

Healthy Economy, Healthy Colorado

A Strategic Action Plan for Colorado's
Health and Wellness Industry

DECEMBER 2013



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EXECUTIVE SUMMARY

Colorado's health and wellness industry is a powerful economic driver for the state. Business, as they say, is booming.

The good news is that demographic shifts, policy changes and Colorado's status as a regional health and wellness hub offer significant opportunities for this industry to play an even bigger role in the state's economy.

At the same time, a rapidly evolving marketplace presents a number of competitive challenges, including changes in the way health care services are reimbursed, rising insurance premiums and the prospect of building and sustaining a workforce to care for an aging population.

Colorado has a unique opportunity to leverage the strength of this sector going forward, becoming the premier national destination for prevention and wellness, high quality health care services and outdoor recreation. Reaching these goals will provide a strong return on investment in many areas, including improving the health of all Coloradans, creating a more productive workforce and attracting national and global companies. Together, these accomplishments will spell strong and sustainable economic growth.

The Colorado Blueprint economic development strategy, which was developed by Governor John Hickenlooper and is being implemented by the Colorado Office of Economic Development and International Trade, identifies the health and wellness sector as one of 14 industries with strong potential for economic growth.

As part of The Colorado Blueprint, the Colorado Health Institute gathered data and conducted in-depth

research and analysis into this broad-based industry, which covers traditional and alternative health care as well as fitness, outdoor recreation, natural food products, health information technology, research initiatives and more.

Industry stakeholders from across the state provided important input, framing a vision and a mission to help drive growth, and agreeing on a set of recommendations that form an action plan.

This report provides an overview of the health and wellness industry in Colorado, details the industry's strengths and its weaknesses, and looks at opportunities and challenges presented by a changing marketplace. It concludes with recommendations from industry leaders that are designed to promote smart growth while fostering a healthy and productive population.

The overarching goal is for Colorado to be the national leader in health and wellness. To reach this objective, the industry stakeholders agreed on an action plan that:

- *Positions health and wellness as an export business by developing products and services that can be marketed and sold in markets across the nation and internationally.*
- *Leverages the business opportunities created by a significant increase in the number of people with health insurance and a growing demand for wellness services.*



- *Establishes collaborative workforce strategies and educational programs that reflect the current and future needs of health and wellness employers.*
- *Invests in creating high-paying, high-demand jobs, such as those in health care information technology.*
- *Builds infrastructure and support for existing companies and start-ups in the wellness sector.*

When it comes to strengths, this industry has many. Colorado has a rich history of collaboration on complex health issues, leading to innovative solutions and entrepreneurial energy. World-class medical institutions and health education programs help to ensure a strong workforce. Colorado values wellness, attracting healthy employees and luring out-of-state tourists with a wealth of outdoor amenities.

Finally, this work has a strong foundation in the “The State of Health: Colorado’s Commitment to Become the Healthiest State” plan by Governor Hickenlooper. Unveiled in 2013, its goal is to create a comprehensive and person-centered statewide system that addresses a broad range of health needs, delivers the best care at the best value and helps Coloradans achieve the best health possible.

This strategic plan reflects the thinking of leaders in the health and wellness industry. It is a plan by the industry and for the industry. To be successful, the industry must come together and support a coalition to further its goals and execute the recommendations in this report.

The time is right. This industry is poised to become an even more important player in making Colorado’s economy healthy for the long run.



Introduction

The numbers demonstrate the economic power of health and wellness in Colorado.

This broad-based industry of traditional and alternative health care, fitness, outdoor recreation, natural foods, health information technology and research initiatives accounted for 15.3 percent of the gross state product in 2012,¹ employed more than 360,000 workers and accounted for over \$40 billion in industry revenue.²

Even more impressively, it is showing rapid growth. Colorado health and wellness jobs increased by 10.9 percent during the sluggish recession years between 2008 and 2012, outpacing the industry's national growth rate of 6.7 percent.³

Even better, Colorado's health and wellness industry

is positioned for continued expansion. A number of new market-based incentives focus on prevention and wellness and other efforts are aimed at increasing the number of people with health insurance. Health care providers, public health leaders, educators and employers are paying more attention to obesity reduction and chronic disease prevention. And a heightened emphasis on cost control and improved patient outcomes has generated payment reform models and technological innovations that are transforming the industry.

Dramatic demographic shifts spell potential as well. The health and wellness industry is preparing for the anticipated "Silver Tsunami" of seniors. Caring for the increasing numbers of these aging Baby Boomers will require a heightened emphasis on controlling costs

to save money and provide the best value for both taxpayers and consumers.

Colorado brings a number of strengths to this new landscape, including its culture of wellness, its strong health care infrastructure and its history of initiating frank conversations and strong collaborations to foster health care innovation.

At the same time, Colorado faces challenges related to the complex economic role of health and wellness. Of particular concern, new models of health care delivery and payment designed to address the unsustainable increases in health care spending may require identifying new revenue streams.

This report was created as part of the work supporting The Colorado Blueprint, a bottom-up economic development program initiated by Governor John Hickenlooper that is being implemented by the Colorado Office of Economic Development and International Trade (OEDIT). It reveals the strategies developed by industry leaders to encourage strong and sustainable growth in the health and wellness industry while balancing the health needs of Coloradans.

The Colorado Blueprint focuses on 14 key industries, including health and wellness. OEDIT retained the Colorado Health Institute to develop the strategic economic development plan, informed by sound analysis as well as insight and expertise from key

stakeholders, for the health and wellness industry.

The Colorado Health Institute conducted extensive research and analysis, traveled across Colorado for a statewide listening tour and tapped the expertise of hundreds of senior-level executives and leaders from the health and wellness industry at health and wellness steering and tactical team meetings. Information about the methodology used in developing this report can be found in Appendix A.

The following sections make up this report:

- **Health and Wellness: Industry Overview.** *Key characteristics of the industry and its four segments.*
- **Changes on the Horizon: Opportunities and Challenges.** *The changing health and wellness landscape and how it translates into opportunities and challenges for the industry.*
- **Colorado's Competitive Position: Strengths and Weaknesses.** *Resources, assets and challenges for growing the industry.*
- **Action Plan.** *Evidence-based analysis and action plan for sustainable growth.*

The approach, strategy and action plan are designed to ensure that the growth of Colorado's health and wellness industry is smart, sustainable and beneficial to the state's economy.

Health and Wellness: A Glossary

Fee-for-service: The dominant health care payment model in the U.S., paying for each service separately. Much of the work on reforming the payment system revolves around moving toward global or bundled payments

Comprehensive Primary Care Initiative: An initiative bringing together public and private sector payers to reward providers that provide high quality and coordinated care. Colorado is one of seven markets selected to participate.

Long-Term Services and Supports (LTSS): Health care, personal assistance and other supportive services for people who are unable to care for themselves without assistance. Provided in institutions, the home and other community-based settings. Seniors and people with disabilities are the prime users of LTSS.

Medical Home: A team-based health care delivery model that provides comprehensive medical care to patients with the goal of obtaining the best possible health outcome.

Multi-Payer Patient-Centered Medical Home Project: A pilot project in Colorado and nationally that helped to make the patient-centered medical home a standard primary care delivery model.

Vision and Mission for the Health and Wellness Industry

The health and wellness steering committee, comprised of nearly 50 industry leaders, created vision and mission statements for the health and wellness industry. The vision articulates where Colorado will go. The mission describes how to get there. Together, they are intended to help Colorado meet the dual objectives for the industry – driving economic growth and ensuring the healthiest population possible.

Vision

Colorado will establish a thriving health and wellness industry that drives economic growth, improves health outcomes and promotes a stronger, more productive workforce.

Mission

- Create an integrated system of health and wellness.
- Focus on improving health outcomes, but acknowledge the importance of sick care.
- Reduce health care costs and incentivize healthy behavior through payment reform, technological innovation and enhanced system efficiency.
- Prioritize worker health and productivity to fuel economic growth.
- Make health and wellness opportunities accessible to all Coloradans.



Health and Wellness: *Industry Overview*

The broad and complex health and wellness industry, which includes two distinct sectors - the health sector and the wellness sector - bridges remarkably different spheres of the economy and has a large economic impact on Colorado.

This industry encompasses traditional health care, complementary and alternative health care, fitness, weight loss and outdoor recreation. It includes suppliers providing technology, equipment and goods as varied as cardio machines, fitness trackers, wheelchairs, surgical supplies and electronic medical record systems. It also features wholesalers and retailers of vitamins, supplements, recreational goods and health food.

Because the health and wellness industry is so large and complex, it is helpful to consider it in the framework of four segments (see Figure 1):

- **Health Care Delivery Systems:** Traditional health care services, including hospitals, clinics, physician practices, dental practices, mental health services, rehabilitation therapy, emergency medicine, medical labs, imaging centers, ambulatory care and long-term services and supports.
- **Prevention and Wellness:** Weight control centers and products, health food and supplement stores and personal care services like spas and massage therapy. Also, fitness centers and services, outdoor recreation and sporting goods stores.
- **Health Care Suppliers and Information Technology:** Manufacturers and wholesalers of



Figure 1: Segments of the Health and Wellness Industry

diagnostic equipment, laboratory instruments and equipment, fitness equipment, medical and dental equipment and supplies and durable medical equipment for home use. Also, manufacturers and wholesalers of pharmaceuticals and other drugs and supplements. Finally, information technology used in health and wellness settings, such as fitness trackers, electronic medical records, health data analytics software and data storage.⁴

- **Federally-Funded Initiatives:** Initiatives that drive health care innovation and revenue with their own processes, opportunities and growth areas. Examples include research, clinical trials, pilot programs, public health and prevention and health care services, including Medicare and Medicaid.

