	$79,512,666	$130,034,773	$0	$2,206,895	$43	30%	51,661	$425	173,312	$25
7	2016	$304,334,461	$25,000,000	$30,433,446	$95,909,729	$150,767,085	$0	$2,224,201	$51	32%	51,661	$505	173,312	$25
8	2017	$350,436,490	$25,000,000	$35,043,649	$114,224,760	$173,923,800	$0	$2,244,280	$61	33%	51,661	$594	173,312	$25
9	2018	$401,874,683	$25,000,000	$40,187,468	$134,659,657	$199,761,038	$0	$2,266,521	$71	34%	51,661	$694	173,312	$25
10	2019	$459,207,755	$25,000,000	$45,920,775	$157,436,373	$228,559,469	$0	$2,291,137	$83	34%	51,661	$805	173,312	$25

More Conservative Scenario

	Year	Total Funding Need	UPF $25M	Licenses 10%	Hospital Fee Balance	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Uni	Hospital Funding %	Facility Licenses Total Beds	Facility Licenses Fee Per Bed	Prof Licenses Total Licenses	Prof Licenses Fee Per Unit
1	2010	$128,088,631	$25,000,000	$12,808,863	$25,985,223	$57,847,678	$5,000,000	$1,446,867	$14	20%	51,661	$164	173,312	$25
2	2011	$162,925,803	$25,000,000	$16,292,580	$39,831,717	$75,326,656	$5,000,000	$1,474,849	$22	24%	51,661	$232	173,312	$25
3	2012	$204,144,871	$25,000,000	$20,414,487	$56,232,457	$96,007,688	$5,000,000	$1,490,238	$30	28%	51,661	$311	173,312	$25
4	2013	$252,769,520	$25,000,000	$25,276,952	$75,579,750	$120,404,600	$5,000,000	$1,508,217	$41	30%	51,661	$405	173,312	$25
5	2014	$309,976,992	$25,000,000	$30,997,699	$98,341,992	$149,108,144	$5,000,000	$1,529,157	$53	32%	51,661	$516	173,312	$25
6	2015	$377,120,193	$25,000,000	$37,712,019	$125,057,473	$187,746,875	$0	$1,603,826	$67	33%	51,661	$646	173,312	$25
7	2016	$455,752,901	$25,000,000	$45,575,290	$156,344,407	$227,201,719	$0	$1,631,485	$83	34%	51,661	$798	173,312	$25
8	2017	$547,658,497	$25,000,000	$54,765,850	$192,912,357	$273,316,081	$0	$1,664,210	$103	35%	51,661	$976	173,312	$25
9	2018	$654,882,691	$25,000,000	$65,488,269	$235,575,263	$327,117,142	$0	$1,702,017	$125	36%	51,661	$1,184	173,312	$25
10	2019	$779,770,806	$25,000,000	$77,977,081	$285,266,274	$389,781,804	$0	$1,745,648	$151	37%	51,661	$1,426	173,312	$25

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option D - 50% Premium, 10% Licenses, 10% Hospitals, Federal Match, <= 20% UPF, Extend Prem Tax Credit

Most Likely Scenario

	Year	Total Funding Need	UPF <= 20%	Licenses 10%	Hospital Fee 10%	Fed Match 10%	Premium 50%	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License	Rate Increase
1	2010	$121,245,129	$17,513,648	$12,124,513	$12,124,513	$12,124,513	$60,622,565	$5,000,000	$1,735,378	$7	$151	$25	19%
2	2011	$150,124,327	$23,259,864	$15,012,433	$15,012,433	$15,012,433	$75,062,163	$5,000,000	$1,765,001	$8	$207	$25	10%
3	2012	$183,452,436	$29,911,482	$18,345,244	$18,345,244	$18,345,244	$91,726,218	$5,000,000	$1,779,005	$10	$271	$25	10%
4	2013	$221,827,369	$37,570,544	$22,182,737	$22,182,737	$22,182,737	$110,913,684	$5,000,000	$1,794,930	$12	$346	$25	10%
5	2014	$265,922,102	$46,371,401	$26,592,210	$26,592,210	$26,592,210	$132,961,051	$5,000,000	$1,813,019	$14	$431	$25	10%
6	2015	$316,493,719	$56,311,662	$31,649,372	$31,649,372	$31,649,372	$158,400,437	$5,000,000	$1,833,504	$17	$529	$25	10%
7	2016	$374,393,505	$67,901,465	$37,439,351	$37,439,351	$37,439,351	$187,317,213	$5,000,000	$1,856,776	$20	$641	$25	10%
8	2017	$440,578,224	$81,358,147	$44,057,822	$44,057,822	$44,057,822	$220,163,439	$5,000,000	$1,883,171	$23	$769	$25	10%
9	2018	$516,122,704	$96,153,363	$51,612,270	$51,612,270	$51,612,270	$258,219,619	$5,000,000	$1,912,911	$27	$915	$25	10%
10	2019	$602,233,897	$113,287,863	$60,223,390	$60,223,390	$60,223,390	$301,329,279	$5,000,000	$1,946,586	$32	$1,082	$25	10%

Issues: UPF depleted in 2017.
Premium tax credit and interest reduce UPF contribution.

Less Conservative Scenario

	Year	Total Funding Need	UPF <= 20%	Licenses 10%	Hospital Fee 10%	Fed Match 10%	Premium 50%	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License	Rate Increase
1	2010	$114,329,491	$15,812,728	$11,432,949	$11,432,949	$11,432,949	$57,164,745	$5,000,000	$2,053,170	$6	$137	$25	15%
2	2011	$137,609,035	$20,437,899	$13,760,904	$13,760,904	$13,760,904	$68,804,518	$5,000,000	$2,083,908	$7	$182	$25	8%
3	2012	$163,790,703	$25,662,257	$16,379,070	$16,379,070	$16,379,070	$81,895,351	$5,000,000	$2,095,884	$9	$233	$25	8%
4	2013	$193,189,441	$31,528,700	$19,318,944	$19,318,944	$19,318,944	$96,594,721	$5,000,000	$2,109,188	$10	$290	$25	8%
5	2014	$226,152,071	$38,106,454	$22,615,207	$22,615,207	$22,615,207	$113,076,035	$5,000,000	$2,123,960	$12	$354	$25	8%
6	2015	$263,060,371	$45,471,726	$26,306,037	$26,306,037	$26,306,037	$131,530,186	$5,000,000	$2,140,348	$14	$425	$25	8%
7	2016	$304,334,461	$53,604,014	$30,433,446	$30,433,446	$30,433,446	$152,271,619	$5,000,000	$2,158,490	$16	$505	$25	8%
8	2017	$350,436,490	$63,042,606	$35,043,649	$35,043,649	$35,043,649	$175,084,264	$5,000,000	$2,178,673	$19	$594	$25	8%
9	2018	$401,874,683	$73,017,332	$40,187,468	$40,187,468	$40,187,468	$201,094,052	$5,000,000	$2,200,894	$21	$694	$25	8%
10	2019	$459,207,755	$84,791,541	$45,920,775	$45,920,775	$45,920,775	$229,428,266	$5,000,000	$2,225,622	$24	$805	$25	8%

Issues: UPF depleted in 2018.
Premium tax credit and interest reduce UPF contribution.

