

*CHAS Issue Brief*  
**2011 DATA SERIES**  
**NO. 7**

# Colorado's Health Insurance Marketplace: A Profile of Likely Consumers

*Prepared for The Colorado Trust by the Colorado Health Institute*

## Introduction

Later this year, thousands of Coloradans will begin buying health insurance through Connect for Health Colorado, the state's new insurance marketplace, as the Affordable Care Act (ACA) moves toward full implementation.

With a scheduled October 1 launch, attention is turning to the uninsured Coloradans most likely to become customers – those who will be eligible for federal subsidies to buy insurance through the marketplace. They are the focus of this analysis because understanding this group will help Colorado prepare to serve them.

This report uses data from the 2011 Colorado Health Access Survey (CHAS) to get a better view of these history-making Coloradans, the first wave to buy insurance through the new marketplace.

With the CHAS, we can answer these important questions:

- What are this population's demographic characteristics, and how many may be eligible for the federal subsidies designed to make health insurance more affordable?
- Why are they uninsured, and what do they view as "affordable" insurance?
- How do they get their medical care now?
- How healthy are they?

Moving forward, new data from the 2013 CHAS (available in November 2013) and beyond will be a crucial source of information to help analyze the impact of federal health care reform.

## *About the Survey*

*The Colorado Health Access Survey (CHAS) is an extensive survey of health care coverage, access and utilization in Colorado. It is a follow-up to the 2008-2009 Colorado Household Survey (COHS) and is administered every other year via a random-sample telephone survey of more than 10,000 households across the state. The CHAS provides detailed information that is representative of all Coloradans.*

*A program of The Colorado Trust, the CHAS provides information to help policymakers, as well as health care, business and community leaders, more fully understand health care challenges and advance shared solutions to improve health coverage and care for Coloradans.*

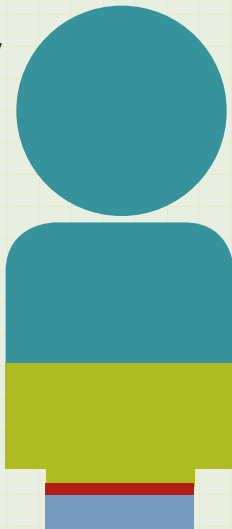
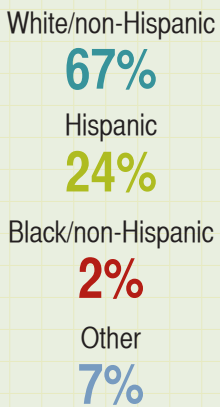
*The Colorado Health Institute (CHI) managed the data collection and analysis of the survey.*

# Who Will Buy Health Insurance in the State's New Marketplace?

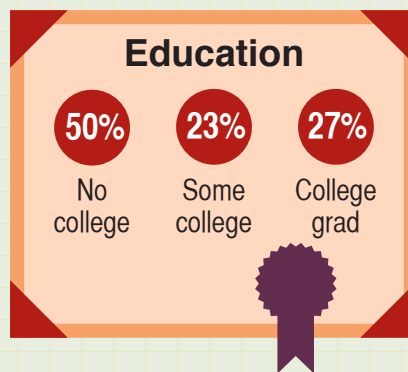
Findings from the 2011 Colorado Health Access Survey (CHAS)

## WHO WILL BE ELIGIBLE?

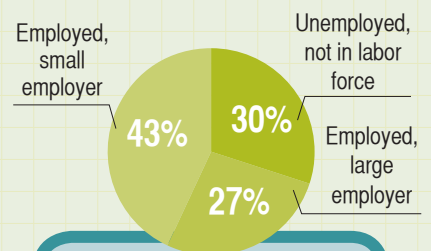
### Race/Ethnicity



### Education



### Employment

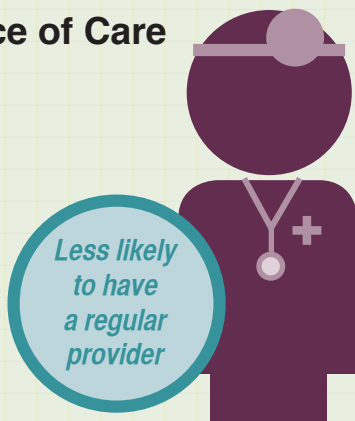
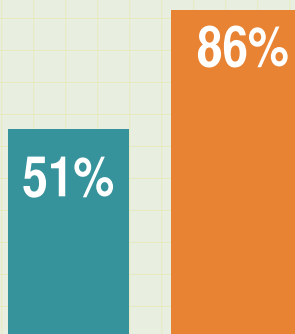


Many work for small employers (fewer than 50 employees) that are less likely to offer health insurance

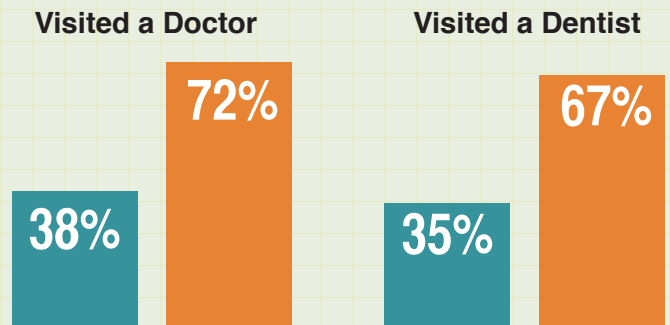
## HOW DO THEY USE HEALTH CARE?