The Health and Wellness Industry: Key Characteristics

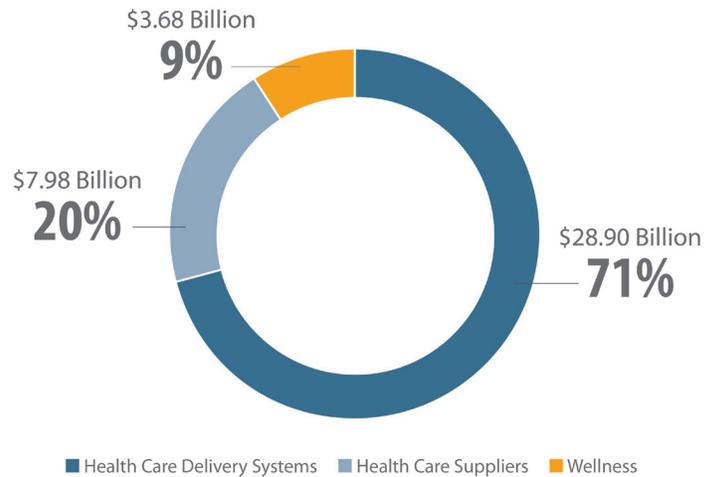
REVENUE AND JOB GROWTH

Health and wellness is a booming \$40 billion-plus industry in Colorado. The health care delivery systems segment is the dominant force in the industry in Colorado with annual revenues of \$29 billion (see Figure 2). The health care suppliers segment follows with annual revenues of \$8 billion followed by the prevention wellness segment at \$3.7 billion a year. (Please note that these revenue figures don't include information technology because many IT companies work across multiple industries, making it difficult to isolate revenues related solely to health and wellness.)

Robust job growth is further evidence of the industry's economic power. The number of health and wellness jobs in Colorado grew by 10.9 percent between 2008 and 2012, outpacing the national health and wellness job growth of 6.7 percent during the same time period.⁵ This impressive growth took place during a weak economic environment, demonstrating the industry's resilience. By contrast, job growth across all industries in Colorado was 1 percent during the same time period.

The bulk of Colorado's health and wellness jobs are in the health care delivery systems segment – hospitals, physician practices, dental practices and services for

Figure 2: Health and Wellness Industry Revenues, Colorado, 2012



the elderly and disabled (see Figure 4). Fitness and recreation centers generate nearly 5 percent of the jobs. The remaining 50 percent come from a mix of more than 50 business classifications, ranging from vitamin and supplement stores, weight loss centers and sporting goods stores to chiropractors, mental health treatment facilities and kidney dialysis centers.

Jobs in the health care delivery systems segment grew by 12 percent between 2008 and 2012 – nearly double the rate of job creation in the prevention and wellness segment and three times the growth rate of

Table 1: Comparing Jobs and Wages, Health and Wellness Sectors and All Industries, Colorado and the United States⁶

	Colorado Job Growth, 2008-12	U.S. Job Growth, 2008-12	Average Annual Earnings, Colorado 2013	Average Annual Earnings, U.S. 2013
Prevention and Wellness	+6.8%	+6.3%	\$25,548	\$26,132
Health Care Delivery Systems	+12.4%	+7.5%	\$57,283	\$57,771
Health Care Suppliers	+4.3%	-3.9%	\$96,378	\$105,637
Health and Wellness Industry	+10.9%	+6.7%	\$54,581	\$57,142
All Industries	+1.0%	0.0%	\$51,652	\$51,548

Source: EMSI Database

the health care suppliers and information technology segment (see Table 1).

Analyzing the pay structure of the health and wellness industry reveals a wide range of salaries across the four segments.

Overall, workers in the health and wellness industry earn an average of more than \$54,000⁷ annually, slightly above the state average of roughly \$52,000.

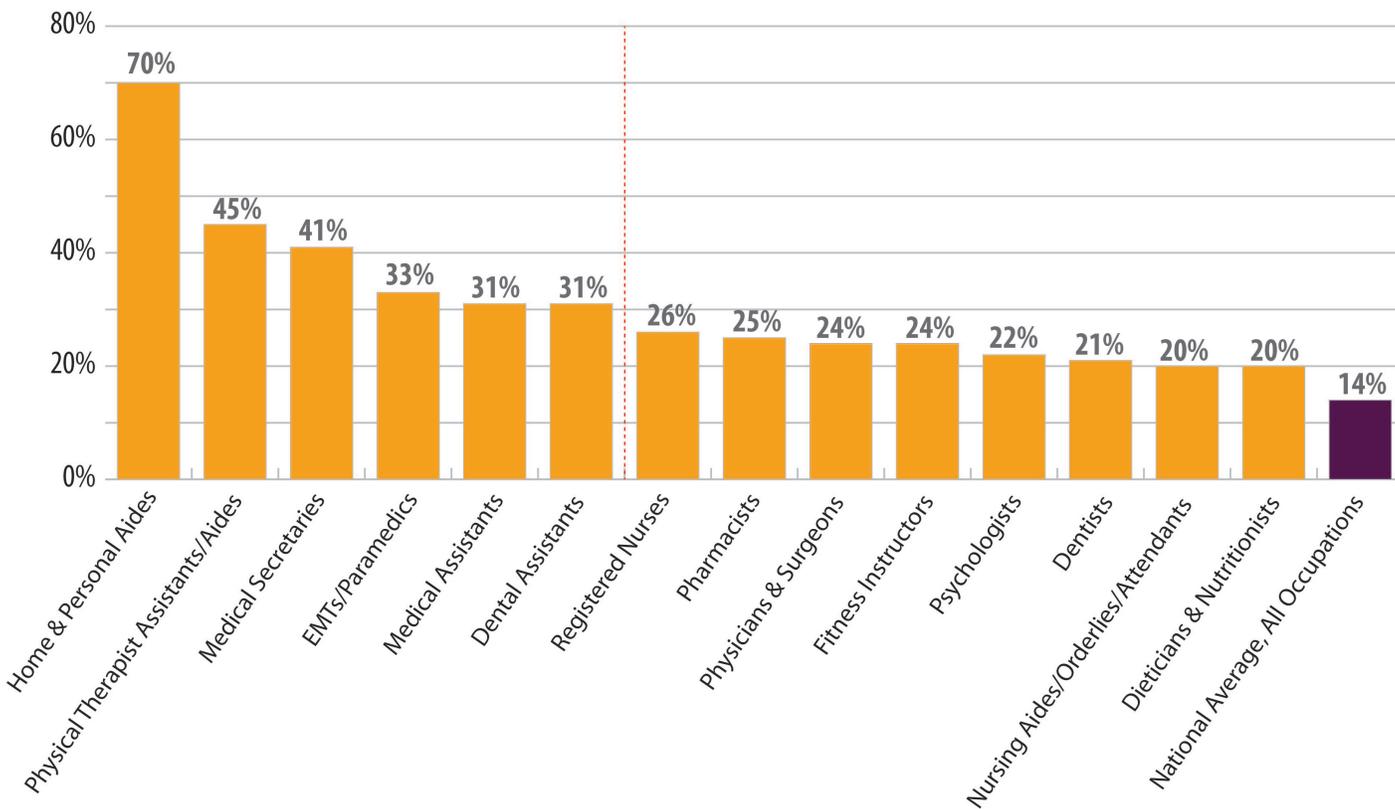
Average annual industry wages in 2013 are highest in the health care suppliers and information technology segment at \$96,378, reflecting the influence of pharmaceutical and bioscience companies. Average annual wages for jobs in the health care delivery systems segment are just more than \$57,000, although this obscures wide disparities among health care workers in this segment – a few earn very high salaries while many earn low hourly wages.⁸ Workers in the prevention and wellness segment average about

\$26,000 a year, roughly half of the average across all Colorado industries.

Job growth in the industry shows no signs of abating, particularly since demographic and policy trends will continue to stimulate demand for services. The aging of the population will increase demand for physician and hospital services as well as nursing facilities and long-term services and supports. Meanwhile, the growing obesity rate among Colorado adults, which increased from 17.2 percent in 2004 to 20.7 percent in 2012,⁹ will make wellness services more important than ever. And the expansion of health insurance to more Coloradans as part of state and federal health reform efforts will increase demand for health services as well.

Some health and wellness jobs will be more in demand than others. While job growth across all occupations nationally is expected to average 14 percent between 2010 and 2020 nationally (see Figure 3), a number of

Figure 3: Projected Health and Wellness Job Growth Nationwide 2010-2020 ¹⁰



Source: <http://www.bls.gov/ooh/computer-and-information-technology/home.htm>

health and wellness jobs are projected to experience faster growth. For example, the number of home health aides is expected to increase by a whopping 70 percent¹¹ nationwide, likely due to the aging population.

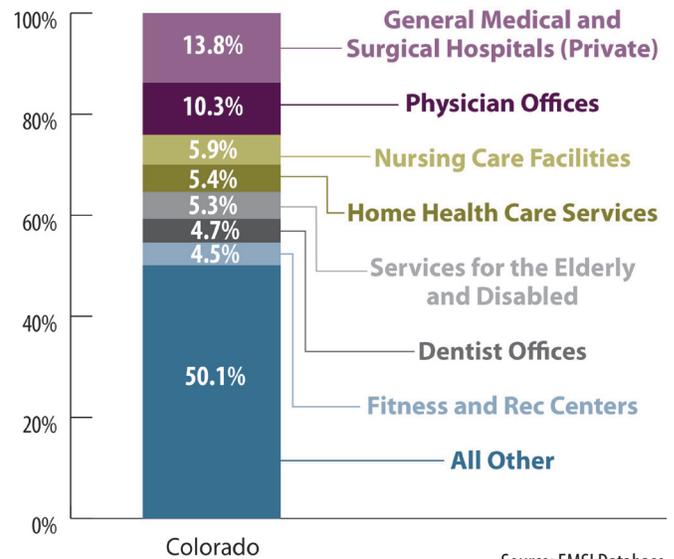
But many of the fastest-growing health and wellness jobs are lower-wage positions, complicating the job growth outlook for this industry. A number of the state’s highest-demand health and wellness jobs – such as nursing assistants, medical assistants and personal care aides – pay just a few dollars more than Colorado’s minimum wage of \$7.78 per hour.¹² Personal care aides, for example, earn an average of \$9.40 an hour. Meanwhile, the highest-paid health and wellness jobs comprise a far smaller portion of the labor force and their numbers aren’t expected to grow as quickly.