More Conservative Scenario

	Year	Total Funding Need	UPF <= 20%	Licenses 10%	Hospital Fee 10%	Fed Match 10%	Premium 50%	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License	Rate Increase
1	2010	$128,088,631	$19,173,229	$12,808,863	$12,808,863	$12,808,863	$64,044,316	$5,000,000	$1,444,497	$7	$164	$25	23%
2	2011	$162,925,803	$26,112,427	$16,292,580	$16,292,580	$16,292,580	$81,462,901	$5,000,000	$1,472,733	$9	$232	$25	12%
3	2012	$204,144,871	$34,340,604	$20,414,487	$20,414,487	$20,414,487	$102,072,435	$5,000,000	$1,488,370	$11	$311	$25	12%
4	2013	$252,769,520	$44,047,351	$25,276,952	$25,276,952	$25,276,952	$126,384,760	$5,000,000	$1,506,553	$14	$405	$25	12%
5	2014	$309,976,992	$55,467,735	$30,997,699	$30,997,699	$30,997,699	$154,988,496	$5,000,000	$1,527,664	$17	$516	$25	12%
6	2015	$377,120,193	$68,871,900	$37,712,019	$37,712,019	$37,712,019	$188,560,096	$5,000,000	$1,552,138	$20	$646	$25	12%
7	2016	$455,752,901	$84,428,417	$45,575,290	$45,575,290	$45,575,290	$228,018,169	$5,000,000	$1,580,445	$24	$798	$25	12%
8	2017	$547,658,497	$102,819,640	$54,765,850	$54,765,850	$54,765,850	$273,928,085	$5,000,000	$1,613,223	$29	$976	$25	12%
9	2018	$654,882,691	$124,296,569	$65,488,269	$65,488,269	$65,488,269	$327,470,229	$5,000,000	$1,651,086	$35	$1,184	$25	12%
10	2019	$779,770,806	$148,942,243	$77,977,081	$77,977,081	$77,977,081	$390,202,611	$5,000,000	$1,694,710	$41	$1,426	$25	12%

Issues: UPF depleted in 2016.
Premium tax credit and interest reduce UPF contribution.

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option E - Hospital Fees 25%, Federal Match

Most Likely Scenario

	Year	Total Funding Need	Hospital Fee 25%	Federal Match 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit
1	2010	$121,245,129	$30,311,282	$30,311,282	$53,874,488	$5,000,000	$1,748,077	$16
2	2011	$150,124,327	$37,531,082	$37,531,082	$68,282,818	$5,000,000	$1,779,346	$20
3	2012	$183,452,436	$45,863,109	$45,863,109	$84,931,255	$5,000,000	$1,794,963	$25
4	2013	$221,827,369	$55,456,842	$55,456,842	$104,100,895	$5,000,000	$1,812,790	$30
5	2014	$265,922,102	$66,480,526	$66,480,526	$126,127,965	$5,000,000	$1,833,086	$36
6	2015	$316,493,719	$79,123,430	$79,123,430	$156,333,144	$0	$1,913,715	$42
7	2016	$374,393,505	$93,598,376	$93,598,376	$185,257,504	$0	$1,939,249	$50
8	2017	$440,578,224	$110,144,556	$110,144,556	$218,320,140	$0	$1,968,972	$59
9	2018	$516,122,704	$129,030,676	$129,030,676	$256,058,763	$0	$2,002,589	$68
10	2019	$602,233,897	$150,558,474	$150,558,474	$299,076,370	$0	$2,040,579	$80

Less Conservative Scenario

	Year	Total Funding Need	Hospital Fee 25%	Hospital Fee 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit
1	2010	$114,329,491	$28,582,373	$28,582,373	$50,098,562	$5,000,000	$2,066,184	$16
2	2011	$137,609,035	$34,402,259	$34,402,259	$61,706,168	$5,000,000	$2,098,349	$19
3	2012	$163,790,703	$40,947,676	$40,947,676	$74,783,717	$5,000,000	$2,111,635	$22
4	2013	$193,189,441	$48,297,360	$48,297,360	$89,468,263	$5,000,000	$2,126,458	$26
5	2014	$226,152,071	$56,538,018	$56,538,018	$105,933,073	$5,000,000	$2,142,963	$30
6	2015	$263,060,371	$65,765,093	$65,765,093	$129,304,073	$0	$2,226,113	$35
7	2016	$304,334,461	$76,083,615	$76,083,615	$149,921,470	$0	$2,245,761	$41
8	2017	$350,436,490	$87,609,123	$87,609,123	$172,949,819	$0	$2,268,426	$47
9	2018	$401,874,683	$100,468,671	$100,468,671	$198,643,823	$0	$2,293,519	$53
10	2019	$459,207,755	$114,801,939	$114,801,939	$227,282,597	$0	$2,321,281	$61

More Conservative Scenario

	Year	Total Funding Need	Hospital Fee 25%	Hospital Fee 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit
1	2010	$128,088,631	$32,022,158	$32,022,158	$57,587,726	$5,000,000	$1,456,589	$17
2	2011	$162,925,803	$40,731,451	$40,731,451	$74,976,262	$5,000,000	$1,486,640	$22
3	2012	$204,144,871	$51,036,218	$51,036,218	$95,568,284	$5,000,000	$1,504,151	$28
4	2013	$252,769,520	$63,192,380	$63,192,380	$119,860,180	$5,000,000	$1,524,580	$34
5	2014	$309,976,992	$77,494,248	$77,494,248	$148,440,152	$5,000,000	$1,548,344	$42
6	2015	$377,120,193	$94,280,048	$94,280,048	$186,933,828	$0	$1,626,268	$50
7	2016	$455,752,901	$113,938,225	$113,938,225	$226,218,776	$0	$1,657,675	$61
8	2017	$547,658,497	$136,914,624	$136,914,624	$272,134,539	$0	$1,694,710	$73
9	2018	$654,882,691	$163,720,673	$163,720,673	$325,703,876	$0	$1,737,470	$87
10	2019	$779,770,806	$194,942,702	$194,942,702	$388,098,614	$0	$1,786,789	$103

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option F - Hospital Fees 20%, Federal Match, License Fees 10%

Most Likely Scenario

	Year	Total Funding Need	Hospital Fee 20%	Federal Match 20%	License Fees 10%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License
1	2010	$121,245,129	$24,249,026	$24,249,026	$12,124,513	$53,884,459	$5,000,000	$1,738,106	$13	$151	$25
2	2011	$150,124,327	$30,024,865	$30,024,865	$15,012,433	$68,294,672	$5,000,000	$1,767,491	$16	$207	$25
3	2012	$183,452,436	$36,690,487	$36,690,487	$18,345,244	$84,944,968	$5,000,000	$1,781,250	$20	$271	$25
4	2013	$221,827,369	$44,365,474	$44,365,474	$22,182,737	$104,116,709	$5,000,000	$1,796,975	$24	$346	$25
5	2014	$265,922,102	$53,184,420	$53,184,420	$26,592,210	$126,146,153	$5,000,000	$1,814,898	$29	$431	$25
6	2015	$316,493,719	$63,298,744	$63,298,744	$31,649,372	$156,354,012	$0	$1,892,847	$34	$529	$25
7	2016	$374,393,505	$74,878,701	$74,878,701	$37,439,351	$185,281,395	$0	$1,915,358	$40	$641	$25
8	2017	$440,578,224	$88,115,645	$88,115,645	$44,057,822	$218,347,439	$0	$1,941,673	$47	$769	$25
9	2018	$516,122,704	$103,224,541	$103,224,541	$51,612,270	$256,089,901	$0	$1,971,451	$55	$915	$25
10	2019	$602,233,897	$120,446,779	$120,446,779	$60,223,390	$299,111,831	$0	$2,005,118	$64	$1,082	$25