■ Subsidy-eligible Adults ■ Privately-insured Adults

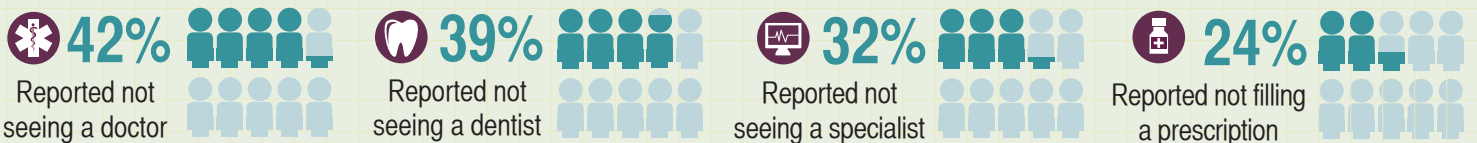
### Has a Usual Source of Care



### Doctor and Dentist Visits



### Going without care because of cost



# Getting Ready: The Health Insurance Marketplace and the Federal Premium Subsidy

One of the primary goals of national health care reform is to increase the number of people with affordable health insurance. The ACA aims to accomplish this in part through new health insurance marketplaces where people and small businesses will be able to shop for health insurance.

The marketplaces will not sell health insurance plans of their own. Instead, they will provide the platform for insurance companies offering plans that meet basic requirements. Customers will be able to shop online and compare the plans based on benefits, price and quality. The thinking is that healthy competition will lead to more affordable plans.

The marketplaces are also being designed to be user-friendly. Many people who will be required to buy insurance because of the law's "individual mandate" provision are expected to turn to the marketplaces to help them navigate the insurance landscape, in some cases for the first time.

In addition, the marketplaces will be the only places to obtain the new federal subsidies intended to make health insurance more affordable for uninsured Americans. Subsidies will be available on a sliding scale based on a formula involving income and the cost of insurance. The subsidies will be most generous for those with lower incomes and taper off for people with higher incomes. For example, a person with an income just above the poverty level would be eligible for a subsidy if insurance costs more than two percent of his or her annual income. But for someone with an annual income of four times the poverty level, the subsidy would kick in only if his or her insurance premiums topped 9.5 percent of annual income (see Table 1).

**Table 1. New Federal Premium Subsidies, Breakdown of Income and Premium Cost Eligibility Standards**

INCOME (Percentage of Federal Poverty Level)	INSURANCE PREMIUM CANNOT EXCEED... (Percentage of Income)
Up to 133*	More than 2 percent
133-150	Between 3 and 4 percent
150-200	Between 4.1 and 6.3 percent
200-250	Between 6.3 and 8.05 percent
250-300	Between 8.05 and 9.5 percent
300-400	More than 9.5 percent

*\*Effectively 138 percent with new calculations*

**Federal Poverty Level 2013**

- 138 percent of the federal poverty level (FPL) is \$15,856 for a individual and \$30,843 for a family of four.
- 400 percent of the federal poverty level is \$45,960 for an individual and \$89,400 for a family of four.

## The Basics:

### *Connect For Health Colorado*

Colorado passed Senate Bill 200 in 2011 with bipartisan support to establish the Colorado Health Benefit Exchange (COHBE), which has since changed its name to Connect for Health Colorado. It is expected to open October 1, 2013, when people will be able to begin buying insurance. The plans will become effective on January 1, 2014.

All plans sold through the marketplace must meet federal standards and cover certain services, known as essential health benefits. As of June 2013, 10 companies had filed with the Colorado Division of Insurance to sell insurance to individuals through Connect for Health Colorado. Six have filed to sell health insurance to small employers.