The projected growth in the lower-wage jobs presents unique challenges as Colorado determines how to promote smart job growth in careers that provide a living wage for employees.

IMPACT OF HEALTH AND WELLNESS ON THE ECONOMY

Creating jobs in the health and wellness industry has a strong Impact on Colorado’s overall economy because of the multiplier effect. One job created in the health and wellness industry results in four new jobs in Colorado, including the one that was originally

Figure 4: Percentages of Jobs in Health and Wellness Industry, 2013, Colorado



Source: EMSI Database

created (see Table 2). The health care suppliers segment posts the highest multiplier effect in the industry at 4.38.

Another important measure is location quotient, which indicates how concentrated a particular segment is in a region compared to the nation and helps to indicate segments that are already strong and those that have room to grow. A location quotient of “1” means the state and national job

Table 2: Job Multiplier Effect and Location Quotient by Segment, 2013

	National Location Quotient, Colorado	Job Multiplier Effect, Colorado
Prevention and Wellness	1.49	2.03
Health Care Delivery Systems	.86	2.41
Health Care Suppliers	1.11	4.38
Health and Wellness Industry	.94	3.88
All Industries	N/A	N/A

Source: EMSI Database

concentrations are the same. The prevention and wellness segment has the highest location quotient at 1.49, meaning it is particularly strong in Colorado compared to the nation. The health care suppliers and information technology segment follows at 1.11.

Despite strong job growth in the past five years, the health care delivery systems segment has a location quotient of less than 1, which means that it has room to expand. This is particularly true in Colorado's rural areas, which are typically underserved.

IMPACT OF HEALTH AND WELLNESS ON THE WORKFORCE

The health and well-being of Coloradans affect all areas of the economy, including the workforce.

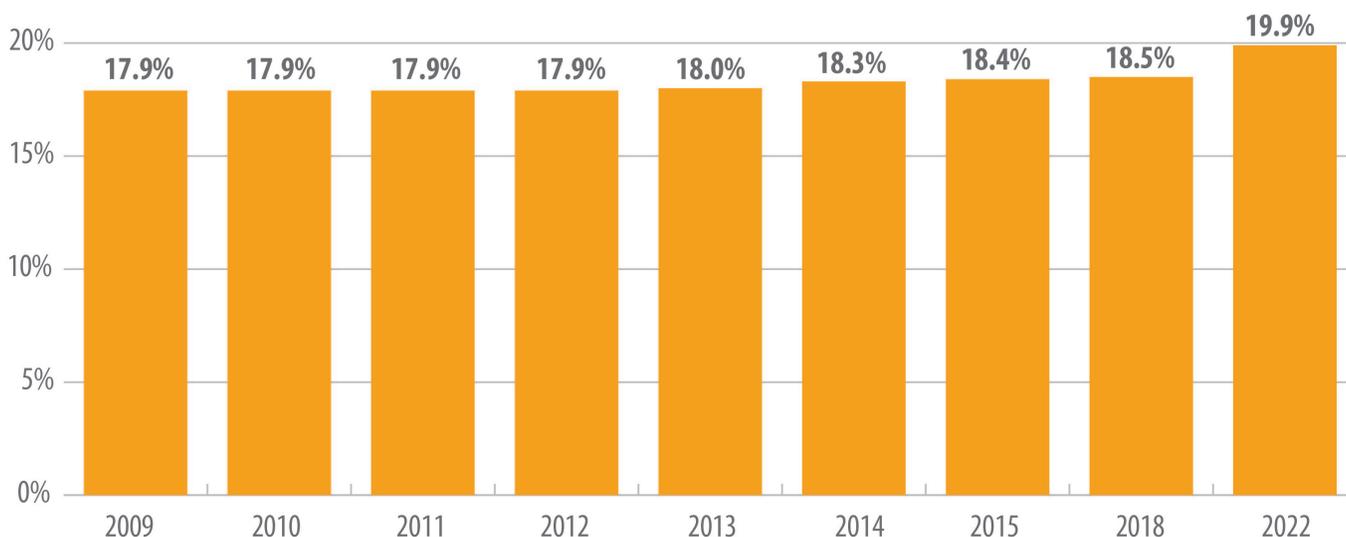
Better health improves the productivity of the workforce and generates wealth. Average life expectancy in the U.S. increased between 1970 and 2000, partially due to advances in health care. The added years of productivity and fewer missed work days added an estimated \$3.2 trillion per year to the national wealth, equal to about half of the average

annual gross domestic product (GDP) over the same period.¹³

Just as better health improves workforce productivity, poor health impairs it. More than 109 million Americans report having at least one of the seven most common chronic diseases – cancer, diabetes, hypertension, stroke, heart disease, pulmonary conditions or mental disorders. These 162 million cases add up to a total economic cost of \$1.3 trillion annually in the U.S, including \$277 billion in treatment costs and \$1.1 trillion in lost productivity. Experts project a 42 percent increase in chronic disease by 2023, accounting for \$4.2 trillion annually in treatment costs and lost economic output.¹⁴

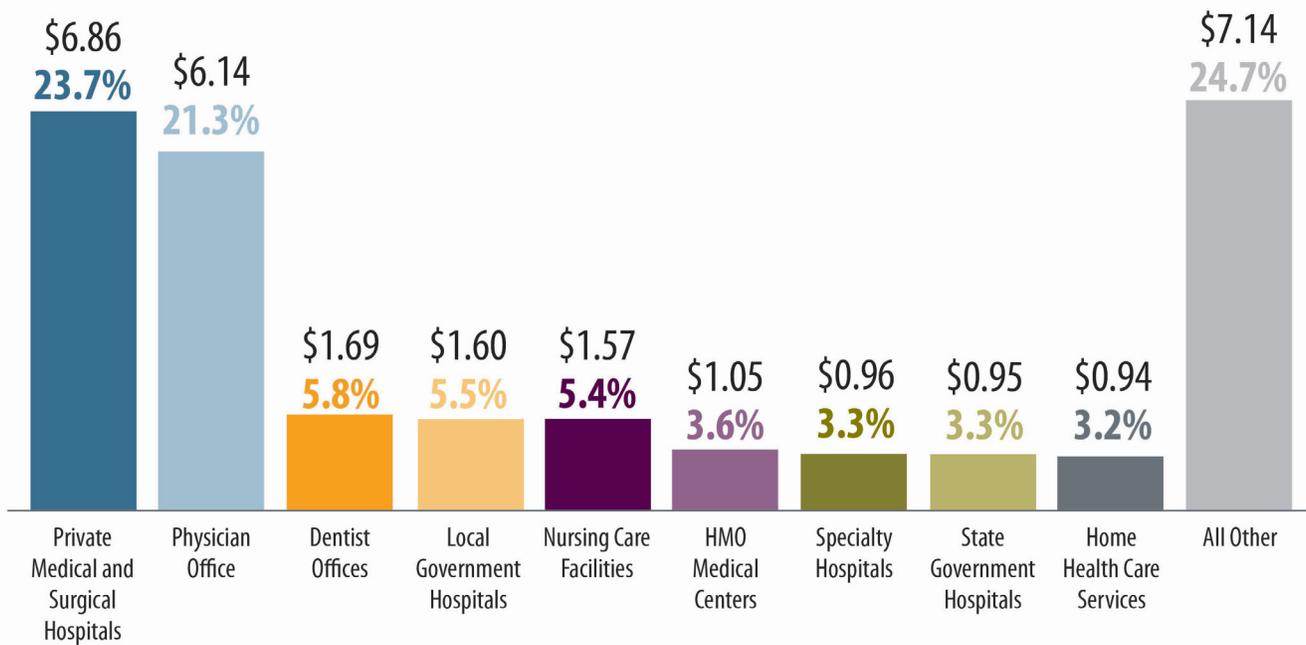
Promoting a healthy and productive workforce is critical. Colorado is known for its active population, but the wellness of our state is not guaranteed. Some of Colorado's rural and low-income residents do not have access to the fitness opportunities for which Colorado is known. To support the state economy, Colorado must encourage a healthy workforce through workplace wellness programs, access to primary care and creative partnerships between health care and wellness.

Figure 5: Health Care Expenditures as Percentage of GDP, United States¹⁵



Source: EMSI Database

Figure 6: Health Care Delivery Systems, Revenue, Colorado, 2012 (Figures in Billions) ¹⁶



Health and Wellness Industry Segments: An In-Depth Look

The economic output of the health and wellness industry contributes to the vibrancy of Colorado's economy, as shown by this in-depth look at the industry's four segments.

HEALTH CARE DELIVERY SYSTEMS SEGMENT

By most measures, the health care delivery systems segment dominates the health and wellness industry, both in Colorado and in the U.S. National health care expenditures are expected to reach nearly \$3 trillion, or 18 percent of GDP, in 2013. These expenditures have been growing and are expected to continue their upward trend (see Figure 5).

This segment contributes \$29 billion, or more than 70 percent of total revenue, to the health and wellness industry in Colorado. Private hospitals generate nearly one quarter (23.7 percent) of the revenue in the health care delivery systems segment, followed

by physician offices at 21.3 percent (see Figure 6). Colorado, with the largest hospital market between the West Coast and Chicago, is a regional hub for these services.

Although growth is expected to continue in the health care delivery systems segment, payment reform may affect physician and hospital revenues. While these changes present a challenge to the industry, they offer an opportunity for long-term stability and competitiveness.

