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ISSUE BRIEF
April 14, 2010

Risky ‘wellness’ bill puts insurance companies in charge

Colorado lawmakers should take a more critical look at an effort to let insurance companies offer discounts to customers as incentives to achieve certain health outcomes. Weight loss, quitting smoking and other healthy practices are important goals for Coloradans. But letting insurance companies define health standards and create differential pricing structures based on a carrier’s assessment of whether those standards are met, gives health plans too much power.

What the bill does

House Bill 10-1160 permits insurance companies to offer premium and cost-sharing discounts to small businesses, individuals within those small businesses and people purchasing insurance through the individual marketplace. People “earn” these discounts by achieving specific health outcomes established by carriers. Those outcomes are related to reductions in “health risk factors” – for example, reducing cholesterol to a certain level or reaching a set weight or body mass index. Only insurance carriers may approve wellness plans, and the term “health risk factor” is broadly defined. For example, exposure to UV radiation is one factor specified in the bill. On its face, the bill prohibits discrimination against people who do not participate and provides that people who cannot adhere to a wellness program may still receive a discount so long as a doctor verifies the person cannot comply or needs an alternate standard.

Insurance companies dictate health outcomes

It’s appealing to reward people who achieve certain health outcomes by giving them discounts on premiums and other cost-sharing. A closer examination of the policy, though, reveals multiple problems.

Under HB10-1160, health plans will establish individualized outcome-based standards, and determine whether individuals or business groups have complied with those standards. Different companies are likely to set different standards based on different risk factors for individuals and small groups.

While the Colorado Division of Insurance will review the effect of pricing on the marketplace as a whole, no one will monitor whether healthy groups and individuals are steered toward purchasing wellness policies and unhealthy groups and individuals steered away. The result of such practices would be to ensure that less healthy groups and individuals pay more than healthy groups. Cost increases already are driving small businesses and individuals out of the insurance marketplace. During the past 10 years, the average family premium paid by Colorado workers has increased 133 percent and median wages increased by only 1.5 percent, according to a March report by the Robert Wood Johnson Foundation. The average rate increase in the Colorado small-group market this year is 12.1 percent, and the highest average rate increase 30.6 percent.

The Colorado Center on Law and Policy

789 Sherman Street, Suite 300, Denver, Colorado 80203 / 303-573-5669 / www.cclponline.org

In the end, insurers don't have to penalize people who do not participate in wellness programs; the increasing cost of insurance premiums will drive them out of the market.

HB10-1160 will be too expensive for many

Doctors are unlikely to be reimbursed for filling out the paperwork necessary to fulfill the wellness standard waiver requirements or keep up with the requirements of multiple and possibly conflicting outcomes wellness programs.

Lower-wage earners have less flexible work time to participate in wellness programs or go to doctors, and fewer resources, for example to pay co-payments for doctor's visits. It also will be more difficult for them to get time off to see a doctor to get a waiver. That's why so many advocates for lower-income people, people of color, and people with chronic conditions are so concerned about this bill.

Large businesses have the capacity to establish on-site gyms, contract with personal trainers and tailor wellness plans to individuals. Small businesses, operating at very slim margins, do not.

An unproven approach to wellness

While incentive-based wellness programs have existed for a long time, the practice of varying premiums and copayments has been confined to the large-group market and has been legal in that market since only 2006. There is very little evidence about the effect on individuals of varying premiums and copayments. While there was a lot of discussion at the national level about the Safeway wellness program, in the end, The Washington Post determined very little of their data related to the cost-sharing "wellness" program. Additionally, there was evidence businesses were raising premiums across the board and requiring people to earn their way back down to where they had been prior to the rate increase.

Federal reform includes similar provisions, but with safeguards

The federal changes will be implemented in the small-group market in 2014, along with significant market reforms, including elimination of copayments for pre-existing conditions, subsidies and upper limits on the amount people under a certain income level (400 percent of the federal poverty level) will have to spend on premiums and copayments. Those reforms, particularly the caps on premiums and out-of-pocket expenses help to assure people will not be priced out of the market. In addition, these programs will not be implemented in the individual market until a 10-state pilot program is complete.

Contact: Elisabeth Arenales
Health care director
303-573-5669 ext. 302
earenales@cclponline.org