



Economic Impact

Connect for Health Colorado

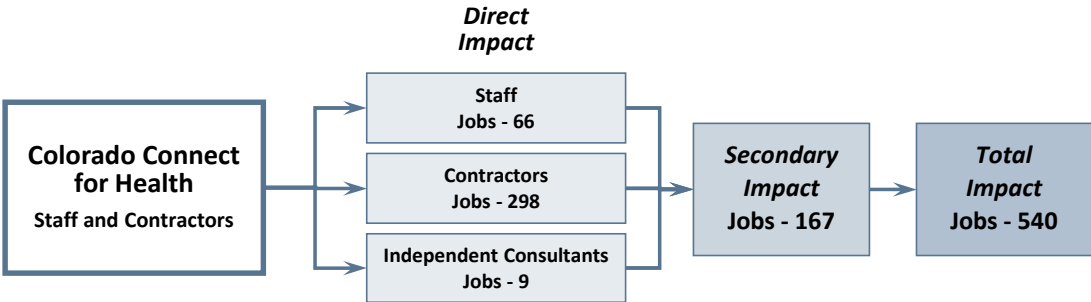
Summary of Findings

The current employment and labor income associated with the operations of Connect for Health Colorado (Connect for Health), the State of Colorado’s health insurance marketplace, provides benefits to the statewide economy and generates tax revenue for local governments. BBC calculated the direct and secondary employment and payroll income impacts created by Connect for Health Colorado.

As shown in Figure 1, Connect for Health directly creates 373 jobs across Colorado. When the indirect and induced effects are included, Connect for Health’s operations create employment opportunities for 540 people statewide.

Figure 2 shows the payroll income associated with the jobs created by Connect for Health’s operations. Connect for Health’s operations directly produce \$20.5 million of payroll incomes per year. When the indirect and induced effects are included, Connect for Health’s operations generate \$29 million of income throughout the state each year.

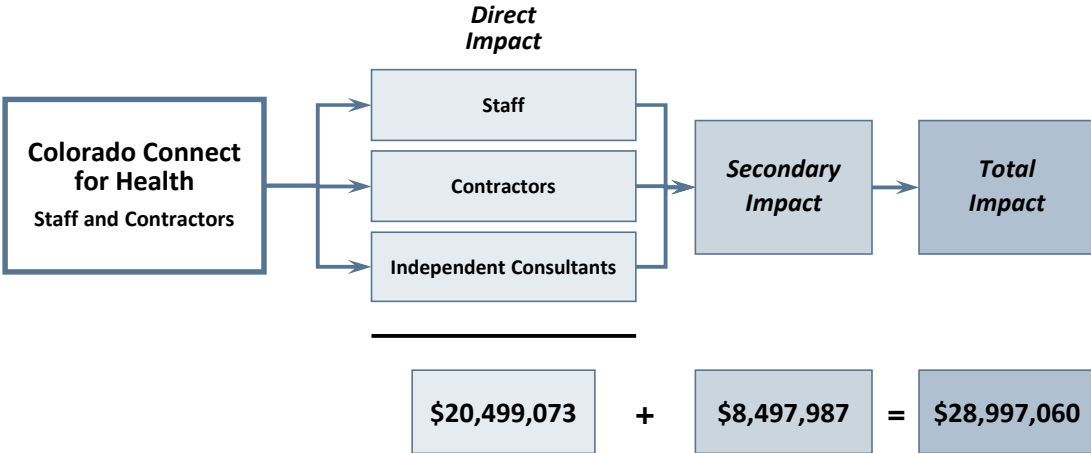
Figure 1.
Connect for Health Colorado, Current Total Annual Employment Impact, Statewide



Note: Secondary employment estimates for Connect for Health Colorado are from the IMPLAN model, adjusted to reflect employee compensation data from Connect for Health.

Source: BBC Research & Consulting, based on IMPLAN Regional Input-Output Modeling System.

Figure 2.
Connect for Health Colorado, Current Total Annual Payroll Income Impact, Statewide



Note: Payroll income includes salary, benefits, and employer tax contributions.

Source: BBC Research & Consulting, based on IMPLAN Regional Input-Output Modeling System

Background

Connect for Health Colorado was established by Senate Bill 11-200 in 2011 in accordance with the Patient Protection and Affordable Care Act. Connect for Health was established as a non-profit marketplace designed to increase access, affordability, and choice for individuals, families, and small businesses purchasing health insurance. It is also the only place that Coloradans can access financial assistance to help cover health insurance costs.

Connect for Health hosts and operates an online shopping website where individuals, families, and small employers can compare different insurance plans, access information about financial assistance, find insurance brokers, and learn about the laws that govern healthcare in Colorado. Connect for Health also offers customer support across the state through a network of customer service representatives and licensed brokers.

In 2016, eight insurance companies offered individual health care plans through Connect for Health and four insurance companies offered small business health options program (SHOP) plans. Together, these insurers offered 131 individual health care plans, 12 individual dental plans, 71 SHOP health care plans, and 8 SHOP dental plans.

