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## RISING HEALTH CARE COSTS INCREASE LIVABILITY FOR PITKIN COUNTY WORKERS

The West Rating Area in Colorado is home to the highest insurance costs in the country. This is consistent with the area having one of the highest cost of living in the state and nation, e.g., housing, transportation and groceries. It may be a surprise that Pitkin County's average wage for workers is 10% below the state average. The average wage for Colorado is \$53,401, yet the average wage for Pitkin County is \$47,879 with the majority of occupations earning much less, as low as \$19,000 per year, and a few occupations filling out the top end over \$103,000 per year. Combined with an extremely high cost of living, where housing can be as much as 50% of a family's monthly expense, Pitkin County workers are facing one more hurdle – the increasing cost of health care.

**In 2016, individual plans increased 25.8% for the West Rating Area – the highest increase in the state.**

Under the Affordable Care Act, individuals or families whose total household income is 400% or less of the federal poverty level may qualify for a federal tax credit to help share the burden of health care. Under the program, families or individuals are responsible for paying no more than 9.5% of their annual income on health care. For 2016, this means a single person that earns \$47,080 will pay no more than \$372 out of pocket per month for a silver-level health care plan. However, since many workers and families in Pitkin County do not qualify for the federal tax credit, most are pushed to shoulder the burden of the increased health care costs themselves.

Table 1. Pitkin County Income Statistics

	Individual	1 Adult + Infant	1 Adult + Preschooler School-age	2 Adults + Infant + Preschooler
400% Federal Poverty Level (qualifies for federal tax credits under ACA)	\$47,080	\$63,720	\$63,720	\$97,000
Average Wage for Pitkin County Worker	\$47,879	\$47,879	\$47,879	\$95,758
Self Sufficiency Wage	\$28,051	\$92,412	\$74,213	\$95,667
<b>RECOMMENDED</b> % Health Care Costs (Self-Sufficiency Standard)	7.4%	6.8%	8.7%	7.2%

Due to the differences in cost of living and affordability across the state, the Colorado Center for Law and Policy created Self-Sufficiency Standard. The Standard defines the income that is needed to realistically support a family, without public or private assistance. As with most of Colorado, the Self-Sufficiency Standard shows that earnings for Pitkin County above the Federal Poverty Level, and above the 400% Federal Poverty Threshold, are still far below what is needed for families to meet the basic needs. Pitkin County has the highest wage in the state needed for families to remain economically viable, even though the average wage for the County is lower than the state average.

Based on wages alone, a single-parent household with one small child needs to earn \$92,412 to remain economically self-sufficient. This is 54% higher than the 400% federal poverty level and nearly double the average Pitkin County wage.

The self-sufficiency standards shows that in order to be economically stable, families and households should not be spending more than 10% of their income on health care. This also aligns with the federal tax credit that assumes, even at the highest income thresholds, households will not spend more than 9.5% of their monthly income on health care costs. But for the families that fall outside of this income threshold, the health care burden increases exponentially.

Table 2. The Health Care Gap

	Individual	1 Adult + Infant	1 Adult + Preschooler School-age	2 Adults + Infant + Preschooler
2016 Individual Plan Premiums	\$454	\$681	\$681	\$1335
Health Care Burden as % of Self-Sufficiency wage	20%	9%	11%	17%
Health Care Burden as % of average Pitkin County wage	12%	17%	17%	17%

Even though the burden of health care costs shifts depending on the wage, the fact remains the same **the burden of health care premiums to families in Pitkin County is at least 50% more, if not double, the recommended percentage of a family’s household income. Some families without subsidies are now choosing to forgo health insurance and opt for the tax penalty. For a family of three, the tax penalty would be \$1,500, just two months of a health insurance premium! Families in this position are without health coverage, contrary to the goals of the Affordable Care Act.**

Pitkin County supports reevaluation of Colorado’s rating area structure. We believe there is not adequate data to justify Colorado’s discrete rating areas, which results in unjust impacts to individuals within rating areas. Furthermore, we believe Colorado’s rating areas lead to rate instability for individuals (as demonstrated by large increases within the Western rating area). Small sample sizes are more subject to quick and dramatic change. Pitkin County supports reducing the number of rating areas to better meet the objective of providing affordable and

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predictable health insurance for all of Colorado's citizens, and especially those whose incomes are too high for subsidies but too low to reasonably afford the high premiums in some of Colorado's rating areas. Furthermore, we support local, regional and state efforts to incentivize health care providers to adopt evidence based practices shown to improve health results, reduce costs, and improve access to quality affordable health care for all Colorado Citizens regardless of income.

For more information contact Rachel Richards Pitkin County Commissioner ([Rachel.richards@pitkincounty.com](mailto:Rachel.richards@pitkincounty.com)) or Jon Peacock Pitkin County Manager ([jon.peacock@pitkincounty.com](mailto:jon.peacock@pitkincounty.com)). Both can be reached by phone at 970-920-5200.







# HB16-1336 Sen Donovan (Prime Sponsor), Sen Roberts (Co-Sponsor), “Study Geographic and Cost Drivers of Individual Health Plans”

## Background

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- Health insurance providers that sell individual policies are allowed to set premium rates based on four factors, one of which is where the individual lives (geographic rating area). The Division of Insurance (DOI) conducted a study in 2014 to evaluate the impacts of various geographic-rating-area configurations in Colorado. As a result of that study, DOI reduced the number of geographic rating areas from 11 to 9, retaining the seven urban areas and consolidating the state’s rural communities into two areas, beginning in the 2015 plan year.
- For many Coloradans, health insurance remains unaffordable. Statewide, individual insurance premium rates increased by an average of 9.84% in 2016, with increases as high as 40% in some communities. According to insurance carriers, premiums are driven by the cost and utilization of health care, which vary by region.
- HB16-1336 is sponsored by Rep. Rankin and Rep. Hamner in the House, where it passed overwhelmingly with bipartisan support on April 1.

## Reasons to Support HB16-1336:

-  We currently lack sufficient information and analysis to make educated determinations regarding viability and appropriateness of insurance rates throughout the state.
-  This study would be a useful update to the 2014 DOI analysis of rating areas. That study was based on 2010-12 data, and, in a post-ACA-implementation context, it’s important to consider the bases upon which rating areas are established.
-  Rising insurance rates are a statewide concern in Colorado, and therefore require statewide study. This study would allow DOI to consider how health care costs impact rates across the state.
-  The ultimate goal is *affordable and accessible* health care for all Coloradans.

## Supporters

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Colorado Counties, Inc.  
Colorado Municipal League  
Club 20  
Colorado Children’s Campaign

Chronic Care Collaborative  
Bell Policy Center  
Colorado Center on Law & Poverty  
Colorado Coalition for the Medically Underserved  
Colorado Consumer Health Initiative



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