Less Conservative Scenario

	Year	Total Funding Need	Hospital Fee 20%	Federal Match 20%	License Fees 10%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License
1	2010	$114,329,491	$22,865,898	$22,865,898	$11,432,949	$50,108,628	$5,000,000	$2,056,118	$12	$137	$25
2	2011	$137,609,035	$27,521,807	$27,521,807	$13,760,904	$61,717,895	$5,000,000	$2,086,622	$15	$182	$25
3	2012	$163,790,703	$32,758,141	$32,758,141	$16,379,070	$74,797,003	$5,000,000	$2,098,349	$18	$233	$25
4	2013	$193,189,441	$38,637,888	$38,637,888	$19,318,944	$89,483,274	$5,000,000	$2,111,447	$21	$290	$25
5	2014	$226,152,071	$45,230,414	$45,230,414	$22,615,207	$105,949,991	$5,000,000	$2,126,045	$24	$354	$25
6	2015	$263,060,371	$52,612,074	$52,612,074	$26,306,037	$129,323,098	$0	$2,207,088	$28	$425	$25
7	2016	$304,334,461	$60,866,892	$60,866,892	$30,433,446	$149,942,822	$0	$2,224,408	$32	$505	$25
8	2017	$350,436,490	$70,087,298	$70,087,298	$35,043,649	$172,973,740	$0	$2,244,505	$37	$594	$25
9	2018	$401,874,683	$80,374,937	$80,374,937	$40,187,468	$198,670,579	$0	$2,266,763	$43	$694	$25
10	2019	$459,207,755	$91,841,551	$91,841,551	$45,920,775	$227,312,479	$0	$2,291,398	$49	$805	$25

More Conservative Scenario

	Year	Total Funding Need	Hospital Fee 20%	Federal Match 20%	License Fees 10%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License
1	2010	$128,088,631	$25,617,726	$25,617,726	$12,808,863	$57,597,353	$5,000,000	$1,446,963	$14	$164	$25
2	2011	$162,925,803	$32,585,161	$32,585,161	$16,292,580	$74,987,937	$5,000,000	$1,474,965	$18	$232	$25
3	2012	$204,144,871	$40,828,974	$40,828,974	$20,414,487	$95,582,067	$5,000,000	$1,490,369	$22	$311	$25
4	2013	$252,769,520	$50,553,904	$50,553,904	$25,276,952	$119,876,396	$5,000,000	$1,508,364	$27	$405	$25
5	2014	$309,976,992	$61,995,398	$61,995,398	$30,997,699	$148,459,175	$5,000,000	$1,529,321	$33	$516	$25
6	2015	$377,120,193	$75,424,039	$75,424,039	$37,712,019	$186,956,087	$0	$1,604,009	$40	$646	$25
7	2016	$455,752,901	$91,150,580	$91,150,580	$45,575,290	$226,244,760	$0	$1,631,691	$49	$798	$25
8	2017	$547,658,497	$109,531,699	$109,531,699	$54,765,850	$272,164,808	$0	$1,664,441	$58	$976	$25
9	2018	$654,882,691	$130,976,538	$130,976,538	$65,488,269	$325,739,070	$0	$1,702,275	$69	$1,184	$25
10	2019	$779,770,806	$155,954,161	$155,954,161	$77,977,081	$388,139,467	$0	$1,745,936	$82	$1,426	$25

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option G - Hospital Fees 25%, Federal Match, License Fees 10%, Other Sources 40%

Most Likely Scenario

	Year	Total Funding Need	Hospital Fee 25%	Federal Match 25%	License Fees 10% + > 2014	Other Sources = 40% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License	Rate Increase
1	2010	$121,245,129	$30,311,282	$30,311,282	$12,124,513	$41,755,035	$5,000,000	$1,743,017	$16	$151	$25	-18%
2	2011	$150,124,327	$37,531,082	$37,531,082	$15,012,433	$53,276,737	$5,000,000	$1,772,994	$20	$207	$25	13%
3	2012	$183,452,436	$45,863,109	$45,863,109	$18,345,244	$66,593,673	$5,000,000	$1,787,302	$25	$271	$25	12%
4	2013	$221,827,369	$55,456,842	$55,456,842	$22,182,737	$81,927,321	$5,000,000	$1,803,627	$30	$346	$25	12%
5	2014	$265,922,102	$66,480,526	$66,480,526	$26,592,210	$99,546,634	$5,000,000	$1,822,207	$36	$431	$25	11%
6	2015	$316,493,719	$79,123,430	$79,123,430	$36,565,979	$119,778,779	$0	$1,902,101	$42	$624	$25	11%
7	2016	$374,393,505	$93,598,376	$93,598,376	$42,156,677	$143,114,782	$0	$1,925,293	$50	$732	$25	11%
8	2017	$440,578,224	$110,144,556	$110,144,556	$48,575,149	$169,761,606	$0	$1,952,356	$59	$856	$25	11%
9	2018	$516,122,704	$129,030,676	$129,030,676	$55,929,597	$200,148,773	$0	$1,982,982	$68	$999	$25	11%
10	2019	$602,233,897	$150,558,474	$150,558,474	$64,340,717	$234,758,631	$0	$2,017,601	$80	$1,162	$25	10%

Issues: License fees increase in 2015 to make up for lost premium tax credit.
Significant rate reduction in 2010.

Less Conservative Scenario

	Year	Total Funding Need	Hospital Fee 25%	Federal Match 25%	License Fees 10% + > 2014	Other Sources = 40% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License	Rate Increase
1	2010	$114,329,491	$28,582,373	$28,582,373	$11,432,949	$38,670,901	$5,000,000	$2,060,895	$16	$137	$25	-23%
2	2011	$137,609,035	$34,402,259	$34,402,259	$13,760,904	$47,951,737	$5,000,000	$2,091,877	$19	$182	$25	11%
3	2012	$163,790,703	$40,947,676	$40,947,676	$16,379,070	$58,412,262	$5,000,000	$2,104,019	$22	$233	$25	10%
4	2013	$193,189,441	$48,297,360	$48,297,360	$19,318,944	$70,158,213	$5,000,000	$2,117,563	$26	$290	$25	10%
5	2014	$226,152,071	$56,538,018	$56,538,018	$22,615,207	$83,328,187	$5,000,000	$2,132,642	$30	$354	$25	9%
6	2015	$263,060,371	$65,765,093	$65,765,093	$31,212,309	$98,102,372	$0	$2,215,505	$35	$520	$25	9%
7	2016	$304,334,461	$76,083,615	$76,083,615	$35,115,531	$114,818,435	$0	$2,233,264	$41	$596	$25	9%
8	2017	$350,436,490	$87,609,123	$87,609,123	$39,500,734	$133,463,679	$0	$2,253,831	$47	$681	$25	9%
9	2018	$401,874,683	$100,468,671	$100,468,671	$44,419,554	$154,241,166	$0	$2,276,622	$53	$776	$25	9%
10	2019	$459,207,755	$114,801,939	$114,801,939	$49,927,861	$177,374,162	$0	$2,301,854	$61	$883	$25	9%

Issues: License fees increase in 2015 to make up for lost premium tax credit.
Significant rate reduction in 2010.

More Conservative Scenario

	Year	Total Funding Need	Hospital Fee 25%	Federal Match 25%	License Fees 10% + > 2014	Other Sources = 40% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Facility License	Prof License	Rate Increase
1	2010	$128,088,631	$32,022,158	$32,022,158	$12,808,863	$44,783,588	$5,000,000	$1,451,864	$17	$164	$25	-14%
2	2011	$162,925,803	$40,731,451	$40,731,451	$16,292,580	$58,689,765	$5,000,000	$1,480,556	$22	$232	$25	15%
3	2012	$204,144,871	$51,036,218	$51,036,218	$20,414,487	$75,161,319	$5,000,000	$1,496,629	$28	$311	$25	14%
4	2013	$252,769,520	$63,192,380	$63,192,380	$25,276,952	$94,592,438	$5,000,000	$1,515,370	$34	$405	$25	14%
5	2014	$309,976,992	$77,494,248	$77,494,248	$30,997,699	$117,453,637	$5,000,000	$1,537,160	$42	$516	$25	13%
6	2015	$377,120,193	$94,280,048	$94,280,048	$42,638,981	$144,307,213	$0	$1,613,903	$50	$741	$25	13%
7	2016	$455,752,901	$113,938,225	$113,938,225	$50,327,879	$175,906,048	$0	$1,642,524	$61	$890	$25	13%
8	2017	$547,658,497	$136,914,624	$136,914,624	$59,343,439	$212,809,484	$0	$1,676,326	$73	$1,065	$25	13%
9	2018	$654,882,691	$163,720,673	$163,720,673	$69,890,858	$255,835,124	$0	$1,715,363	$87	$1,269	$25	12%
10	2019	$779,770,806	$194,942,702	$194,942,702	$82,204,670	$305,920,342	$0	$1,760,391	$103	$1,507	$25	12%

Issues: License fees increase in 2015 to make up for lost premium tax credit.
Significant rate reduction in 2010.