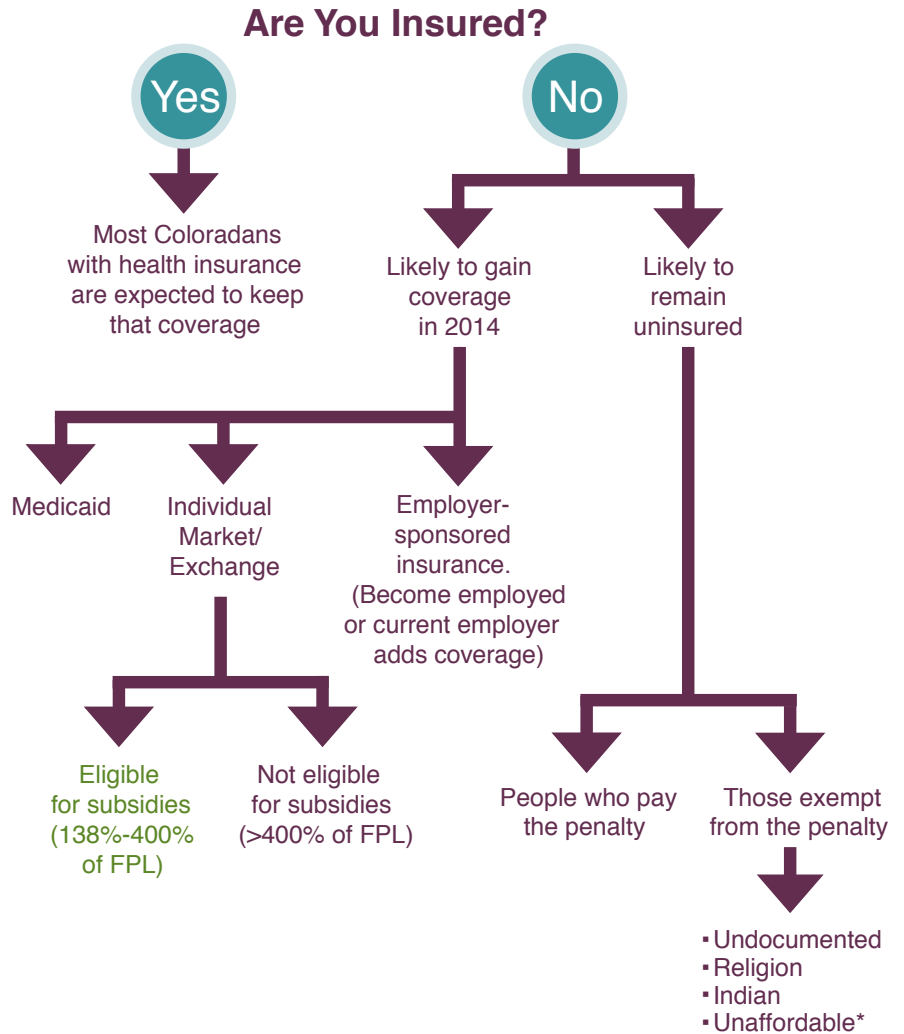
Nearly any Coloradan with documentation of legal residency status could decide to buy health insurance through Connect for Health Colorado. But for the vast majority of Coloradans, especially those who have employer-sponsored insurance or who are covered by public insurance such as Medicaid or Medicare, it won't make sense to switch to the marketplace (see Illustration 1).

The marketplace is most likely to be used by the 829,000 Coloradans who did not have health insurance in 2011 – about one of every six residents. But many uninsured Coloradans with the lowest incomes will be newly eligible for Medicaid. And without the lure of federal subsidies, those who are uninsured with incomes above 400 percent of the federal poverty level (FPL) may be less likely to buy their health insurance through the marketplace.

That leaves about 243,000 Colorado adults who will be eligible for a federal subsidy to buy their insurance through Connect for Health Colorado. These uninsured Coloradans – with annual incomes between 138 percent FPL and 400 percent FPL – are expected to be the primary users of the marketplace.

It is important to note that while undocumented Coloradans will not be able to purchase coverage through the marketplace, methodological limitations of the survey prohibited their removal from the analysis.

**Illustration 1. How Coverage May Change in 2014**



\* Coverage costs more than 8% of family income.

## What Are the Demographic Characteristics of Colorado's First Marketplace Customers?

Approximately 243,000 uninsured Colorado adults may be eligible for federal subsidies to purchase health insurance on the marketplace, based on their annual incomes, according to the CHAS.

Most members of this group are under the age of 55 and most are likely to be non-Hispanic white. More than half earned a high school degree or less and nearly half fall into the lowest income category, 138 percent FPL to 200 percent FPL (see Table 2).

**Table 2. Demographic Characteristics of Uninsured Colorado Adults (19-64), 138-400% of FPL, Colorado, 2011**

	UNINSURED	
	Number	Percentage
<b>Age</b>		
19-34 years	85,662	35.2%
35-54 years	102,147	42.0%
55-64 years	55,243	22.7%
<b>Gender</b>		
Male	125,973	51.8%
Female	117,079	48.2%
<b>Race/Ethnicity</b>		
White, non-Hispanic	160,630	66.9%
Hispanic	57,122	23.8%
Black, non-Hispanic	4,267	1.8%
Other	18,051	7.5%
<b>Educational Attainment</b>		
Less than high school	37,967	15.7%
High school graduate or equivalent	83,317	34.5%
Some college but no degree	54,843	22.7%
Associates degree	26,492	11.0%
College graduate	32,068	13.3%
Postgraduate	6,665	2.8%
<b>Disability status</b>		
Disabled	43,131	17.8%
Non-disabled	199,851	82.2%
<b>Income</b>		
138-200% FPL	106,088	43.6%
201-300% FPL	97,764	40.2%
301-400% FPL	39,200	16.1%

