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# Blueprint for Opportunity

No. 17

## Implementation Memo

TO: Governor Ritter  
Members of the 66th Colorado General Assembly

FROM: The Bell Policy Center – Robin Baker, Senior Policy Analyst

DATE: January 12, 2007

**RE: Implementing Bell's Blueprint recommendation No. 17  
to dedicate more resources to the Colorado Indigent Care Program**

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In the 2006 Blueprint for Opportunity, the Bell Policy Center recommends:

### **Extend access to health care for more low-income, uninsured and under-served people**

The governor and legislature should continue to dedicate more resources to the Colorado Indigent Care Program to expand community-based health care. (*See Blueprint, page 24*)

This memorandum briefly discusses the issues surrounding this proposal, describes steps for implementing it, outlines some of the factors to consider and lists sources for additional information and resources.

If you are interested in pursuing this issue further, we are prepared to work with you. Please contact the author of this memo directly at (303) 297-0456 or [baker@thebell.org](mailto:baker@thebell.org), or Rich Jones, director of policy and research, at (303) 297-0456 or [jones@thebell.org](mailto:jones@thebell.org).

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### **Overview of the issue**

The Colorado Indigent Care Program (CICP) is not a health insurance program for uninsured people. It is a financing mechanism to partially reimburse participating hospitals and clinics for providing care to low-income uninsured patients.

CICP helps low-income people defray part of their health care costs by partially reimbursing medical providers for services. Reimbursements to CICP providers are based on state-defined limits for amounts charged to patients. The program is primarily funded through a line item in the Long Bill for safety net provider payments.<sup>1</sup>

To qualify for the CICP, individuals must have a combined income and savings at or below 250 percent of the federal poverty level, have no private insurance and not be eligible for Medicaid or CHP+. Under CICP, patients pay a sliding fee for services based on income.

While we have recommended that the state continue to dedicate and increase resources to CICP, we stress that this is only an interim step toward comprehensive health care reform.

Ideally, a comprehensive state health plan would enable very low-income uninsured people to more easily access and afford a core set of health services. Greater access encourages preventative or early intervention care, which reduces the demand for more costly care. Under a comprehensive state plan, charity and uncompensated care costs would decrease and CICP would play a smaller role in the state health care system.

In 2005, about 770,000 people, or 17 percent, of Coloradans were uninsured. Of these, 78 percent were working adults and 52 percent had very low-incomes.<sup>2</sup> When people don't have insurance, they are more likely to put off going to the doctor for minor illnesses, which can turn



into major problems that require costly care in emergency departments. If they do not have money to pay for medical expenses, uninsured people rely on subsidized and charity care.

According to the state Department of Health Care and Policy Financing, CICIP use is increasing. In FY 2004-05, the CICIP program served 179,129 people, a 2.3 percent increase over the 175,800 served in 2003-04.<sup>3</sup>

Partly in response to the growing numbers of uninsured adults and increasing demands for CICIP, the legislature created the Colorado Health Care Services Fund (SB06-044) which allocates \$15 million per year of Referendum C monies over five years to expand CICIP eligibility and increase funds for provider reimbursement. Before this fund was created, only people at or below 200 percent of the federal poverty level could qualify. Under this expansion, the eligibility threshold was raised to include adults and children living at or below 250 percent of the federal poverty level (\$45,000 per year for a family of four). Most people who are eligible are single adults making between \$3,829 and \$17,705 a year.<sup>4</sup>

While the Colorado Health Care Services Fund expands CICIP to more adults and children, it does not tackle the problem of low reimbursements for health care providers. Reimbursements that do not cover costs shift the cost of providing care to others, rather than producing any savings.

According to the 2004-05 CICIP annual report, in 2003, the CICIP implemented a new reimbursement method that increased federal funding, but reimbursements remain low. The CICIP reports that in FY 2004-05, participating clinic providers were reimbursed, on average, at 21.7 percent of indigent care costs and participating hospitals providers at 19.4 percent.<sup>5</sup>

Denver Health and University Hospital both participate in the CICIP and both serve a larger proportion of indigent patients. In FY 2004-05, payments to Denver Health covered 55 percent of indigent care costs and payments to University Hospital covered 58 percent of costs. When all CICIP hospital providers are averaged together, the 24 public hospitals received

payments covering 46 percent of indigent care costs, while the 23 private hospitals received payments covering 18 percent of costs.<sup>6</sup>

In February 2006, the state raised patient co-payments and fees because providers continued to lose money when treating CICIP patients.<sup>7</sup>

### Implementation steps

Most changes or adjustments can be addressed through the budget process or through administrative practices. Any steps taken should be judged against the ideal outcome of expanding community-based health care.