CoverColorado
Long Term Funding Task Force
Funding Option H - Membership Capped at 10,000, Hospital Fees Replace Carrier Assessment

Most Likely Scenario

	Year	Average Members	Total Funding Need	UPF 25%	Hospital Fee 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit
1	2010	10,000	$105,898,468	$26,474,617	$26,474,617	$46,204,113	$5,000,000	$1,745,121	$14
2	2011	10,000	$116,092,533	$29,023,133	$29,023,133	$51,279,685	$5,000,000	$1,766,582	$16
3	2012	10,000	$127,285,795	$31,821,449	$31,821,449	$56,872,075	$5,000,000	$1,770,822	$17
4	2013	10,000	$139,577,129	$34,894,282	$34,894,282	$63,013,103	$5,000,000	$1,775,462	$19
5	2014	10,000	$153,075,244	$38,268,811	$38,268,811	$69,757,081	$5,000,000	$1,780,541	$21
6	2015	10,000	$167,899,660	$41,974,915	$41,974,915	$82,104,929	$0	$1,844,900	$22
7	2016	10,000	$184,181,789	$46,045,447	$46,045,447	$90,240,597	$0	$1,850,298	$25
8	2017	10,000	$202,066,122	$50,516,531	$50,516,531	$99,176,088	$0	$1,856,973	$27
9	2018	10,000	$221,711,528	$55,427,882	$55,427,882	$108,991,477	$0	$1,864,287	$29
10	2019	10,000	$243,292,693	$60,823,173	$60,823,173	$119,774,045	$0	$1,872,301	$32

Issues: Member cap is reached in August 2009.
UPF is depleted in 2018

Less Conservative Scenario

	Year	Average Members	Total Funding Need	UPF 25%	Hospital Fee 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit
1	2010	10,000	$102,077,151	$25,519,288	$25,519,288	$43,983,690	$5,000,000	$2,054,885	$14
2	2011	10,000	$109,863,668	$27,465,917	$27,465,917	$47,853,533	$5,000,000	$2,078,300	$15
3	2012	10,000	$118,261,387	$29,565,347	$29,565,347	$52,048,885	$5,000,000	$2,081,809	$16
4	2013	10,000	$127,318,834	$31,829,709	$31,829,709	$56,573,837	$5,000,000	$2,085,580	$17
5	2014	10,000	$137,088,404	$34,272,101	$34,272,101	$61,454,563	$5,000,000	$2,089,639	$18
6	2015	10,000	$147,626,669	$36,906,667	$36,906,667	$71,653,213	$0	$2,160,121	$20
7	2016	10,000	$158,994,717	$39,748,679	$39,748,679	$77,333,316	$0	$2,164,042	$21
8	2017	10,000	$171,258,505	$42,814,626	$42,814,626	$83,460,147	$0	$2,169,106	$23
9	2018	10,000	$184,489,256	$46,122,314	$46,122,314	$90,070,070	$0	$2,174,558	$24
10	2019	10,000	$198,763,875	$49,690,969	$49,690,969	$97,201,507	$0	$2,180,430	$26

Issues: Member cap is reached in September 2009.
UPF is depleted in 2019

More Conservative Scenario

	Year	Average Members	Total Funding Need	UPF 25%	Hospital Fee 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit
1	2010	10,000	$109,573,330	$27,393,332	$27,393,332	$48,325,005	$5,000,000	$1,461,660	$15
2	2011	10,000	$122,314,585	$30,578,646	$30,578,646	$54,676,193	$5,000,000	$1,481,099	$17
3	2012	10,000	$136,555,888	$34,138,972	$34,138,972	$61,792,049	$5,000,000	$1,485,895	$18
4	2013	10,000	$152,475,184	$38,118,796	$38,118,796	$69,746,358	$5,000,000	$1,491,234	$21
5	2014	10,000	$170,271,624	$42,567,906	$42,567,906	$78,638,631	$5,000,000	$1,497,182	$23
6	2015	10,000	$190,168,098	$47,542,025	$47,542,025	$93,528,768	$0	$1,555,281	$25
7	2016	10,000	$212,414,072	$53,103,518	$53,103,518	$104,644,977	$0	$1,562,059	$28
8	2017	10,000	$237,288,767	$59,322,192	$59,322,192	$117,074,091	$0	$1,570,292	$32
9	2018	10,000	$265,104,712	$66,276,178	$66,276,178	$130,972,884	$0	$1,579,472	$35
10	2019	10,000	$296,211,731	$74,052,933	$74,052,933	$146,516,158	$0	$1,589,708	$39

Issues: Member cap is reached in August 2009.
UPF is depleted in 2017

CoverColorado
Long Term Funding Task Force
Funding Option I - UPF 20%, Carrier Assessment 20%, Premium and Other 60%

Most Likely Scenario

	Year	Total Funding Need	UPF 20%	Carriers 20%	Other Sources = 60% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Assessment Per Insured Per Month
1	2010	$121,245,129	$24,249,026	$24,249,026	$66,228,779	$5,000,000	$1,518,299	55%	30.3%	$2.28
2	2011	$150,124,327	$30,024,865	$30,024,865	$83,596,304	$5,000,000	$1,478,292	56%	12.1%	$2.94
3	2012	$183,452,436	$36,690,487	$36,690,487	$103,643,981	$5,000,000	$1,427,481	56%	11.5%	$3.74
4	2013	$221,827,369	$44,365,474	$44,365,474	$126,727,578	$5,000,000	$1,368,843	57%	11.1%	$4.71
5	2014	$265,922,102	$53,184,420	$53,184,420	$153,251,960	$5,000,000	$1,301,301	58%	10.8%	$5.88
6	2015	$316,493,719	$63,298,744	$63,298,744	$188,615,021	$0	$1,281,211	60%	13.6%	$7.29
7	2016	$374,393,505	$74,878,701	$74,878,701	$223,444,650	$0	$1,191,453	60%	10.0%	$8.99
8	2017	$440,578,224	$88,115,645	$88,115,645	$263,257,522	$0	$1,089,413	60%	10.0%	$11.02
9	2018	$516,122,704	$103,224,541	$103,224,541	$308,700,965	$0	$972,657	60%	9.9%	$13.44
10	2019	$602,233,897	$120,446,779	$120,446,779	$360,501,071	$0	$839,268	60%	9.9%	$16.34

Issues: Depletion of the UPF will occur by 2016
Fund balance is negative just prior to assessment payment in 2018 and 2019.