## How Do Coloradans who May Buy Insurance in the Marketplace Compare to Currently Insured Coloradans?

It is useful to compare this group of Coloradans – uninsured, eligible for the federal subsidy and likely to buy insurance in the marketplace – with Coloradans who are also in the 138 percent-400 percent FPL income category but who currently have private health insurance and most likely won't be using the marketplace.

Generally, the comparison shows that the two groups are comparable in age, gender and disability status.

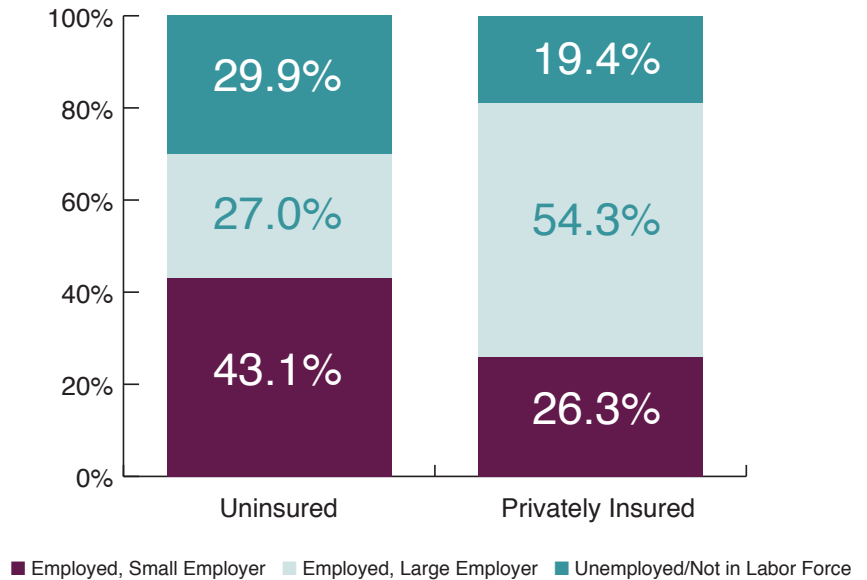
But there are slightly more Hispanic Coloradans in the uninsured group than in the insured group, and slightly fewer non-Hispanic white Coloradans. Both are statistically significant findings. Members of the uninsured group are more likely to speak a language other than English at home (18 percent) compared to the insured group (11 percent), and the language is usually Spanish.

In addition, the uninsured adults have a lower educational attainment than their insured counterparts. About 16 percent have graduated from college, compared to 38 percent of the insured – a statistically significant difference.

Employment status is often an important predictor of whether someone has health insurance. Approximately 70 percent of the uninsured group are employed, compared to more than 80 percent of the insured (see Graph 1). The CHAS also found that the uninsured adults are more likely to be employed by small employers (50 or fewer employees) – 43 percent compared to 26 percent of the insured group.

Small employers are less likely to offer employer-sponsored health insurance than larger employers, which may explain some of the difference in insurance status. The ACA's mandate that all employers with 50 or more employees provide health insurance – and its offer of tax incentives for some small employers who do so – may address part of those concerns. This mandate has been delayed and will not take effect until 2015. The Small Business Health Options Program (SHOP), another ACA provision that helps small businesses offer coverage to their employees by leveraging the collective buying power of Connect for Health Colorado, will be available in 2014.

**Graph 1. Employment Status of Colorado Adults (19-64), 138-400% of FPL, by Insurance Status, Colorado, 2011**



## What Reasons Do Subsidy-eligible Adults Give for not Having Insurance?

The success of Connect for Health Colorado hinges on enrolling a critical mass of Coloradans. A larger, more diverse risk pool generally translates into more affordable health insurance premiums, which may make the products on the marketplace more competitive and increase its sustainability.

### Exchange or Marketplace?

Is it an exchange or is it a marketplace?

It's both, although the official terminology has been moving toward marketplace since the beginning of the year.

“Exchange” was the term used throughout development of the Affordable Care Act and in most discussions since the law’s passage in 2010. But when the U.S. Department of Health and Human Services updated its website, HealthCare.gov, earlier this year, it changed all references from exchange to marketplace.

In Colorado, the Colorado Health Benefit Exchange is now known as Connect for Health Colorado. The website refers to the organization as a “one-stop online marketplace.”

According to the CHAS, the vast majority (84 percent) of uninsured, subsidy-eligible adults said they did not have health insurance because they couldn't afford it (see Table 3). Emphasizing potentially low-cost coverage options and the availability of federal subsidies will be critical to outreach efforts.