Demographic and policy changes may partially offset the downward impact on revenues. The number of Colorado seniors will grow from about 550,000 in 2010 to more than 1.2 million in 2030, with many of these older Coloradans most likely needing health care and long-term services and supports, such as nursing facilities or home care.¹⁷

State and federal health reform efforts are also likely to increase the use of health services. The Colorado Health Institute estimates that more than 500,000 uninsured Coloradans will gain coverage by 2016.¹⁸

Table 3: Most Common Jobs in Health Care Delivery Systems, 2013, Colorado

Occupation	Percentage of Health Care Jobs	Median Hourly Earnings
Registered Nurses	12.8%	\$32.12
Personal Care Aides	6.2%	\$9.41
Home Health Aides	5.8%	\$10.55
Nursing Assistants	5.7%	\$12.95
Receptionists and Information Clerks	3.0%	\$13.79
Medical Assistants	2.9%	\$15.47
Medical Secretaries	2.7%	\$15.85
Clinical, Counseling and School Psychologists	2.5%	\$28.45

Jobs in this segment have increased by more than 12 percent in the past five years. With demographic and policy changes, it is expected that job growth in this segment will continue.

Meanwhile, Colorado has been a leader in testing new delivery and payment models, including the Comprehensive Primary Care Initiative and the Multi-Payer Medical Home Project. The state has a long history of thinking in new, innovative ways about health care delivery. In addition, Colorado's data infrastructure is growing stronger, connecting parts of the delivery system through such resources as the Health Information Exchange, the Colorado Regional Health Information Organization and the All Payer Claims Database.

These efforts, paired with investments in infrastructure, will serve the state well during the coming years of change and will help to ensure that the health care delivery systems segment is a stellar economic performer.

PREVENTION AND WELLNESS SEGMENT

The prevention and wellness segment focuses on keeping people healthy. Although it is the smallest of the four segments from a revenue perspective, it has great potential for Colorado. Through programs and services that promote prevention and positive health behaviors, this segment plays a key role in improving

health outcomes, making it critically important in Colorado's overall economy.

This segment represents a multibillion-dollar market with robust growth across many of its business categories. For example, the sale of organic food and beverages in the U.S. grew from \$1 billion in 1990 to \$26.7 billion in 2010,¹⁹ while the weight management market alone is a \$43 billion-a-year industry in the U.S.²⁰ The use of complementary and alternative medicine is growing as well. In 2007, almost four of 10 U.S. adults had used complementary or alternative medicine in the past 12 months.²¹

Colorado's prevention and wellness segment is largely driven by recreation. Skiing makes up 19 percent of the revenues (see Figure 8). Sports and recreation together contribute about 50 percent of revenues. The "all other" category of spas, massage therapists, weight management centers, vitamin and supplement stores and varied wellness-related businesses accounts for 21 percent of revenues.

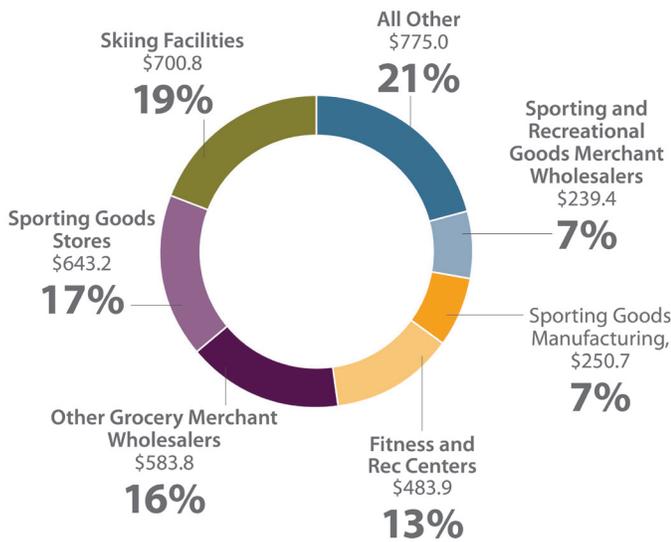
Employment in this segment is led by retail sales jobs, which account for 11 percent of segment employment (see Table 4). Retail prevention and wellness workers earn about \$11 an hour. Overall, workers in the most common prevention and wellness segment jobs earn less than \$20 per hour.

Meanwhile, workplace wellness is gaining popularity

among employers and getting a boost from federal incentives, increasing its growth potential. Nationally, firms offering at least one workplace wellness program increased 28 percent in one year between 2009 and 2010, jumping from 58 percent to 74 percent.²² Workplace wellness jobs tend to require higher levels of education and pay higher wages, which makes them an important focus for Colorado.

HEALTH CARE SUPPLIERS AND INFORMATION TECHNOLOGY SEGMENT

Figure 7: Wellness Sector Revenues in Millions, 2012, Colorado²³



Workers in this segment have the highest average wages of the four health and wellness segments, even without including health information technology. Like the health care delivery systems segment, however, there are large wage disparities. Among the most common health care supplier jobs in Colorado, wages range from about \$11 an hour for retail salespersons to nearly \$47 an hour for managers in health care supplier organizations (see Table 5).

The revenue distribution across business categories in this segment is relatively even (see Figure 8). Pharmaceutical manufacturing leads with 22 percent of revenue, followed by medical, dental and hospital equipment wholesalers.

The “all other” category, accounting for 24 percent of revenues, includes a number of health care suppliers industries. What it does not include is information technology due to data collection limitations. Still, there are strong indications that health information technology is an area of high growth. Federal incentives under the American Recovery and Reinvestment Act of 2009 (ARRA) for the meaningful use of electronic health records represent an important growth driver. ARRA provided more than \$35 billion for health information technology infrastructure nationwide. Meanwhile, health reform efforts are targeting advancements in technology.

Both health care delivery reform and payment reform depend on health information technology. For example, accountable care organizations require new technology and analytic tools to track

Table 4: Most Common Wellness Jobs, 2013, Colorado²⁴

Occupation	Percentage of Wellness Industry Jobs	Median Hourly Earnings
Retail Salespersons	11.0%	\$11.05
Fitness Trainers and Aerobics Instructors	9.2%	\$17.51
Massage Therapists	4.2%	\$13.45
Self-Enrichment Education Teachers	4.0%	\$18.09
Coaches and Scouts	3.9%	\$12.40
Amusement & Recreation Attendants	3.0%	\$9.28

Table 5: Most Common Health Care Suppliers Jobs, 2013, Colorado

Occupation	Percentage of Supplier Jobs	Median Hourly Earnings
General Sales Representatives, Wholesale and Manufacturing	4.6%	\$26.17
Technical/ Scientific Products Sales Representatives, Wholesale and Manufacturing	3.7%	\$36.10
Customer Service Representatives	3.0%	\$14.80
Retail Salespersons	3.0%	\$11.05
Dental Laboratory Technicians	2.8%	\$19.03
General and Operations Managers	2.5%	\$46.66
Team Assemblers	2.4%	\$13.32

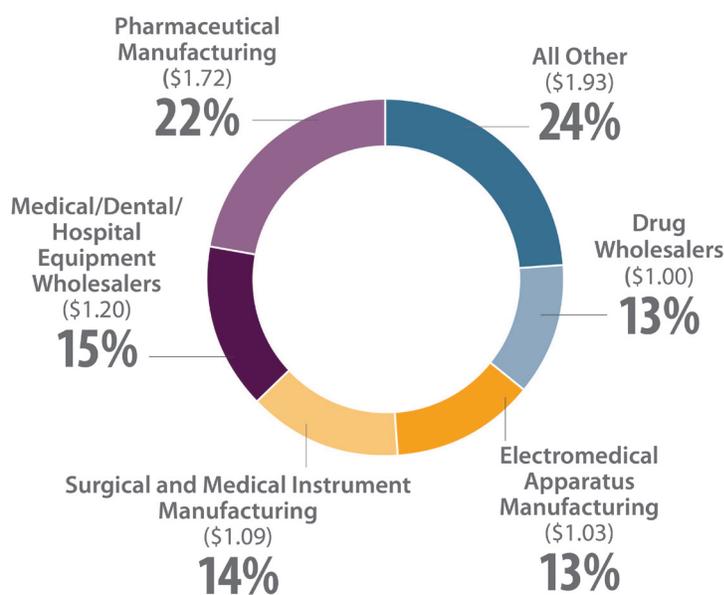
patient care and health outcomes. Delivery system innovations are on the rise, and the market for health information technology is rising with them. Total spending nationally on technology related to health care is climbing by more than 16 percent each year. Spending on electronic medical records is expected to nearly triple across the nation from \$2.18 billion in 2009 to \$6.05 billion in 2015.²⁵

FEDERALLY-FUNDED INITIATIVES SEGMENT

Federal funds support four types of health and wellness work in Colorado: research grants, prevention and public health programs, health care delivery through public health insurance programs, and health care innovation pilot programs.

Colorado received \$4 billion in 2012 and another \$4.4 billion in 2013 from the federal government through the U.S. Department of Health and Human Services (see Table 6). The Centers for Medicare & Medicaid Services and the Administration for Children and Families generate the majority of these funds.²⁶

But this segment is more than a revenue stream. The dollars that come from federally-funded initiatives require states to have certain infrastructure and processes in place, which can provide incentives to kick-start new development. Moreover, these grants and other federal dollars create opportunities for Colorado to establish its reputation as an innovator in health and wellness, attracting more private-sector investments.

Figure 8: Health Care Suppliers Revenues in Billions, 2012, Colorado

Research supported by federal funding includes laboratory science, clinical research and trials, and translational research to help make findings useful for practical applications. Research grants provide jobs as well as knowledge capital that can be used in Colorado as well as exported.