Less Conservative Scenario

	Year	Total Funding Need	UPF 20%	Carriers 20%	Other Sources = 60% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Assessment Per Insured Per Month
1	2010	$114,329,491	$22,865,898	$22,865,898	$61,774,722	$5,000,000	$1,822,972	54%	24.0%	$2.15
2	2011	$137,609,035	$27,521,807	$27,521,807	$75,777,513	$5,000,000	$1,787,908	55%	10.0%	$2.69
3	2012	$163,790,703	$32,758,141	$32,758,141	$91,531,942	$5,000,000	$1,742,479	56%	9.5%	$3.34
4	2013	$193,189,441	$38,637,888	$38,637,888	$109,222,275	$5,000,000	$1,691,390	57%	9.1%	$4.10
5	2014	$226,152,071	$45,230,414	$45,230,414	$129,057,236	$5,000,000	$1,634,007	57%	8.9%	$5.00
6	2015	$263,060,371	$52,612,074	$52,612,074	$156,201,784	$0	$1,634,439	59%	12.2%	$6.06
7	2016	$304,334,461	$60,866,892	$60,866,892	$181,039,079	$0	$1,561,598	59%	8.0%	$7.30
8	2017	$350,436,490	$70,087,298	$70,087,298	$208,780,924	$0	$1,480,970	60%	8.0%	$8.76
9	2018	$401,874,683	$80,374,937	$80,374,937	$239,733,980	$0	$1,390,830	60%	8.0%	$10.47
10	2019	$459,207,755	$91,841,551	$91,841,551	$274,234,484	$0	$1,290,169	60%	7.9%	$12.46

Issues: Depletion of the UPF will occur by 2017.

More Conservative Scenario

	Year	Total Funding Need	UPF 20%	Carriers 20%	Other Sources = 60% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Assessment Per Insured Per Month
1	2010	$128,088,631	$25,617,726	$25,617,726	$70,609,452	$5,000,000	$1,243,726	55%	36.1%	$2.41
2	2011	$162,925,803	$32,585,161	$32,585,161	$91,554,748	$5,000,000	$1,200,733	56%	14.1%	$3.19
3	2012	$204,144,871	$40,828,974	$40,828,974	$116,340,555	$5,000,000	$1,146,368	57%	13.5%	$4.16
4	2013	$252,769,520	$50,553,904	$50,553,904	$145,579,675	$5,000,000	$1,082,037	58%	13.1%	$5.37
5	2014	$309,976,992	$61,995,398	$61,995,398	$179,980,083	$5,000,000	$1,006,112	58%	12.8%	$6.86
6	2015	$377,120,193	$75,424,039	$75,424,039	$225,305,052	$0	$967,063	60%	15.1%	$8.69
7	2016	$455,752,901	$91,150,580	$91,150,580	$272,590,226	$0	$861,514	60%	12.0%	$10.94
8	2017	$547,658,497	$109,531,699	$109,531,699	$327,856,587	$0	$738,511	60%	11.9%	$13.69
9	2018	$654,882,691	$130,976,538	$130,976,538	$392,335,018	$0	$594,596	60%	11.9%	$17.06
10	2019	$779,770,806	$155,954,161	$155,954,161	$467,435,956	$0	$426,528	60%	11.9%	$21.15

Issues: Depletion of the UPF will occur by 2015.
Fund balance is negative just prior to assessment payment in 2017 - 2019.

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option J - UPF Capped at $25M, 10% From Licenses, Premium 60%, Balance is Hospital Fees

Most Likely Scenario

	Year	Total Funding Need	UPF $25M	Licenses 10%	Hospital Fee Balance	Other Sources = 60% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Hospital Funding %	Rate Increase	Facility Licenses	Prof License
1	2010	$121,245,129	$25,000,000	$12,124,513	$11,373,539	$66,017,416	$5,000,000	$1,729,662	$6	9%	29.8%	$151	$25
2	2011	$150,124,327	$25,000,000	$15,012,433	$20,037,298	$83,330,279	$5,000,000	$1,744,317	$11	13%	12.1%	$207	$25
3	2012	$183,452,436	$25,000,000	$18,345,244	$30,035,731	$103,327,145	$5,000,000	$1,744,317	$16	16%	11.5%	$271	$25
4	2013	$221,827,369	$25,000,000	$22,182,737	$41,548,211	$126,352,105	$5,000,000	$1,744,317	$22	19%	11.1%	$346	$25
5	2014	$265,922,102	$25,000,000	$26,592,210	$54,822,168	$152,763,407	$5,000,000	$1,744,317	$29	21%	10.8%	$431	$25
6	2015	$316,493,719	$25,000,000	$31,649,372	$69,959,047	$188,140,983	$0	$1,744,317	$37	22%	13.7%	$529	$25
7	2016	$374,393,505	$25,000,000	$37,439,351	$87,322,939	$222,886,899	$0	$1,744,317	$47	23%	10.0%	$641	$25
8	2017	$440,578,224	$25,000,000	$44,057,822	$107,331,165	$262,444,920	$0	$1,744,317	$57	24%	9.9%	$769	$25
9	2018	$516,122,704	$25,000,000	$51,612,270	$129,856,825	$307,909,292	$0	$1,744,317	$69	25%	10.0%	$915	$25
10	2019	$602,233,897	$25,000,000	$60,223,390	$155,443,825	$359,822,366	$0	$1,744,317	$82	26%	10.0%	$1,082	$25

Less Conservative Scenario

	Year	Total Funding Need	UPF $25M	Licenses 10%	Hospital Fee Balance	Other Sources = 60% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Hospital Funding %	Rate Increase	Facility Licenses	Prof License
1	2010	$114,329,491	$25,000,000	$11,432,949	$9,298,847	$61,544,433	$5,000,000	$2,053,261	$5	8%	23.5%	$137	$25
2	2011	$137,609,035	$25,000,000	$13,760,904	$16,282,711	$75,495,131	$5,000,000	$2,070,290	$9	12%	10.0%	$182	$25
3	2012	$163,790,703	$25,000,000	$16,379,070	$24,137,211	$91,204,132	$5,000,000	$2,070,290	$13	15%	9.5%	$233	$25
4	2013	$193,189,441	$25,000,000	$19,318,944	$32,880,328	$108,919,879	$5,000,000	$2,070,290	$18	17%	9.2%	$290	$25
5	2014	$226,152,071	$25,000,000	$22,615,207	$42,827,152	$128,639,421	$5,000,000	$2,070,290	$23	19%	8.8%	$354	$25
6	2015	$263,060,371	$25,000,000	$26,306,037	$53,892,897	$155,791,147	$0	$2,070,290	$29	20%	12.3%	$425	$25
7	2016	$304,334,461	$25,000,000	$30,433,446	$66,200,752	$180,629,973	$0	$2,070,290	$35	22%	8.1%	$505	$25
8	2017	$350,436,490	$25,000,000	$35,043,649	$80,187,111	$208,135,440	$0	$2,070,290	$43	23%	7.9%	$594	$25
9	2018	$401,874,683	$25,000,000	$40,187,468	$95,557,259	$239,059,666	$0	$2,070,290	$51	24%	8.0%	$694	$25
10	2019	$459,207,755	$25,000,000	$45,920,775	$112,686,051	$273,530,638	$0	$2,070,290	$60	25%	8.0%	$805	$25

More Conservative Scenario

	Year	Total Funding Need	UPF $25M	Licenses 10%	Hospital Fee Balance	Other Sources = 60% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Hospital Funding %	Rate Increase	Facility Licenses	Prof License
1	2010	$128,088,631	$25,000,000	$12,808,863	$13,455,591	$70,389,692	$5,000,000	$1,434,485	$7	11%	35.7%	$164	$25
2	2011	$162,925,803	$25,000,000	$16,292,580	$23,911,075	$91,275,236	$5,000,000	$1,446,911	$13	15%	14.1%	$232	$25
3	2012	$204,144,871	$25,000,000	$20,414,487	$36,270,649	$116,012,823	$5,000,000	$1,446,911	$20	18%	13.5%	$311	$25
4	2013	$252,769,520	$25,000,000	$25,276,952	$50,944,618	$145,101,039	$5,000,000	$1,446,911	$27	20%	13.0%	$405	$25
5	2014	$309,976,992	$25,000,000	$30,997,699	$68,084,121	$179,448,260	$5,000,000	$1,446,911	$37	22%	12.8%	$516	$25
6	2015	$377,120,193	$25,000,000	$37,712,019	$88,142,747	$224,818,515	$0	$1,446,911	$47	23%	15.2%	$646	$25
7	2016	$455,752,901	$25,000,000	$45,575,290	$111,668,872	$272,061,828	$0	$1,446,911	$60	25%	12.0%	$798	$25
8	2017	$547,658,497	$25,000,000	$54,765,850	$139,025,275	$327,420,462	$0	$1,446,911	$74	25%	12.0%	$976	$25
9	2018	$654,882,691	$25,000,000	$65,488,269	$171,455,459	$391,492,051	$0	$1,446,911	$91	26%	11.8%	$1,184	$25
10	2019	$779,770,806	$25,000,000	$77,977,081	$208,844,692	$466,502,123	$0	$1,446,911	$110	27%	11.9%	$1,426	$25