**Table 3. Subsidy-eligible Adults' Reasons for Being Uninsured, Colorado, 2011**

Cost is too high	84.3%
Family member's employer does not offer coverage or no eligible for employer's coverage	44.6%
The person in the family who had health insurance lost job or changed employers	44.0%
Don't need insurance	14.8%
Other reason	14.4%
Lost eligibility for Medicaid or the Child Health Plan Plus (CHP+)	12.5%
Can't get health insurance, have a pre-existing condition	11.3%
Don't know how to get insurance	11.0%

**NOTE:** Includes adults ages 19-64 with incomes between 138% and 400% of FPL. Respondents could select more than one answer. Not all responses are included in this table.

While the most common reason for lacking health insurance was cost, the next two most commonly cited reasons are challenges associated with employer-sponsored insurance. Only a small percentage (15 percent) of uninsured adults reported not needing health insurance. An even smaller percentage (11 percent) said they did not know how to get health insurance.

## How Does This Group Define "Affordable"?

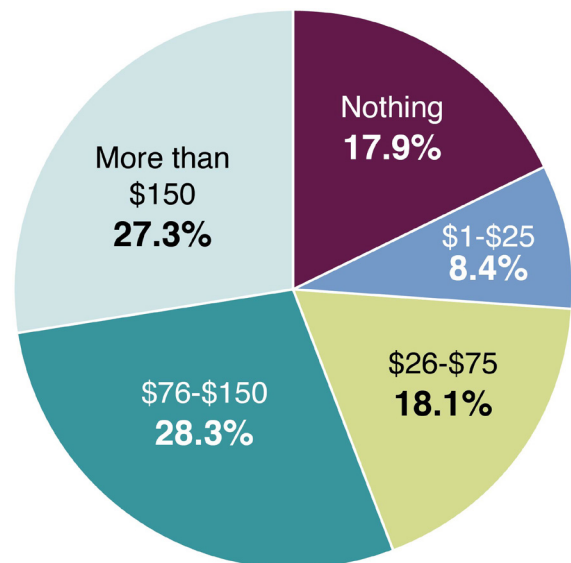
While about 243,000 uninsured Colorado adults will be eligible for subsidies to purchase health insurance, a key question is how many will choose to enroll in coverage. Whether health insurance available through the marketplace is viewed as affordable will be a key factor in the decision.

While federal subsidies aim to increase the affordability of health insurance for this population, the ACA's definition of affordable may not match up with what these Coloradans consider to be affordable.

The vast majority of uninsured, subsidy-eligible Coloradans (82 percent) said they would be able to afford to pay something for health insurance, according to the CHAS. But when they were asked how much they would be willing to spend each month on health insurance, only about one-quarter (27 percent) said that they would be willing to pay more than \$150 per month. About 28 percent said they would pay between \$76 and \$150 per month, 18 percent reported that they would be willing to pay between \$26 and \$75 per month and eight percent said they would pay \$25 or less each month. Nearly 18 percent said they would not be willing to pay anything at all (see Graph 2).

For reference, the Kaiser Family Foundation estimates that in 2014, a single 35-year-old earning about \$16,000 a year (138 percent of FPL) would need to contribute approximately \$44 a month for a health insurance premium. The federal subsidy would cover the other 86 percent, or about \$264 per month.

**Graph 2. Subsidy-eligible Adults by the Amount They Would be Willing to Pay for Health Care Coverage, Colorado, 2011**



Someone making about \$46,000 annually – or four times the federal poverty level – would be required to pay at most \$364 a month, or 9.5 percent of his or her income, under the law. If a mid-level, or “silver,” plan costs more than \$364 a month, the customer would be eligible for a federal subsidy. However, the Kaiser Family Foundation estimates that, for this person, the cost of a silver plan would be about \$307 a month. Because this is less than 9.5 percent of this person’s income, it is deemed affordable without subsidies under the ACA.

The CHAS findings suggest that some uninsured Coloradans may indeed find the plans in the new marketplace affordable, especially with federal subsidies. Others, however, may not find health coverage affordable in 2014, even with subsidies. The tax penalty for not having insurance will be phased in over three years, starting with \$95 per person in 2014 and increasing to \$695 in 2016. Some may choose to pay the tax penalty rather than purchase coverage, even with the subsidy.