Each year, the exchange allows Coloradans to purchase health insurance plans during open-enrollment periods which begin at the start of November and conclude at the end of January of the following year. Some customers are eligible to shop for insurance outside of the standard enrollment period if they meet specific criteria. In 2016, approximately 169,000 people signed up for a health insurance plan through the exchange during the open

enrollment period, a 19 percent increase compared to 2015. Customers who were covered by the plans represented every county in Colorado and every age demographic under the age of 64.

In 2016, Connect for Health made several investments in technology in order to enhance customer experience and improve operational efficiency. These investments included progress toward implementing a plan to generate real-time enrollment data to inform future plans and enrollment efforts. The organization also re-structured several IT contracts to enhance its technical capacity and reduce its operating costs.

Connect for Health funds its operations with revenue generated from fees assessed on health plans sold on the exchange and throughout the state. Prior to 2016, Connect for Health received part of its revenue from federal grants, but at the start of the year the organization moved to a fee-supported financial model that is more sustainable over the long run.¹ At the same time, Connect for Health reduced its operating costs and its spending on marketing and technology.

Methodology

The number of positions created by Connect for Health's operations and the payroll income those operations create are critical factors influencing the economic impacts created by Connect for Health Colorado. Employment and income are basic

¹ Connect for Health Colorado's operations are funded with a 3.5 percent fee charged on plans placed through the marketplace.

contributions to Colorado’s economy and stimulate local economic and fiscal activity.

Connect for Health provided BBC with an estimate of the number of jobs it planned on supporting from July 1st, 2016 through June 30th 2017 (FY 2017). In addition, Connect for Health also provided BBC with the payroll expenditures associated with these positions during the same time period. In addition to making direct hires, Connect for Health also hires independent consultants to fulfill some of its operational needs. The organization provided BBC with an estimate of the fees that they anticipated paying to independent consultants during this time.

BBC calculated the employment and income benefits of Connect for Health’s operations based on estimates of employment and payroll income provided by Connect for Health. To calculate current economic impacts, BBC utilized IMPLAN Regional Input-Output Modeling System software multipliers to calculate secondary (induced and indirect) employment and payroll income impacts. Economic impacts are expressed in the employment and payroll income supported by Connect for Health’s operations and associated spending.

Results

BBC analyzed the impact of Connect for Health’s payroll and spending on consultants and contractors as summarized below. It is important to note that BBC did not analyze the impact of operational spending outside of payroll, consultants, and contractors and BBC did not analyze the economic cost or benefits of the insurance provided for Colorado residents through Connect for Health.

Connect for Health Colorado Employment and Payroll Income.

Connect for Health Colorado employs people throughout the state. In FY 2017, Connect for Health budgeted for 66 positions through its statewide operations. Connect for Health also allocated a significant portion of its FY 2017 budget toward contractors and independent consultants, which would employ more than 307 people. Figure 3 categorizes employment by Connect for Health and independent consultants for FY 2017.

Figure 3.
Estimated Direct Employment and Payroll Income Created by Connect for Health Colorado in FY 2017

	Jobs	Payroll Income	Fees
Connect for Health Colorado	66	\$7,297,371	\$0
Contractors	298	\$13,201,702	\$0
Independent Consultants	9	\$0	\$1,918,298
Total	373	\$20,499,073	\$1,918,298

Note: (1) Connect for Health Colorado reported an estimated budget of \$40.1 million in FY 2017. The figures reported above only reflect the Colorado-based payroll portion of that budget. Payroll income includes salary, benefits, and employer tax contributions.
(2) Fees include non-payroll costs, including software costs.

Source: Connect for Health Colorado

Total Connect for Health employment includes direct hires (staff), contractors, and independent consultants. Payroll income for the various positions was provided by Connect for Health. Payroll income encompasses the salary, benefits, and employer tax contribution portions of employee compensation. In FY 2017, Connect for Health estimated that it will spend \$7.3 million on payroll income for its staff. An additional \$13.2 million will be spent on payroll income for contractors. Fees for independent consultants will account for approximately \$2 million of expenditures.

The total employment and payroll income benefits attributable to Connect for Health include all the employment and payroll income that is directly and indirectly related to its operations. However, the majority of employment and payroll income depends directly on Connect for Health activities. The study assumes 87% of payroll income is spent on goods and services in the state of Colorado based on total and disposable income data from the Bureau of Economic Analysis representing the state of Colorado.

Impact on Employment. Economic activity generated by Connect for Health Colorado operations currently supports approximately 540 jobs per year in the state of Colorado, as shown in Figure 1. The majority of this employment is the direct employment created by Connect for Health; however 167 positions are produced from the secondary impacts created by Connect for Health employees, contractors, and independent consultants.

Impact on Payroll Income. Economic activity generated by Connect for Health Colorado operations currently generates payroll incomes of \$29 million across the state of Colorado each year, as shown in Figure 2. The majority of payroll income (\$20.5 million) is created directly by Connect for Health; however \$8.5 million worth of payroll income is created from the secondary impacts created by the income spent by Connect for Health employees, contractors, and independent consultants.