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option K - UPF Capped at $25M, 5% From Licenses, Premium 60%, Balance is Hospital Fees

Most Likely Scenario

	Year	Total Funding Need	UPF $25M	Licenses 5%	Hospital Fee Balance	Other Sources = 60% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Hospital Funding %	Rate Increase	Facility Licenses	Prof License
1	2010	$121,245,129	$25,000,000	$6,062,256	$17,435,795	$66,017,416	$5,000,000	$1,729,662	$9	14%	29.8%	$33	$25
2	2011	$150,124,327	$25,000,000	$7,506,216	$27,543,514	$83,330,279	$5,000,000	$1,744,317	$15	18%	12.1%	$61	$25
3	2012	$183,452,436	$25,000,000	$9,172,622	$39,208,353	$103,327,145	$5,000,000	$1,744,317	$21	21%	11.5%	$94	$25
4	2013	$221,827,369	$25,000,000	$11,091,368	$52,639,579	$126,352,105	$5,000,000	$1,744,317	$28	24%	11.1%	$131	$25
5	2014	$265,922,102	$25,000,000	$13,296,105	$68,118,273	$152,763,407	$5,000,000	$1,744,317	$37	26%	10.8%	$174	$25
6	2015	$316,493,719	$25,000,000	$15,824,686	$85,783,733	$188,140,983	$0	$1,744,317	$46	27%	13.7%	$222	$25
7	2016	$374,393,505	$25,000,000	$18,719,675	$106,042,614	$222,886,899	$0	$1,744,317	$57	28%	10.0%	$278	$25
8	2017	$440,578,224	$25,000,000	$22,028,911	$129,360,076	$262,444,920	$0	$1,744,317	$69	29%	9.9%	$343	$25
9	2018	$516,122,704	$25,000,000	$25,806,135	$155,662,961	$307,909,292	$0	$1,744,317	$83	30%	10.0%	$416	$25
10	2019	$602,233,897	$25,000,000	$30,111,695	$185,555,520	$359,822,366	$0	$1,744,317	$98	31%	10.0%	$499	$25

Less Conservative Scenario

	Year	Total Funding Need	UPF $25M	Licenses 5%	Hospital Fee Balance	Other Sources = 60% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Hospital Funding %	Rate Increase	Facility Licenses	Prof License
1	2010	$114,329,491	$25,000,000	$5,716,475	$15,015,322	$61,544,433	$5,000,000	$2,053,261	$8	13%	23.5%	$33	$25
2	2011	$137,609,035	$25,000,000	$6,880,452	$23,163,162	$75,495,131	$5,000,000	$2,070,290	$13	17%	10.0%	$40	$25
3	2012	$163,790,703	$25,000,000	$8,189,535	$32,326,746	$91,204,132	$5,000,000	$2,070,290	$17	20%	9.5%	$47	$25
4	2013	$193,189,441	$25,000,000	$9,659,472	$42,539,800	$108,919,879	$5,000,000	$2,070,290	$23	22%	9.2%	$56	$25
5	2014	$226,152,071	$25,000,000	$11,307,604	$54,134,756	$128,639,421	$5,000,000	$2,070,290	$29	24%	8.8%	$65	$25
6	2015	$263,060,371	$25,000,000	$13,153,019	$67,045,915	$155,791,147	$0	$2,070,290	$36	25%	12.3%	$76	$25
7	2016	$304,334,461	$25,000,000	$15,216,723	$81,417,475	$180,629,973	$0	$2,070,290	$43	27%	8.1%	$88	$25
8	2017	$350,436,490	$25,000,000	$17,521,825	$97,708,936	$208,135,440	$0	$2,070,290	$52	28%	7.9%	$101	$25
9	2018	$401,874,683	$25,000,000	$20,093,734	$115,650,993	$239,059,666	$0	$2,070,290	$61	29%	8.0%	$116	$25
10	2019	$459,207,755	$25,000,000	$22,960,388	$135,646,439	$273,530,638	$0	$2,070,290	$72	30%	8.0%	$132	$25

More Conservative Scenario

	Year	Total Funding Need	UPF $25M	Licenses 5%	Hospital Fee Balance	Other Sources = 60% Prem Tax Premium	Prem Tax Credit	Interest	Fee Per Hosp Unit	Hospital Funding %	Rate Increase	Facility Licenses	Prof License
1	2010	$128,088,631	$25,000,000	$6,404,432	$19,860,023	$70,389,692	$5,000,000	$1,434,485	$11	16%	35.7%	$37	$25
2	2011	$162,925,803	$25,000,000	$8,146,290	$32,057,366	$91,275,236	$5,000,000	$1,446,911	$17	20%	14.1%	$47	$25
3	2012	$204,144,871	$25,000,000	$10,207,244	$46,477,892	$116,012,823	$5,000,000	$1,446,911	$25	23%	13.5%	$59	$25
4	2013	$252,769,520	$25,000,000	$12,638,476	$63,583,094	$145,101,039	$5,000,000	$1,446,911	$34	25%	13.0%	$73	$25
5	2014	$309,976,992	$25,000,000	$15,498,850	$83,582,971	$179,448,260	$5,000,000	$1,446,911	$45	27%	12.8%	$89	$25
6	2015	$377,120,193	$25,000,000	$18,856,010	$106,998,757	$224,818,515	$0	$1,446,911	$57	28%	15.2%	$109	$25
7	2016	$455,752,901	$25,000,000	$22,787,645	$134,456,517	$272,061,828	$0	$1,446,911	$72	30%	12.0%	$131	$25
8	2017	$547,658,497	$25,000,000	$27,382,925	$166,408,199	$327,420,462	$0	$1,446,911	$89	30%	12.0%	$158	$25
9	2018	$654,882,691	$25,000,000	$32,744,135	$204,265,811	$391,425,834	$0	$1,446,911	$108	31%	11.8%	$189	$25
10	2019	$779,770,806	$25,000,000	$38,988,540	$247,910,903	$466,424,451	$0	$1,446,911	$131	32%	11.9%	$225	$25

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option L - Current Requirements with 120% Medicare Fee Schedule

Most Likely Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Insured Lives	Assessment Per Insured Per Month
1	2010	$105,646,083	$26,411,521	$26,411,521	$46,328,623	$5,000,000	$1,494,419	44%	-9.2%	887,081	$2.48
2	2011	$130,783,732	$32,695,933	$32,695,933	$58,944,998	$5,000,000	$1,446,867	45%	12.9%	851,598	$3.20
3	2012	$159,777,973	$39,944,493	$39,944,493	$73,500,048	$5,000,000	$1,388,939	46%	12.1%	817,534	$4.07
4	2013	$193,145,670	$48,286,418	$48,286,418	$90,250,707	$5,000,000	$1,322,129	47%	11.6%	784,833	$5.13
5	2014	$231,468,466	$57,867,116	$57,867,116	$109,489,011	$5,000,000	$1,245,222	47%	11.2%	753,440	$6.40
6	2015	$275,400,574	$68,850,143	$68,850,143	$136,485,867	$0	$1,214,420	50%	15.1%	723,302	$7.93
7	2016	$325,677,486	$81,419,372	$81,419,372	$161,726,312	$0	$1,112,431	50%	10.0%	694,370	$9.77
8	2017	$383,125,687	$95,781,422	$95,781,422	$190,566,401	$0	$996,443	50%	10.0%	666,595	$11.97
9	2018	$448,673,507	$112,168,377	$112,168,377	$223,472,948	$0	$863,806	50%	10.0%	639,931	$14.61
10	2019	$523,363,233	$130,840,808	$130,840,808	$260,969,261	$0	$712,355	50%	9.9%	614,334	$17.75

Issues: Claims reduced by 14%.
UPF depleted in 2015.