## How Do Subsidy-eligible Adults Access Care?

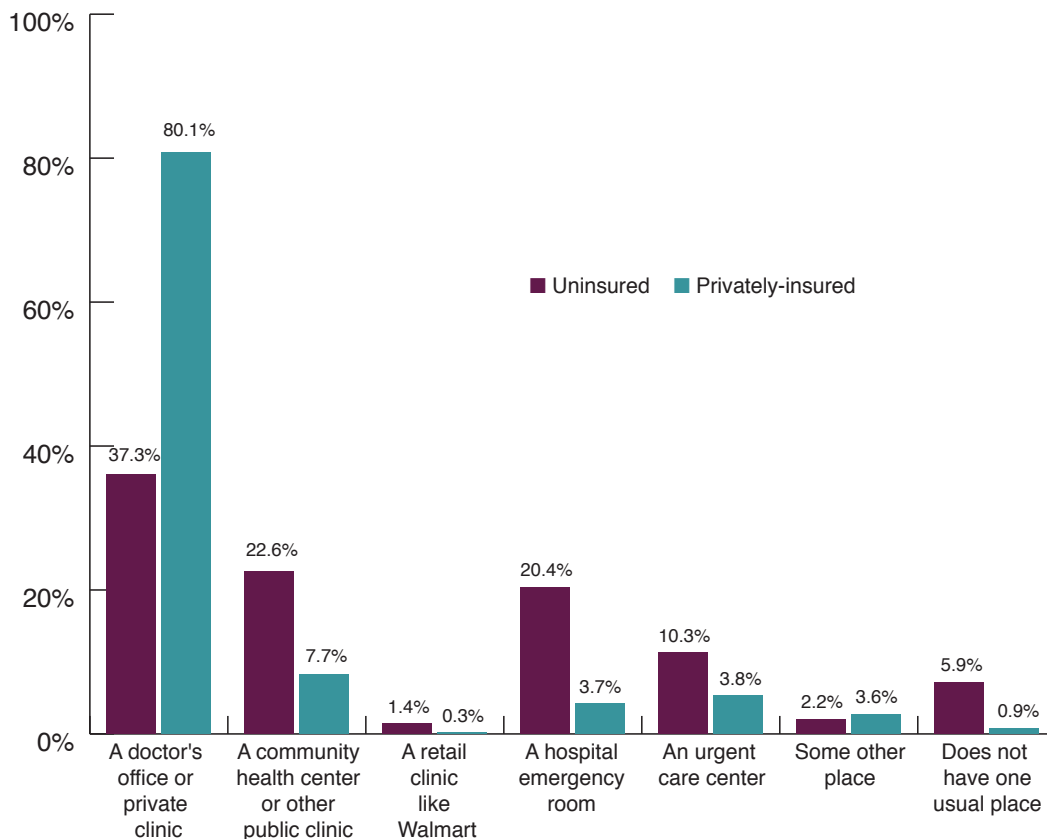
Examining how uninsured, subsidy-eligible Coloradans are getting their medical care – or why they’re not getting care – can help Colorado prepare to serve these newly-insured Coloradans. Again, the CHAS is used to compare this group with privately insured Coloradans in the same income category who will be less likely to use the marketplace.

The CHAS asks respondents if they have a place where they usually go if they are sick or need health advice. About half (51 percent) of the uninsured said they had a usual source of care, compared to 87 percent of the insured.

There’s also a clear difference between these two groups in where they go if they are sick or need a medical professional (see Graph 3.) While 80 percent of the insured said they choose a doctor’s office or private clinic, only 37 percent of the uninsured group reported making the same choice, a statistically significant difference.

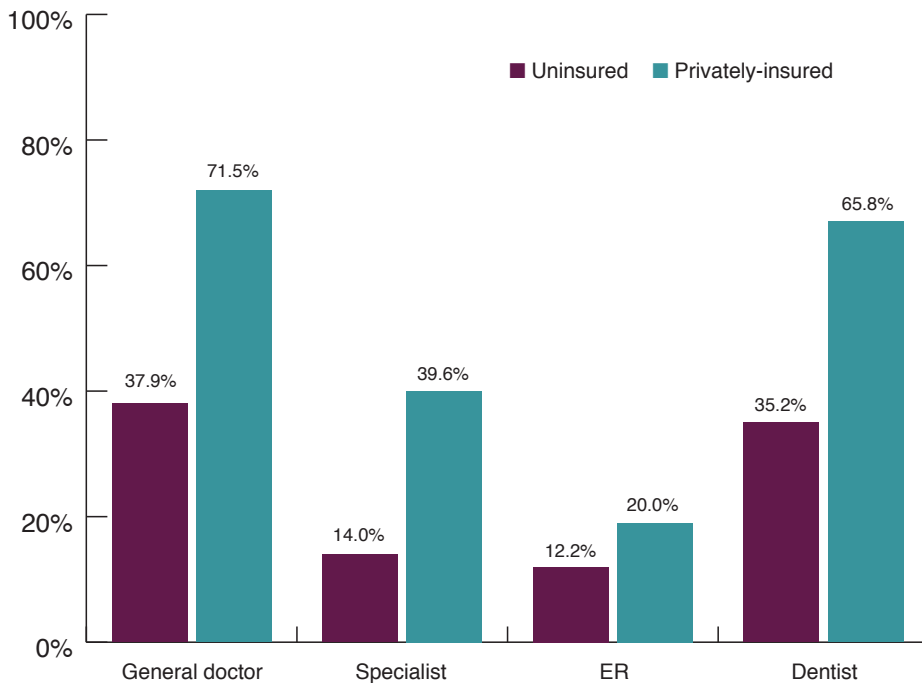
The results suggest that the uninsured are more likely to rely on the health care safety net, including community health centers or other public clinics, with one in five choosing this option. The uninsured reported five times as often that the