Developing knowledge capital also positions Colorado to secure grants from private sources. For example,

Table 6: Grants from U.S. Department of Health and Human Services to Colorado, by Operating Division, 2013

Division	Amount	Percentage
Administration for Children and Families (ACF)	\$672,409,660	16%
Administration for Community Living (ACL) / Administration on Aging (AoA)	\$18,180,701	1%
Agency for Healthcare Research and Quality (AHRQ)	\$3,301,606	0%
Centers for Disease Control and Prevention (CDC)	\$54,626,849	1%
Centers for Medicare & Medicaid Services (CMS)	\$3,033,143,654	71%
Office of the Secretary (OS)	\$6,435,996	0%
Food and Drug Administration (FDA)	\$2,424,078	0%
Health Resources and Services Administration (HRSA)	\$129,796,410	3%
Indian Health Service (IHS)	\$8,554,366	0%
National Institutes of Health (NIH)	\$276,775,368	7%
Substance Abuse and Mental Health Services Administration (SAMHSA)	\$50,470,224	1%
TOTAL	\$4,256,118,912	

the University of Colorado Anschutz Medical Campus received an \$11 million grant from the Bill & Melinda Gates Foundation for research on early growth of children in low-income communities. All told, the University of Colorado Anschutz Medical Campus attracted more than \$395 million in sponsored research projects during the 2012-13 fiscal year.²⁷

Federal dollars also support prevention and public health. This money makes up a substantial portion of the budget of the Colorado Department of Public Health and Environment, supporting policies that encourage physical activity, chronic disease self-management programs, prevention of tobacco use, data collection on disease, and many others.

Most health and wellness dollars from the federal government are for health care services through Medicare and Medicaid. The federal government funds all of Medicare, and pays approximately 50 percent of Colorado's costs for Medicaid.²⁸

Medicaid dollars have a large multiplier effect in Colorado's economy. For example, Medicaid spending creates hospital revenue. Hospitals, in turn, order more medical supplies, creating more revenue at hospital supply companies. Hospital supply companies then hire more workers, generating more household income

that perhaps is spent on other goods and services. Expanding the Medicaid eligibility level to 138 percent of the federal poverty level (FPL) in 2014 is expected to increase the state gross product by 0.74% by 2025, adding \$4.4 billion in annual state economic activity.²⁹

Because of its large investment in health services, the federal government is keenly interested in health system innovation. Many federal innovation grants are earmarked to test methods to deliver higher-quality care at a lower cost.

Some examples include:

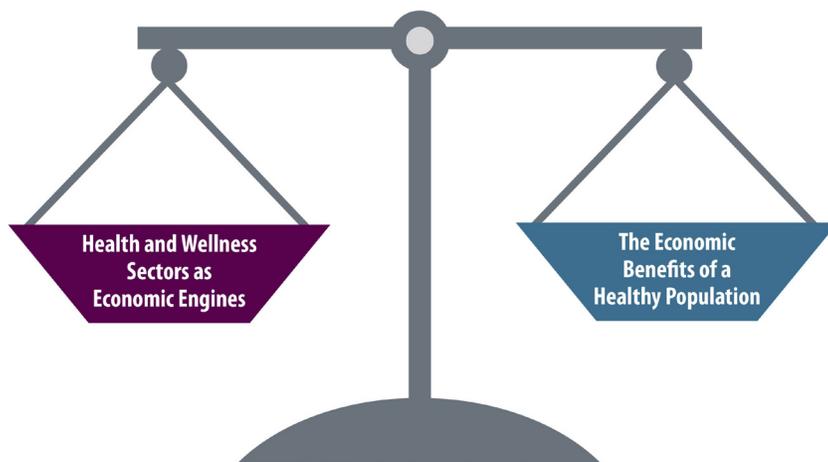
- Medicare's accountable care organization program;
- Medicare's primary care medical home pilots;
- The Comprehensive Primary Care Initiative, which will bring more than \$1 million to Colorado over four years³⁰;
- Colorado was one of three states to receive a pre-funding grant to prepare a state health care innovation plan focusing on integrating primary care and behavioral health care statewide.

These initiatives will continue to pay dividends in Colorado for years as innovation and creativity pay off with better health care and better health outcomes.

An Economic Development Challenge: Two Very Different Sectors

When viewed through the lens of economic development, the unique characteristics of the health and wellness industry present several inherent tensions.

The wellness sector is diverse, fragmented and more loosely defined than traditional health care. Comprised of many businesses that cover a wide range of goods and services, wellness is a smaller player than health care – but positioned for rapid transformation and growth. The health care sector has almost the opposite problem. While it has experienced steady growth, its maturity, consolidation and size defy rapid, nimble change. One source of tension is the difference between health care, with its revenues tied primarily to caring for people who become ill, and wellness, which is



driven by the goal of preventing illness. Caring for the ill remains the major economic force in the health and wellness industry, but the less lucrative wellness sector may provide cost savings and other benefits for consumers, taxpayers and employers.

When wellness initiatives work, traditional health care has the potential to lose revenue. Examining the



Brian Clark, CHI

differing roles of the two sectors reveals the difficulty of balancing economic gains with maintaining better health.

Health care in Colorado, as in the rest of the nation, was largely an enterprise of nonprofit and government organizations until the 1980s. At that time, many health insurance companies and health care facilities converted to for-profit status. The movement of health care to the marketplace introduced interesting opportunities and benefits, but also brought competing goals. Health and wellness companies carry the legacy of providing for the "common good," namely the health and well-being of Colorado's residents. But for-profit companies, especially those with shareholders, must align the need to provide for the common good with the need to be profitable.

There are important economic consequences if a booming health care industry continues to rely primarily on increasing health care costs to meet its profit goals. Businesses facing higher insurance premiums may cut back on new ventures or hire fewer people. Governments struggling to finance public health insurance programs may devote fewer resources to other areas. These actions could lead to slower job growth and other economic consequences.

A sound strategy for Colorado's health and wellness industry recognizes both the health needs of Coloradans and the economic growth requirements of businesses. Colorado must identify strategies that simultaneously promote health and drive economic development.

Smart Growth for Health and Wellness

Opportunities abound for the health and wellness industry if Colorado adopts a smart and strategic approach.

Colorado must embrace new health care payment and delivery models, invest in the health of the state's workers and create new revenue streams that do not

depend on higher health care costs. Approaches to strategically promote smart growth include:

1. Embracing New Health Care Payment and Delivery Systems

The "fee-for-service" payment system, in which health care providers are paid for each service, is one factor driving costs higher. There is little financial incentive for providers to use the least amount of care necessary to achieve good health outcomes for the patient.

The federal government, the largest purchaser of health care services, is testing payment models that reward providers for good outcomes rather than for the volume of services provided.

Colorado is also pioneering new health care delivery and payment models, including medical homes and accountable care organizations. The Colorado General Assembly passed, and Governor Hickenlooper signed, HB 1281 in 2012 allowing the state's Medicaid agency to pilot new and innovative ways to pay for Medicaid services. A proposal by Rocky Mountain Health Plans to receive capitated payments for providing quality care to Medicaid enrollees was selected as the first pilot. These are important and innovative initiatives that will continue to bring change.

2. Investing in the Health of Colorado's Workforce

A healthy and fit workforce has many benefits for Colorado. Healthy employees have higher productivity and are absent from work less frequently. A healthy and fit workforce also attracts businesses to Colorado, while the state's outdoor culture promotes fitness and healthy living.

By making Colorado's workforce healthier, the health and wellness industry can help the state to retain, grow and recruit companies while lowering health care costs, which will positively affect all economic sectors.

3. Creating New Revenue Streams

Simply moving dollars from employer to insurer to provider is not the best strategy for growth. True growth means finding new consumers for products and services.

Health care has traditionally been the largest driver of economic growth in the health and wellness industry. But high costs and inefficiencies in the system burden the rest of Colorado's economy. Exploring new sources of revenue will allow Colorado's health and wellness companies to contribute to the physical and economic health of all Coloradans.

For health care, this means sharing expertise with other states and attracting patients from elsewhere through medical tourism. As a regional hub for health and medical innovation in the western U.S., Colorado can offer high-quality health care to those who need it, both within the state and from a broader multi-state region.

Colorado can also become a regional hub for prevention and wellness services of all kinds, building on its reputation as a place with a beautiful outdoors, fit citizens and boundless recreation opportunities. Colorado can leverage its ski industry success to create fitness tourism focusing on rafting, hiking, summer camps, ropes courses, yoga retreats, bike tours and more.

Products and services that supply and support the health and wellness industry can be sold beyond Colorado's borders. These often come from small businesses or start-ups that would benefit from increased access to capital. In particular, the health care IT market is rapidly growing, with electronic medical records and health data systems in high demand across the country.

Colorado's innovative spirit means that it can become a learning lab for the rest of the country and a likely candidate for federal grants. Creating actual or virtual centers of excellence will continue to make Colorado

a place worthy of both private and public investment. Capitalizing on these new revenue streams will help Colorado to grow the health and wellness industry in a smart and strategic way.

An Integrated Industry, A Unified Strategy

Each sector of the health and wellness industry, as well as the four segments, has a unique history and growth trajectory. Still, it makes sense to think of health and wellness as an integrated industry sharing common challenges and needing a unified strategy.

The health care delivery systems and prevention and wellness segments are more connected than ever. The rising cost of health care has prompted health care policy experts to look to prevention and wellness for answers – not only in wellness and fitness, but in the work of public health to prevent disease on a population level.

As health care systems deal with tough issues, such as increasing obesity and chronic disease, they will more often tap into the efforts of prevention, wellness and public health. As patients increasingly become consumers of health care, required to take more

financial responsibility, they will seek options from both the health care delivery systems and prevention and wellness segments.

The prevention and wellness segment will continue to seek partnerships with the health care delivery systems segment as well. Because more people are using complementary and alternative medicine, clinicians must understand these therapies. Health care is moving toward a whole-person, integrated view of patients and their lifestyles that extends beyond clinic walls.

Ultimately, all sectors and segments of the health and wellness industry must work together to address the issues of high cost and achieving a better quality of life.

The health care delivery systems and prevention and wellness segments are more connected than ever.