Less Conservative Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Insured Lives	Assessment Per Insured Per Month
1	2010	$99,587,363	$24,896,841	$24,896,841	$42,996,098	$5,000,000	$1,797,583	43%	-13.9%	887,081	$2.34
2	2011	$119,828,014	$29,957,003	$29,957,003	$53,158,564	$5,000,000	$1,755,443	44%	10.8%	851,598	$2.93
3	2012	$142,578,914	$35,644,729	$35,644,729	$64,585,701	$5,000,000	$1,703,756	45%	10.1%	817,534	$3.63
4	2013	$168,111,761	$42,027,940	$42,027,940	$77,410,218	$5,000,000	$1,645,663	46%	9.6%	784,833	$4.46
5	2014	$196,725,712	$49,181,428	$49,181,428	$91,782,404	$5,000,000	$1,580,452	47%	9.2%	753,440	$5.44
6	2015	$228,750,042	$57,187,511	$57,187,511	$112,802,875	$0	$1,572,146	49%	14.0%	723,302	$6.59
7	2016	$264,547,055	$66,136,764	$66,136,764	$130,783,965	$0	$1,489,563	49%	8.1%	694,370	$7.94
8	2017	$304,515,262	$76,128,815	$76,128,815	$150,859,547	$0	$1,398,084	50%	8.0%	666,595	$9.52
9	2018	$349,092,860	$87,273,215	$87,273,215	$173,250,563	$0	$1,295,867	50%	8.0%	639,931	$11.36
10	2019	$398,761,537	$99,690,384	$99,690,384	$198,198,988	$0	$1,181,780	50%	8.0%	614,334	$13.52

Issues: Claims reduced by 14%.
UPF depleted in 2016.

More Conservative Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Insured Lives	Assessment Per Insured Per Month
1	2010	$111,600,151	$27,900,038	$27,900,038	$49,578,307	$5,000,000	$1,221,769	44%	-4.7%	887,081	$2.62
2	2011	$141,927,191	$35,481,798	$35,481,798	$64,792,540	$5,000,000	$1,171,055	46%	14.9%	851,598	$3.47
3	2012	$177,791,129	$44,447,782	$44,447,782	$82,786,555	$5,000,000	$1,109,010	47%	14.1%	817,534	$4.53
4	2013	$220,077,798	$55,019,450	$55,019,450	$104,003,259	$5,000,000	$1,035,640	47%	13.5%	784,833	$5.84
5	2014	$269,805,668	$67,451,417	$67,451,417	$128,953,731	$5,000,000	$949,103	48%	13.1%	753,440	$7.46
6	2015	$328,144,923	$82,036,231	$82,036,231	$163,174,832	$0	$897,630	50%	16.4%	723,302	$9.45
7	2016	$396,439,206	$99,109,802	$99,109,802	$197,442,040	$0	$777,563	50%	12.0%	694,370	$11.89
8	2017	$476,230,398	$119,057,600	$119,057,600	$237,477,571	$0	$637,628	50%	11.9%	666,595	$14.88
9	2018	$569,286,849	$142,321,712	$142,321,712	$284,169,422	$0	$474,003	50%	11.9%	639,931	$18.53
10	2019	$677,635,527	$169,408,882	$169,408,882	$338,534,739	$0	$283,024	50%	11.9%	614,334	$22.98

Issues: Claims reduced by 14%.
UPF depleted in 2015.

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option M - Current Requirements with 110% Medicare Fee Schedule

Most Likely Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Assessment Per Insured Per Month
1	2010	$98,960,777	$24,740,194	$24,740,194	$42,974,216	$5,000,000	$1,506,173	43%	-15.8%	$2.32
2	2011	$122,494,905	$30,623,726	$30,623,726	$54,784,745	$5,000,000	$1,462,708	45%	13.1%	$3.00
3	2012	$149,631,775	$37,407,944	$37,407,944	$68,407,335	$5,000,000	$1,408,552	46%	12.3%	$3.81
4	2013	$180,853,514	$45,213,378	$45,213,378	$84,080,647	$5,000,000	$1,346,110	46%	11.7%	$4.80
5	2014	$216,702,621	$54,175,655	$54,175,655	$102,077,062	$5,000,000	$1,274,249	47%	11.3%	$5.99
6	2015	$257,789,226	$64,447,307	$64,447,307	$127,645,351	$0	$1,249,262	50%	15.5%	$7.43
7	2016	$304,799,192	$76,199,798	$76,199,798	$151,245,636	$0	$1,153,960	50%	10.0%	$9.14
8	2017	$358,503,172	$89,625,793	$89,625,793	$178,205,938	$0	$1,045,648	50%	10.0%	$11.20
9	2018	$419,766,709	$104,941,677	$104,941,677	$208,961,547	$0	$921,807	50%	9.9%	$13.67
10	2019	$489,561,520	$122,390,380	$122,390,380	$244,000,341	$0	$780,419	50%	9.9%	$16.60

Issues: Claims reduced by 20%.
UPF depleted in 2016.

Less Conservative Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Assessment Per Insured Per Month
1	2010	$93,269,308	$23,317,327	$23,317,327	$39,824,453	$5,000,000	$1,810,201	43%	-20.3%	$2.19
2	2011	$112,207,576	$28,051,894	$28,051,894	$49,331,812	$5,000,000	$1,771,976	44%	11.0%	$2.75
3	2012	$133,488,148	$33,372,037	$33,372,037	$60,020,399	$5,000,000	$1,723,675	45%	10.2%	$3.40
4	2013	$157,364,184	$39,341,046	$39,341,046	$72,012,689	$5,000,000	$1,669,403	46%	9.7%	$4.18
5	2014	$184,114,415	$46,028,604	$46,028,604	$85,448,711	$5,000,000	$1,608,496	46%	9.3%	$5.09
6	2015	$214,045,615	$53,511,404	$53,511,404	$105,417,776	$0	$1,605,032	49%	14.4%	$6.17
7	2016	$247,495,310	$61,873,827	$61,873,827	$122,219,771	$0	$1,527,884	49%	8.1%	$7.43
8	2017	$284,834,736	$71,208,684	$71,208,684	$140,974,867	$0	$1,442,500	49%	8.0%	$8.90
9	2018	$326,472,079	$81,618,020	$81,618,020	$161,888,931	$0	$1,347,109	50%	8.0%	$10.63
10	2019	$372,856,015	$93,214,004	$93,214,004	$185,187,354	$0	$1,240,654	50%	8.0%	$12.64

Issues: Claims reduced by 20%.
UPF depleted in 2017.