- **Increase funding for the Colorado Health Care Services Fund to at least keep pace with medical inflation and population growth.** Legislators in the 2006 session said they wanted the state to maintain the 2006 increase in CICIP funding for the next three years. Adjusting for population and medical inflation as well would increase spending for this program by approximately \$700,000 in FY 2007-08.
- **Work with the Department of Health Care and Policy Financing as well as public and private hospital and clinic providers to explore steps to increase reimbursements.**
- **Work with the Colorado Department of Health Care and Policy Financing to explore ways to increase the federal match rate.**

## Factors to consider

The CICIP is only a partial solution to Colorado's growing problem of uninsured and under-insured patients. It is not a substitute to statewide health care reform.

CICIP is a complex program that falls under federal and state laws and regulations. In 1987, Congress changed Medicaid (Title XIX) to require states to make enhanced payments to "safety-net" hospitals that treat high levels of Medicaid and low-income patients. This payment structure is referred to as the Disproportionate Share Hospital (DSH) plan and is intended to offset uncompensated care costs and reduce cost shifting to private payers. CICIP payments help augment DSH payments for participating CICIP hospitals.

Some of the CICIP funds also earn a federal match. The federal match rate of 50 to 78 percent is based on the state median income relative to the national average. Colorado's federal match rate has varied slightly but, on average, it remains at 50 percent.<sup>8</sup>

CICIP is subject to HB06S-1023. The 2006 special session bill requires participating CICIP hospitals and clinics to verify the identity of all applicants aged 18 and older, and obtain from them a signed affidavit of lawful presence. Lawful presence of non-citizens must be verified through the federal Systematic Alien Verification of Entitlement (SAVE) program. The fiscal impact of HB06S-1023 on the CICIP is currently being assessed.

The Colorado Health Care Services Fund (SB06-044) expanded CICIP to more low-income families. The expansion was made possible using Referendum C monies. Once Ref C expires in 2010, legislators may have to impose cuts to CICIP, which could further decrease reimbursements and cause providers and clinics to drop out of the program

## Information and resources

Bell Policy Center (2006). "Colorado Indigent Care Program helps more low-income adults get health care services," Blueprint Brief No. 11.

☞ [www.thebell.org/Blueprint2006/Brf11-IndigentCare.pdf](http://www.thebell.org/Blueprint2006/Brf11-IndigentCare.pdf)

☞ Colorado Department of Health Care Policy and Financing (2005), [The Colorado Indigent Care Program and Safety-Net Provider Payments Fact Sheet](#), prepared for the Governor's Office of State Planning and Budgeting.

## End notes

- <sup>1</sup> Colorado Department of Health Care Policy and Financing (2005). [The Colorado Indigent Care Program and Safety-net Provider Payments Fact Sheet](#). Prepared for the Office of State Planning and Budgeting.
- <sup>2</sup> Colorado Health Institute (2005). Profile of the Uninsured in Colorado, An update for 2005. Colorado Health Institute, Denver, Colo. ☞ [http://www.coloradohealthinstitute.org/documents/bulletin\\_uninsured05.pdf](http://www.coloradohealthinstitute.org/documents/bulletin_uninsured05.pdf)
- <sup>3</sup> Colorado Department of Health Care and Policy Financing (2006). Colorado Medically Indigent and Colorado Indigent Care Program. Fiscal Year 2004-05 Annual Report. ☞ [www.chcpf.state.co.us/HCPF/Pdf\\_Bin/Annual%20Report%202005.pdf](http://www.chcpf.state.co.us/HCPF/Pdf_Bin/Annual%20Report%202005.pdf)
- <sup>4</sup> Ibid.
- <sup>5</sup> Ibid.
- <sup>6</sup> Ibid.
- <sup>7</sup> [Colorado Raises Fees, Copayments for Low-Income Patients](#), Jan. 13, 2006. *Medical News Today*.
- <sup>8</sup> HCPF (2006), end note No. 3.