Changes on the Horizon: Opportunities and Challenges

Colorado is pursuing new approaches to health and wellness in response to economic, demographic and regulatory forces transforming the industry. These changes present opportunities as well as challenges when developing sound strategies for economic development.

Market Realities

Economists consider the long-term increases in health care spending unsustainable. The fee-for-service payment model, a reimbursement structure that rewards providers for delivering a large volume of high-dollar services, is an important cost driver. This model historically has driven profits in health care – often at the expense of other sectors in the economy. It is, however, the foundation on which the health care industry has been built.

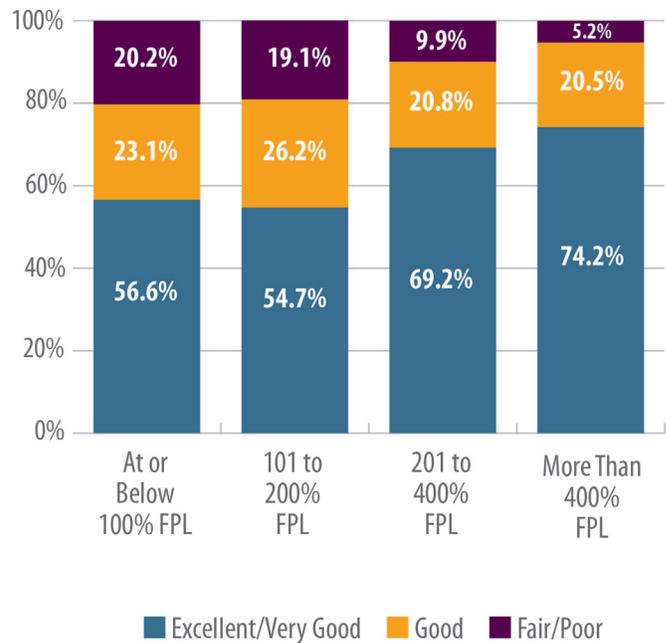
Changing from a fee-for-service payment model to a model that rewards quality and value will not happen overnight. Colorado must work within the current system while planning for the future.

Prevention and wellness activities present good options to help lower health care and insurance premium costs. Not all Coloradans, however, have equal access to these services. Participation in preventive health and wellness programs may be limited by geography and income.

Low-income Coloradans, in particular, face challenges in finding the time and money to use wellness services. Many are uninsured, and even those with insurance find that most wellness services are not covered by insurance.

Data show that this population, in particular, could benefit from wellness services. Such social and economic factors as education, employment, income, family and social support and community safety account for 40 percent of health outcomes.

Figure 9: Self-Reported Health Status by Federal Poverty Level, Colorado 2012



Source: Colorado Health Report Card, 2012

Health behaviors account for another 30 percent. In addition, lower-income Coloradans are more likely to report that their health is fair or poor, while higher-income Coloradans are more likely to report that their health is very good or excellent (see Figure 9).

It is within this context that a number of major economic opportunities and challenges are emerging, shifts that will transform the health and wellness industry.

The Colorado Health Institute gathered extensive industry input through the listening tour, steering committee and tactical team meetings. Industry stakeholders identified four trends that will impact the health and wellness industry:

- Implementation of health reform efforts.
- Aging of the population.
- Growth of health and wellness technology.
- Increasing consumer involvement.

Trend One: Implementation of Health Reform Efforts

State and federal health reform efforts are bringing unprecedented change to the health care and insurance industries. For example, the federal Affordable Care Act will create opportunities and challenges because of the increase in people with insurance and the move to create a more efficient health care system.

At the same time, many business owners across Colorado said during the listening tour that they are confused by new insurance requirements. This is important to note because health insurance costs affect many of the important decisions that a company makes – from hiring and salary to benefits and capital investments. A number of business owners said they are being more deliberate about new investments until they understand what the landscape will look like.

Stakeholders identified three major implications of health reform that the health and wellness industry should examine for opportunities as well as challenges:

- More Coloradans with health insurance.
- More emphasis on prevention and wellness.
- Changing health care payment models.

These three changes - and how they may affect Colorado's health and wellness industry, are examined here in more detail.

More Coloradans with Health Insurance

More than 500,000 uninsured Colorado residents are expected to gain health insurance coverage by 2016.³¹ Multiple data sources show that having health insurance increases the use of health services. For example, a study conducted by the Centers for Disease Control and Prevention showed that 27.6 percent of uninsured people between the ages of 18 and 64 went

without health care because of cost, compared with 4 percent of insured people in that age group.³²

The newly insured Coloradans are likely to drive up demand for health care services, which could be an opportunity for growth in the industry as well as throughout the economy. A report from The Colorado Health Foundation projected that Colorado's expansion of Medicaid eligibility to 138 percent of FPL will result in an additional 22,388 jobs by 2025.³³

However, coverage expansions may pose challenges, especially for rural areas of Colorado. These regions may need extra support as they work to attract and retain enough health care providers.

More Emphasis on Prevention and Wellness

Workplace wellness initiatives could help reduce the demand for health services. Data on how well these programs improve health and lower costs are inconclusive. But new incentives for workplace wellness programs that promote healthy behaviors such as exercising, eating well and refraining from tobacco use may help to build up an evidence base.

Beginning in 2014, \$200 million in federal grants will be available over five years for small businesses to start wellness programs.³⁴ The reward may be a premium discount or rebate, the absence of a charge, a waiver of cost-sharing or coverage of a benefit that would not otherwise have been covered.

These incentives are likely to boost a \$6 billion annual industry that is already growing.³⁵

Changing Health Care Payment Models

Pilot programs that change how health care is paid for are springing up across Colorado.

The Center for Medicare and Medicaid Innovation is providing states with grants to test new payment models. Colorado is one of seven markets chosen to participate in the Comprehensive Primary Care Initiative. Nine health insurers, including Colorado Medicaid, are partnering to reward 74 primary care practices for becoming medical homes.³⁶

These practices provide comprehensive, integrated treatment to better support their patients across a



CHRIS SCHNEIDER PHOTOGRAPHY

continuum of care, including primary care, specialist care and mental health care. They receive resources to support the transition to medical homes and they are paid a bonus for attaining certain patient outcomes.

Opportunities for Colorado abound. First, the Comprehensive Primary Care Initiative encourages collaboration within the industry, creating communities of innovation. It prepares Colorado for the inevitable changes in health care payment and delivery. And it means that more health care providers will become integrated into the delivery and payment structure of health care, potentially making their practices more viable.

Firms offering at least one workplace wellness program increased from 58 percent in 2009 to 74 percent in 2010.

For health care providers, the challenge is clear. A movement from fee-for-service to other payment models could decrease revenues and require more reporting and data analysis. Hospitals in the metro Denver area, for example, have experienced growing profits for the past 10 years. They had pre-tax net income of \$774.6 million in 2011, a 12.3 percent profit margin.³⁷ While

some hospitals fear that payment reform could impact profits, many providers think it will help make the industry sustainable.

Trend Two: Aging of the Population

The aging population means that more people will seek health services, presenting both opportunities and challenges. Growth in the 65 and over population will far outpace that of other age groups. The largest growth in this age group is projected along the Front Range and in northwest Colorado.³⁸

Seniors typically need more – and more expensive – health services. Per capita health care spending for seniors averages three to five times the health care spending for younger people.³⁹ This will undoubtedly be a boon for health care providers, but it will also mean higher Medicare and Medicaid spending that will strain state and federal budgets. Governments, anticipating the budgetary pressure, are exploring payment reform and cost control measures.

The listening tour revealed mixed views about whether Colorado should market itself as a destination for seniors. Seniors with resources can help a local economy by paying for health care and other goods and services. At the same time, seniors often spend down their resources and qualify for Medicaid, adding to the pressure on public budgets.

The demographic shift means growth for long-term care services and supports. About 70 percent of seniors will need some form of long-term services and supports, according to the U.S. Department of Health and Human Services.⁴⁰ With more people wanting to age in place, the trend is moving away from institutional care and toward home or home-like settings.

This presents an opportunity for businesses specializing in home care and support. Already benefiting from the increase in sheer numbers of people needing care, these businesses will be able to tap into two new markets: People who would otherwise have gone to a nursing facility and people whose care would have been managed at home by unpaid caregivers, such as family members.

Home-based care is, in general, less costly than nursing facilities. That is good news for those paying for at-home care – mostly individuals and Medicaid,



the largest payer of long-term services and supports. While institutional care facilities may lose market share, they are likely to benefit from expanding into home-based care.

The need to care for more aging adults will create new jobs, though the growth will likely be in low-skilled and low-wage positions, such as home health and personal care aides. Colorado's challenge will be identifying strategies to meet job demand while ensuring a living wage for its health care workforce.

Trend Three: Growth of Health and Wellness Technology

The health and wellness technology segment is growing by more than 16 percent annually.

Technology that captures, tracks, aggregates and analyzes patient care data is one of the fastest-growing areas. Electronic health records are the heart of this technology. Expansion of the technology industry represents a unique opportunity for Colorado. Unlike health care services, technology services are easily exportable to other states with large markets.

An infusion of capital from the federal government spurred the growth of health information technology, significantly expanded the number of products and

vendors. The American Recovery and Reinvestment Act of 2009 (ARRA) provided grants to help health care organizations create, adopt or improve electronic health record systems. Often referred to as the "meaningful use" program, the grants are given to providers who must prove they are using the records to improve care.

Government, as the largest payer of health care services, has an interest in using all available tools, including data, to make the delivery of health care as efficient as possible with the best possible patient outcomes. Health care information systems can help providers manage patient care and prevent duplicate services. Moreover, data collection and analysis make possible delivery and payment innovations like accountable care organizations, which base their incentives on appropriate services and better health outcomes.

These systems give payers and other decision makers the ability to aggregate health care data to better understand trends in treatment and outcomes across a population. For some time, public health data has been missing an important element: clinical health data. With electronic health records, it possible to construct large health databases to aggregate and analyze clinical health data to help inform health policy decisions.