More Conservative Scenario

	Year	Total Funding Need	UPF 25%	Carriers 25%	Other Sources = 50% Prem Tax Premium	Prem Tax Credit	Interest	% From Premium	Rate Increase	Assessment Per Insured Per Month
1	2010	$104,533,659	$26,133,415	$26,133,415	$46,034,291	$5,000,000	$1,232,539	44%	-11.6%	$2.45
2	2011	$132,927,786	$33,231,946	$33,231,946	$60,277,919	$5,000,000	$1,185,974	45%	15.2%	$3.25
3	2012	$166,496,668	$41,624,167	$41,624,167	$77,120,355	$5,000,000	$1,127,979	46%	14.2%	$4.24
4	2013	$206,067,060	$51,516,765	$51,516,765	$96,974,113	$5,000,000	$1,059,417	47%	13.6%	$5.47
5	2014	$252,589,386	$63,147,347	$63,147,347	$120,316,125	$5,000,000	$978,568	48%	13.2%	$6.98
6	2015	$307,155,522	$76,788,880	$76,788,880	$152,643,956	$0	$933,805	50%	16.7%	$8.85
7	2016	$371,019,051	$92,754,763	$92,754,763	$184,687,892	$0	$821,633	50%	12.0%	$11.13
8	2017	$445,618,356	$111,404,589	$111,404,589	$222,118,209	$0	$690,969	50%	11.9%	$13.93
9	2018	$532,602,916	$133,150,729	$133,150,729	$265,763,256	$0	$538,202	50%	11.9%	$17.34
10	2019	$633,863,264	$158,465,816	$158,465,816	$316,571,711	$0	$359,921	50%	11.9%	$21.50

Issues: Claims reduced by 20%.
UPF depleted in 2015.

APPENDIX C

CoverColorado
Long Term Funding Task Force
Funding Option N - Hospital Fees Replace Carrier Assessment, Allocated to Inpatient Days

Most Likely Scenario

					Other Sources = 50%			Hospital Utilization	
		Total	UPF	Hospital Fee		Prem Tax		Inpatient	Fee Per
	Year	Funding Need	25%	25%	Premium	Credit	Interest	Days	Day
1	2010	$121,245,129	$30,311,282	$30,311,282	$53,874,488	$5,000,000	$1,748,077	710,581	$43
2	2011	$150,124,327	$37,531,082	$37,531,082	$68,282,818	$5,000,000	$1,779,346	717,687	$52
3	2012	$183,452,436	$45,863,109	$45,863,109	$84,931,255	$5,000,000	$1,794,963	724,864	$63
4	2013	$221,827,369	$55,456,842	$55,456,842	$104,100,895	$5,000,000	$1,812,790	732,112	$76
5	2014	$265,922,102	$66,480,526	$66,480,526	$126,127,965	$5,000,000	$1,833,086	739,433	$90
6	2015	$316,493,719	$79,123,430	$79,123,430	$156,333,144	$0	$1,913,715	746,828	$106
7	2016	$374,393,505	$93,598,376	$93,598,376	$185,257,504	$0	$1,939,249	754,296	$124
8	2017	$440,578,224	$110,144,556	$110,144,556	$218,320,140	$0	$1,968,972	761,839	$145
9	2018	$516,122,704	$129,030,676	$129,030,676	$256,058,763	$0	$2,002,589	769,457	$168
10	2019	$602,233,897	$150,558,474	$150,558,474	$299,076,370	$0	$2,040,579	777,152	$194

Issues: Depletion of the UPF will occur by 2015.
Hospital fee assumed to be paid monthly. Premium lower because interest is higher.
Hospital utilization from CHA, excludes Medicare, Medicaid, Champus. Trends based on 2007 to 2008.

Less Conservative Scenario

					Other Sources = 50%			Hospital Utilization	
		Total	UPF	Hospital Fee		Prem Tax		Inpatient	Fee Per
	Year	Funding Need	25%	25%	Premium	Credit	Interest	Days	Unit
1	2010	$114,329,491	$28,582,373	$28,582,373	$50,098,562	$5,000,000	$2,066,184	710,581	$40
2	2011	$137,609,035	$34,402,259	$34,402,259	$61,706,168	$5,000,000	$2,098,349	717,687	$48
3	2012	$163,790,703	$40,947,676	$40,947,676	$74,783,717	$5,000,000	$2,111,635	724,864	$56
4	2013	$193,189,441	$48,297,360	$48,297,360	$89,468,263	$5,000,000	$2,126,458	732,112	$66
5	2014	$226,152,071	$56,538,018	$56,538,018	$105,933,073	$5,000,000	$2,142,963	739,433	$76
6	2015	$263,060,371	$65,765,093	$65,765,093	$129,304,073	$0	$2,226,113	746,828	$88
7	2016	$304,334,461	$76,083,615	$76,083,615	$149,921,470	$0	$2,245,761	754,296	$101
8	2017	$350,436,490	$87,609,123	$87,609,123	$172,949,819	$0	$2,268,426	761,839	$115
9	2018	$401,874,683	$100,468,671	$100,468,671	$198,643,823	$0	$2,293,519	769,457	$131
10	2019	$459,207,755	$114,801,939	$114,801,939	$227,282,597	$0	$2,321,281	777,152	$148

Issues: Depletion of the UPF will occur by 2015.

More Conservative Scenario

					Other Sources = 50%			Hospital Utilization	
		Total	UPF	Hospital Fee		Prem Tax		Inpatient	Fee Per
	Year	Funding Need	25%	25%	Premium	Credit	Interest	Days	Unit
1	2010	$128,088,631	$32,022,158	$32,022,158	$57,587,726	$5,000,000	$1,456,589	710,581	$45
2	2011	$162,925,803	$40,731,451	$40,731,451	$74,976,262	$5,000,000	$1,486,640	717,687	$57
3	2012	$204,144,871	$51,036,218	$51,036,218	$95,568,284	$5,000,000	$1,504,151	724,864	$70
4	2013	$252,769,520	$63,192,380	$63,192,380	$119,860,180	$5,000,000	$1,524,580	732,112	$86
5	2014	$309,976,992	$77,494,248	$77,494,248	$148,440,152	$5,000,000	$1,548,344	739,433	$105
6	2015	$377,120,193	$94,280,048	$94,280,048	$186,933,828	$0	$1,626,268	746,828	$126
7	2016	$455,752,901	$113,938,225	$113,938,225	$226,218,776	$0	$1,657,675	754,296	$151
8	2017	$547,658,497	$136,914,624	$136,914,624	$272,134,539	$0	$1,694,710	761,839	$180
9	2018	$654,882,691	$163,720,673	$163,720,673	$325,703,876	$0	$1,737,470	769,457	$213
10	2019	$779,770,806	$194,942,702	$194,942,702	$388,098,614	$0	$1,786,789	777,152	$251

Issues: Depletion of the UPF will occur by 2014.

APPENDIX C

CoverColorado
Long Term Funding Task Force
Comparison of CoverColorado Rates to Small Group Rates

Small Group Rates

Standard PPO Plan - January 2009 Denver Rates*

Company	Age 21	Age 36	Age 62
Aetna	$266	$366	$956
Humana	$230	$387	$1,097
John Alden	$326	$502	$1,408
PacifiCare	$207	$348	$946
Principal	$341	$432	$1,269
RMHCO	$291	$386	$1,043
Anthem	$242	$355	$961
Time	$294	$411	$1,149
Union Security	$310	$408	$1,238
United Healthcare	$215	$362	$985
Simple Average	$272	$396	$1,105

*From DOI website, omitted obvious outliers (First Health, Mega Life, MidWest Natl, Trustmark)

CoverColorado Rates

$1,500 Deductible Plan - January 2009 Denver Rates

	Age 21	Age 36	Age 62	Wts
Male Nonsmoker	$161	$250	$842	41.8%
Female Nonsmoker	$270	$393	$831	47.2%
Male Smoker	$204	$317	$1,067	5.2%
Female Smoker	$342	$498	$1,053	5.8%
	$225	$335	$861	100.0%
Ratio to SG Rates	83%	85%	78%	

If CoverColorado rates were based on Small Group rates:

140% of SG Rates	$381	$554	$1,547

Rate Increases Needed:

	Age 21	Age 36	Age 62
Male Nonsmoker	137%	121%	84%
Female Nonsmoker	41%	41%	86%
Male Smoker	87%	75%	45%
Female Smoker	11%	11%	47%
	70%	65%	80%

APPENDIX C