**Graph 3. Adults (19-64), 138-400% of FPL, by Insurance Status and Type of Facility Where They Would Seek Health Care, Colorado, 2011**





**Graph 4. Percentage of Uninsured and Privately-Insured Adults (19-64), 138-400% of FPL, Visited a Health Care Provider Within the Past Year by Provider Type, Colorado, 2011**

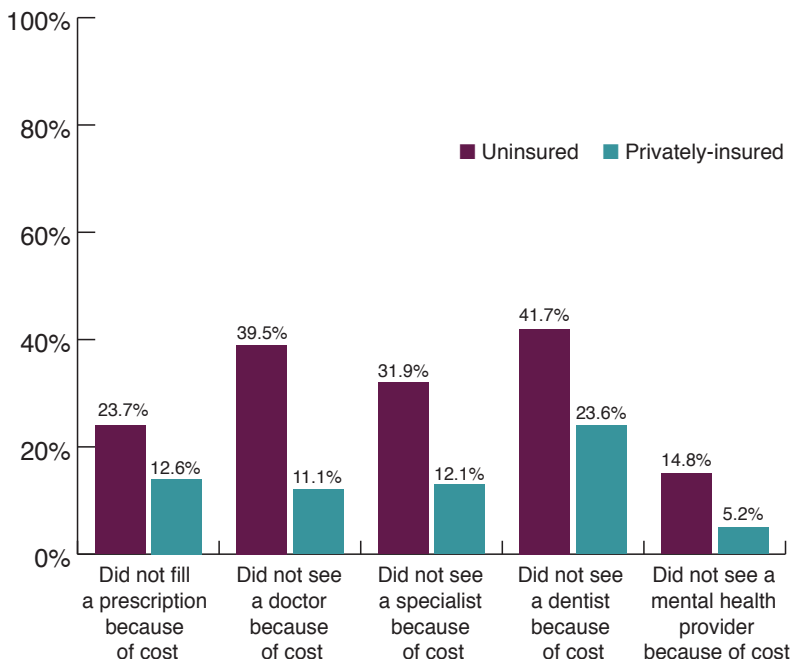


emergency room was the place they would go for care if they needed it. They reported three times as often that an urgent care center served that function.

The uninsured adults visit a provider much less often than the insured (see Graph 4). The uninsured group is approximately half as likely to visit a doctor (38 percent) as the insured (71 percent). About 35 percent of the uninsured said they visited a dentist compared to 66 percent of the insured. The uninsured are about a third as likely to visit a specialist. All three of these differences are statistically significant.

A common misconception is that uninsured adults visit the emergency room more often than insured adults. According to the CHAS findings, the insured adults are 50 percent more likely to visit the emergency department than the uninsured group. This finding is statistically significant.

**Graph 5. Percentage of Uninsured and Privately-insured Adults (19-64), 138-400% of FPL, who did not Receive Needed Care due to Cost, Colorado, 2011**



Are these uninsured Coloradans not seeking care as often as their insured counterparts simply because they are healthier, or is it due to other reasons? The CHAS reveals that some of the uninsured, subsidy-eligible adults decided not to get care because of cost (see Graph 5).

Approximately four of 10 uninsured, subsidy-eligible adults reported not seeing a doctor (39 percent) or dentist (42 percent) because it cost too much. Three of 10 (32 percent) reported not seeing a specialist because of cost, and nearly one-quarter (24 percent) did not fill a prescription because of cost. Fifteen percent said they did not see a mental health provider because of cost.

In all cases, uninsured, subsidy-eligible adults were more likely to report not seeing a provider due to cost than privately-insured adults.

These findings suggest some of the uninsured adults in this group may be going without needed medical care because their budgets won't allow it. If they gain health insurance, it may affect how and when they use health care.