Building health data systems presents strategic opportunities for information technology firms to grow and for health providers to build their technology infrastructure. But health care organizations must test largely untried products, integrating them into their daily operations without adding time or expense, while maintaining patient privacy.

With more than 1,000 providers nationwide, the health information technology market is young and diverse, making it more difficult to promote system interoperability across provider groups and governmental entities. Market leaders have emerged, including Allscripts, which has a 16 percent national market share. For hospitals, industry leader MEDITECH commands 25 percent of market share.⁴¹

The health and wellness technology segment is growing by more than 16 percent annually.

Telehealth is another thriving technological innovation. Also known as telemedicine, this field encompasses the technologies that allow providers and patients to connect remotely. Teleconferencing technology can allow patients in medically underserved areas to connect with a provider located elsewhere. Other equipment monitors a patient's vital signs or

other diagnostic information and transfers the data to providers.

Telehealth technology presents an excellent opportunity for growth. It can help meet the health care demands of rural populations while reducing costs. Several studies have revealed promising cost savings from telemedicine videoconferencing.⁴²

Even better, growth in telehealth does not have to stop at the state's borders because the technology is exportable. Growing local companies that specialize in telehealth provides an excellent opportunity to export needed health care technology products to other states, boosting Colorado's economy.

Many other new technologies designed to help consumers manage their health and wellness activities are reaching the market, including chronic disease self-management, such as medication dispensers. Wellness tracking software or apps let consumers have greater involvement in their health and wellness.

Exportable health and wellness products and services represent a tremendous economic opportunity for Colorado, since growth is driven by innovations to improve care and lower costs. Health care information technology is ripe for smart and strategic growth that promotes well-being and economic development.

Trend Four: Increasing Consumer Involvement

Consumers will experience a good deal of change as the health and wellness landscape transforms in coming years. Users of health care in the U.S. have not traditionally been "consumers" in the truest sense.

They have selected health plans offered by their employers, chosen from a limited list of providers in their health plan's network and paid the required cost-sharing. Occasionally, they have shopped for the best prices on pharmaceuticals, but more often than not they have been largely unaware of the true cost of the care they receive. Now, consumers will take a much more active role.

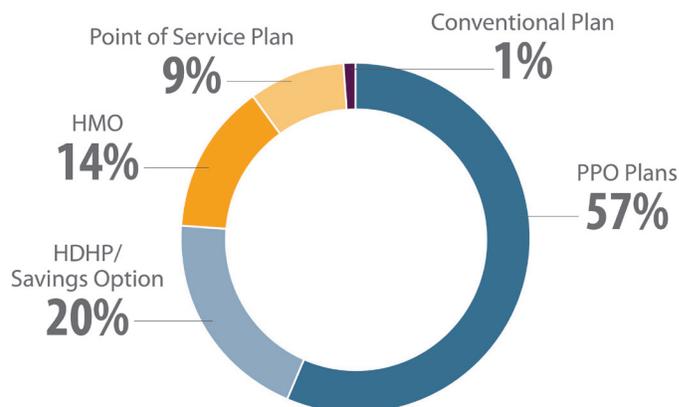
Employer responses to rising health care costs partially account for this change. More employers are requiring their employees to pay a greater share of health insurance premiums in an effort to manage costs (see Figure 10). More than 70 percent of companies have used this strategy in the past three years. Companies are also opting for less expensive health plans with higher deductibles or fewer benefits and supplementing these benefits with health savings accounts, health reimbursement accounts or flexible spending accounts. About 66 percent of companies have one of these plans, and another 13 percent expect to add one by 2014.⁴³

Some employers are moving to defined contribution plans. Rather than offering a specific group health plan, known as a "defined benefit," employers hope to stabilize their costs by giving each employee a monthly dollar amount, a "defined contribution," with which to purchase health insurance. The employee must choose an affordable plan and make decisions about health care spending.

Many employers argue that defined contributions are more than just a cost shift to employees. Defined contributions, they say, give workers more ownership in their health insurance and health care decisions and make them more like consumers and less like beneficiaries. Some experts project that this could result in lower use of health services and lower costs, though there is no supporting data.

The move to more consumer responsibility and control may lead consumers to use fewer health services, a potential challenge to the industry. Consumers may also request more price transparency and cost information before receiving services, which most health care providers are not yet set up to provide.

Figure 10: Health Plan Enrollment by Covered Workers, 2013



Source: Colorado Health Report Card, 2012

However, the shift to consumer involvement may open new doors for the prevention and wellness segment. Health plans have fairly restrictive coverage policies that do not include many wellness services, but account-based health plans and other tax-free health care allowances are less restrictive. This may lead consumers to compare the cost, for example, of an orthopedic doctor with a chiropractor or massage therapist for coping with back pain.

With greater incentives to avoid using unnecessary health care services, consumers may opt for more prevention and wellness opportunities. This is especially true for employees who will receive insurance premium discounts for participating in wellness activities.

Wellness companies are pushing for more of their services to be covered by insurance, which would potentially open up their market. However, a better opportunity for the wellness industry may be in the shift to greater consumer involvement in health care. When consumers hand over their own money, health services will be subject to the same cost-benefit analysis applied to wellness services, giving wellness companies the opportunity to demonstrate their value proposition and attract new customers.

Colorado's Competitive Position: *Strengths and Weaknesses*

This strategic assessment of the strengths and weaknesses of Colorado's health and wellness industry will help Colorado position itself to maximize growth while minimizing potential challenges. Key industry stakeholders identified the strengths and weaknesses during the statewide listening tour as well as during steering committee meetings.

Strengths

Colorado has a number of strengths, including a supportive start-up community and a culture of innovation, that put the health and wellness industry in an excellent position for growth.

Collaboration and Public-Private Partnerships

Colorado has a rich history of bringing together diverse interest groups to collaborate on complex health care issues. By using the power of public-private partnerships and working together across party lines, Colorado has fostered many innovative programs to address health-related challenges and support free market opportunities.

Public-Private Partnerships:

Colorado was one of seven markets selected by the federal Centers for Medicare and Medicaid Services to participate in the Comprehensive Primary Care Initiative (CPCI). This initiative brings together public and private sector payers to make significant investments in 74 primary care practices and 369 providers throughout Colorado. The intent of the initiative is to reward providers that provide high quality and coordinated care.

Medicaid Expansion:

The Colorado General Assembly passed legislation signed by Governor Hickenlooper to expand eligibility for Medicaid to 138 percent of FPL - up to \$15,800 of annual income for an individual - in 2014.

The governor identified the state's health as a top priority in the 2013 report, "The State of Health: Colorado's Commitment to Become the Healthiest State," a plan to reach that goal by addressing a broad range of health needs.

The Colorado Health Institute estimates that this expansion will lead to an additional 200,000 low-income Coloradans enrolling in Medicaid by 2016.

Health Insurance Marketplace:

The Colorado General Assembly passed bi-partisan legislation in 2011 creating a health insurance marketplace, Connect for Health Colorado. Connect for Health Colorado, which represents health reform the "Colorado way," provides a platform for Coloradans and small businesses to compare health insurance plans based on price and quality and enroll in the plan of their choice.

Health Information Exchange:

The Colorado Regional Health Information Organization (CORHIO), which is creating a health information exchange for clinical information, is a collaborative effort between state government, foundations, health care providers, public health experts, health plans and patients. CORHIO and Quality Health Network, its counterpart in Grand Junction, aim to improve coordination and quality of care and reduce duplication of services.

The All Payer Claims Database (APCD) provides health claims data from public and private payers in Colorado to increase access to information about how health care is used and how much is reimbursed. The goal is to increase transparency so the market can operate

more efficiently and competitively. Researchers can also use the APCD to understand regional differences in health care use and expenditures.

These collaborations are strengthened by Governor Hickenlooper's support of health and wellness initiatives. The governor identified the state's health as a top priority in the 2013 report, "The State of Health: Colorado's Commitment to Become the Healthiest State," a plan to reach that goal by addressing a broad range of health needs.⁴⁴

This widespread spirit of collaboration will strengthen Colorado's efforts to drive economic growth while improving health.

World-Class Education, Research and Health Care Institutions

As a regional leader in health and wellness, Colorado has the resources to support research, innovation and growth in the health and wellness industry.

The University of Colorado Anschutz Medical Campus in Aurora is one of the largest health care and health sciences development projects in the country, housing the schools of dental medicine, medicine, nursing, pharmacy, public health and the health sciences graduate school. The School of Public Health is the only one of its kind in the Rocky Mountain region.

The University of Colorado's School of Medicine is ranked fifth nationally for primary care education by U.S. News & World Report. The magazine also placed the University of Colorado Denver among the top 35 for health programs such as nursing, pharmacology and physical therapy. The pediatric specialty program at the school's College of Nursing, home to the first nurse practitioner program in the world, is ranked among the top five in the nation.⁴⁵

The state's amenities and culture help to attract primary care physicians. Colorado filled 100 percent of its family medicine residencies in 2013, and 66

Colorado filled 100 percent of its family medicine residencies in 2013, and 66 percent of 2012 graduating family medicine residents stayed in Colorado.

percent of 2012 graduating family medicine residents stayed in Colorado.⁴⁶

Colorado's science and engineering programs, a necessity for the health care industry and its supply chain workforce, are equally as strong. Colorado in 2009 ranked 10th in the nation in the number of science and engineering graduate students per 1,000 people between the ages of 25 and 34.⁴⁷ The Colorado School of Mines, the University of Colorado Boulder and Colorado State University house most of these graduate programs.

Colorado's health care facilities have received as much national attention as its higher education institutions. Nine Colorado hospitals were awarded HealthGrades' 2013 Distinguished Hospital Award for Clinical Excellence. Also in 2013, six of Colorado's hospitals received awards for Patient Safety Excellence and 12 were awarded for Outstanding Patient Experience. This year, U.S. News & World Report recognized 14 Colorado hospitals for outstanding specialty programs, two of which boast national rankings.