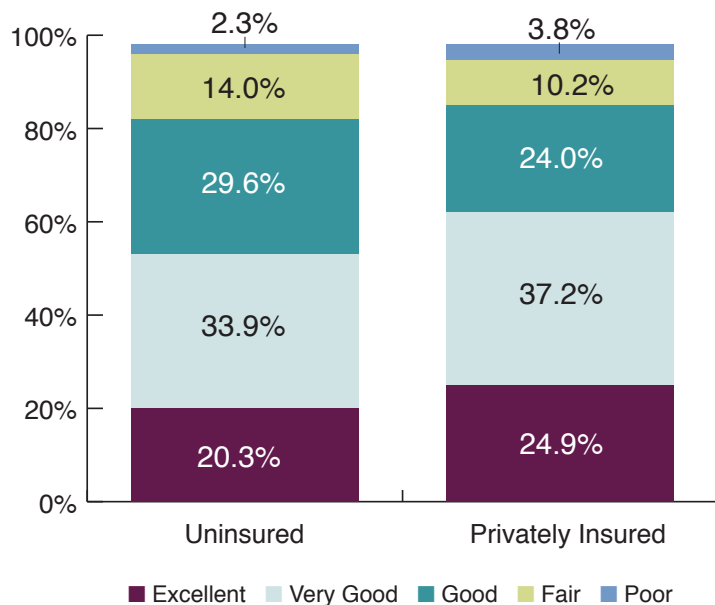
If premiums for comprehensive insurance plans are unaffordable, however, some adults may choose to purchase less comprehensive options: plans with high deductibles, for example, or other forms of cost-sharing. For these individuals, financial barriers to care may persist even after gaining health insurance.

## What Is the Self-reported Health Status of Subsidy-eligible Adults?

Health status of populations is a strong predictor of the cost of insurance coverage. A healthier-than-average population is less risky for insurers, resulting in lower costs for insurance plans.<sup>1</sup>

More than half (54 percent) of the uninsured group reports being in very good or excellent health, the two top categories (see Graph 6). Just 16 percent report being in fair or poor health, the two lowest categories. By comparison, 62 percent of the insured adults reported very good or excellent health. This difference is not statistically significant. This suggests that it is unclear if the health status of the newly insured population will put upward pressure on the cost of health insurance premiums on the marketplace beginning in 2014.

**Graph 6. Self-reported Health Status of Adults (19-64), 138-400% of FPL, by Insurance Status, Colorado, 2011**



## Future Considerations

Colorado has an opportunity to extend coverage to the thousands of uninsured Coloradans, over half of whom are “long-term uninsured” – without insurance for more than one year. Those who are eligible for subsidies through the insurance marketplace are most likely to enroll, but their participation is by no means guaranteed. Below are some considerations for increasing insurance enrollment and subsequent access to appropriate care, based on the CHAS data reported in this paper.

### ■ **OUTREACH TO SMALL BUSINESSES.**

About 43 percent of uninsured Coloradans in this analysis are employed by small businesses. Even if these businesses do not participate in the Small Business Health Options Program (SHOP), they can be a key source of information and education to their employees, and an important way to reach low-income Coloradans who are eligible for subsidies through the marketplace. Health insurance has been a looming expense and worry for small businesses, so they will likely be responsive to outreach and assistance. But many are entering the world of employee-sponsored insurance for the first time, and they will need clear, plain language information that helps them understand the complexity of this world.

### ■ **WILLINGNESS TO PAY FOR INSURANCE.**

When this survey was done in 2011, over half of uninsured Coloradans who will be eligible for health insurance subsidies said they were willing to pay more than \$75 per month for insurance. But the remainder were unwilling to pay this amount – indeed, 18 percent were not willing to pay anything. Affordability of insurance plans will continue to be a problem for some, even with subsidies. But education and awareness about insurance costs can also help. Some Coloradans will need help understanding the value of health insurance (like protection from loss and bankruptcy due to health care costs). They may also need some coaching about how to fit insurance into their budgets and their mental models, to include health insurance as a “cost of living” rather than a luxury expense.

### ■ **EDUCATION AND LANGUAGE BARRIERS.**

Health insurance is complex and difficult to understand, something that continues to be true even after enrollment when a consumer is using the insurance and making sense of bills and explanations of benefits. Even those with extensive education can have trouble navigating these documents. Almost 84 percent of Coloradans in this group who are subsidy-eligible has not graduated from college. In addition, 18 percent speaks a language other than English at home. Outreach to this group should take into consideration the literacy, language and cultural barriers to enrolling in and using health insurance.

### ■ **FUTURE ACCESS TO HEALTH SERVICES.**

Uninsured, subsidy-eligible adults don’t use health care services at the same rate as privately-insured Coloradans. This is an important finding because it may indicate that Colorado’s health care system may experience a period of pent-up demand. It will become ever more important for Colorado to address health care workforce development and use a range of strategies to meet the needs.

After Connect for Health Colorado opens for business, enrollment data will become available to help policymakers and other health care leaders better understand who is buying coverage through the marketplace. As well, the CHAS will continue to be a tailored source of information on how those Coloradans – as well as the hundreds of thousands of Coloradans who are expected to remain uninsured after health reform implementation – get their health care.

## Endnote

<sup>1</sup> Claxton G, Levitt L, Pollitz K. Why Premiums Will Change for People Who Now Have Nongroup Insurance. <http://kff.org/health-reform/perspective/why-premiums-will-change-for-people-who-now-have-nongroup-insurance/>.

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