Colorado is home to another unique facility: the new Anschutz Health and Wellness Center, a \$34 million state-of-the-art facility opened in April 2012 on the Anschutz campus. The center's vision that wellness can fuel the economy, reduce health care costs and improve the quality of life for millions of people positions it to bridge the gap between Colorado's health care, wellness and other industry sectors.

Institutions such as this one also export services to other states and draw businesses to Colorado through wellness tourism.

Strong health and educational institutions help to attract educated people to the state. Among the 50 states, Colorado has the second highest percentage of individuals who have completed a bachelor's degree or higher, trailing only Massachusetts, making it a desirable location for businesses seeking a strong, educated workforce.⁴⁸

A Healthier, More Productive Workforce for Colorado: The Road Map

Report Card Indicator	Colorado Rank	If Colorado Were No. 1
 <p>Obesity: 20.9% of Colorado adults and 14.2% of Colorado children are obese.</p>	<p>1 (Adults) 23 (Children)</p>	<p>24,900 fewer children would be obese.</p>
 <p>Mental Health: 14.7% of adults reported mental health difficulties eight or more days in the past month.</p>	<p>13</p>	<p>92,600 fewer adults would report poor mental health.</p>
 <p>Teen Pregnancy: Fertility rate is 33.4 births to mothers ages 15-19 per 1,000 population.</p>	<p>27</p>	<p>3,000 fewer teenage girls ages 15-19 would give birth each year.</p>
 <p>Smoking: 20.0% of Colorado adults are current smokers.</p>	<p>8</p>	<p>234,700 fewer adults would smoke cigarettes.</p>

Source: Colorado Health Report Card, 2012

Strong Health Philanthropy Organizations

An important benefit of the health care industry's shift from nonprofit to for-profit health plans and hospitals has been the emergence of Colorado's health conversion foundations, created from the sale of nonprofit hospitals, health plans or health systems to for-profit businesses. The profits have been used to create foundations that support a wide variety of initiatives, including increasing health insurance coverage, improving the quality of physical, mental and oral health care, mitigating health care costs, addressing health equity and improving the health and wellness of all Coloradans.

Colorado has five health conversion foundations, some of which are among the largest philanthropies in the state – and in some cases in the nation.⁴⁹

These conversion foundations, as well as other community foundations, give Colorado the

opportunity to convene and solve problems in innovative ways. The foundations, for example, support valuable health data assets, including the APCD and the Colorado Health Access Survey, a household survey that gives insight into how Coloradans get access to health care and use it. Foundations also support health care safety net clinics and hospitals and launch innovative public health and wellness initiatives.

These foundations can also be a source of capital investment to develop new models of care and delivery, as well as wellness programs. While philanthropic funding is not necessarily a long-term financing strategy, it is a resource for fostering innovation and taking risks that private businesses or public agencies may not be able to take.

Culture of Health and Wellness

The high value that Colorado places on wellness gives

the state a strong position from which to improve the health of its residents while attracting out-of-state customers and exporting health and wellness services to other markets.

Colorado is already a destination for wellness and recreation. More than 20 percent of the nation's ski and snowboard visits are to Colorado. These visitors spend approximately \$2.6 to \$3 billion annually in Colorado.⁵⁰

But skiing is not the only recreation game in the state. With more than 40 state parks, 13 national parks, and more 14,000-foot peaks than any other state, Colorado is a destination for hikers, cyclists and other outdoors enthusiasts.^{51, 52} The national parks fuel an essential part of the state's economy, bringing dollars to all areas of the state from both in-state and out-of-state tourists, while helping to promote physical activity.⁵³

Colorado has demonstrated a commitment to preserving land for recreation through the Great Outdoors Colorado program. Conceived by conservation, business and political leaders from across Colorado, the program was approved by Colorado voters in 1992. It allows the state to use lottery proceeds to fund the Great Outdoors Colorado Trust Fund to preserve, protect and enhance wildlife, parks, rivers, trails and open spaces.⁵⁴

For some Coloradans, fitness is more than a recreational activity. It is central to their lives and shapes their social connections – not to mention their spending habits. Colorado ranked second in the U.S. for health club participation in 2010, when one of five Coloradans belonged to a health club.⁵⁵

One result is a healthier workforce. Compared to other states, Colorado has lower rates of obesity and the chronic diseases that come with it, such as diabetes and high blood pressure.⁵⁶ A healthy employee is an asset to an employer for several reasons. Data show healthy employees are more productive, absent less often, and cost an average of \$4,000 less each year in health care costs compared with their less healthy counterparts.⁵⁷

Colorado's healthy workforce and culture of wellness is a significant strength that can be leveraged as a key corporate recruitment and retention tool.

Weaknesses

Colorado faces challenges in its ability to respond to the changing health care marketplace. Some are unique to the health and wellness industry, while some affect all state industries.

Lack of Awareness Among Key Corporate Audiences

Colorado would benefit from attracting more corporate headquarters. Colorado has 10 companies on the Fortune 500 list. DaVita, which provides dialysis treatments and support services for patients with chronic kidney failure, is the only health and wellness industry representative. Seventeen Colorado companies are on the 2013 Fortune 1000 list. Two are from the health and wellness industry: DaVita and Envision Healthcare, which provides medical transportation and paramedic services.⁵⁸

Attracting more investor groups would also be an economic boon. Many venture capitalists and investor groups may be unaware of Colorado's past successes and future potential in health and wellness. The industry could help its chances by speaking with a unified voice and crafting an outreach strategy to attract new businesses and investors to the state.

Regulatory Environment

The lack of cohesion in the health and wellness industry may hamper its ability to advocate for changes to state regulations that would remove obstacles and promote efficiency and innovation.

Many health and wellness businesses are constrained by "scope of practice" regulations that limit the services that certain health care professionals are allowed to provide. These regulations ensure that the public is protected from unqualified providers, but a thoughtful exploration of scopes of practice could

help qualified professionals to serve more people more efficiently. Expanded scopes of practice can also lower costs. For example, physician assistants provide some of the same services as physicians, but garner lower salaries.

Health and wellness regulations are not consolidated under a single state agency, making it difficult for the industry to track and influence the rules. Currently, regulations are spread across the Department of Regulatory Agencies, the Department of Health Care Policy and Financing, the Department of Public Health and Environment and the Department of Human Services.

Health information technology may also require additional regulatory support from the state. The state government should work closely with the health information technology sub-sector to create standards that will promote "interoperability" of health information systems across Colorado.

Some regulations may be best established at the federal level. In those cases, it will be important to create an industry coalition that advocates in one voice for smart federal policies that promote a strong Colorado health and wellness industry.

Finally, health and wellness businesses will benefit from any regulatory reform that removes unnecessary barriers to doing business in Colorado. The state should continue to review its regulations, ensuring that policies are effective, evidence-based and necessary.

Alignment of Education with Industry Needs

In both our listening tour and steering committee meetings, the industry stakeholders said that the institutions educating the future health care employees and employers are not working together closely enough to support Colorado's changing needs.

Health care industry representatives said that graduates are not always adequately prepared to join the workforce, requiring companies to make

significant investments to fill knowledge gaps. Others said that educational institutions are not adjusting to changing workforce demands. For example, many cited Colorado's lack of preparation to serve an aging population. Solving this may require recruiting more medical and nursing students to focus on geriatric care or establishing more programs to prepare people to serve as home care aides for older adults who want to age in place.

Addressing Colorado's workforce shortages in a systematic way will require stronger collaboration between higher education and employers.

Representatives from the health care information technology sector said that Colorado does not have the necessary degree programs to fill local industry jobs. While many IT executives said they would prefer to hire in-state candidates, they often hire from states with stronger programs in areas such as informatics.

Industry stakeholders also encouraged more innovation and programming that actively connects health professionals to underserved rural areas. The collaboration between the rural health and wellness industry and education partners is not as frequent or as meaningful as it needs to be to generate innovative solutions.

Wellness Data Infrastructure

Colorado has a number of good sources of health care data that track both the supply side (industry data, employment and revenue) and the demand side (use of health care). However, there are no data sources for tracking and monitoring the wellness sector. Within wellness, there is little evidence about best practices, particularly for workplace wellness initiatives, that could help employers allocate resources to the most effective evidence-based programs.

Strategic initiatives begin with solid data. Missing wellness data is a weakness for Colorado.

Action Plan

Colorado's health and wellness industry is uniquely positioned to emerge as an economic engine for the state while fostering a healthy and productive population.

Bottom line: Colorado can become the nation's health and wellness leader.

The Colorado Health Institute has summarized a set of strategic recommendations to help the industry reach this goal. The recommendations are based on extensive research and analysis as well as input from industry leaders across the state who participated in a listening tour, a steering committee and tactical teams.

These are recommendations by the industry and for the industry. Together, they represent an action plan designed to leverage industry strengths, embrace new opportunities, minimize weaknesses and overcome challenges. Together, the industry can make them happen.

To reach this objective, the industry stakeholders agreed on an action plan that:

- *Positions health and wellness as an export business by developing products and services that can be marketed and sold in markets across the nation and internationally.*
- *Leverages the business opportunities created by a significant increase in the number of people with health insurance and a growing demand for wellness services.*
- *Establishes collaborative workforce strategies and educational programs that reflect the current and future needs of health and wellness employers.*
- *Invests in creating high-paying, high-demand jobs, such as those in health care information technology.*
- *Builds infrastructure and support for established companies and start-ups, especially in the wellness sector.*

These recommendations, whenever possible, align with existing initiatives in Colorado. An industry-led advisory committee of key leaders could strategically leverage the ongoing work with the new efforts to implement the action plan.

The recommendations in the action plan are organized by the six core objectives identified in The Colorado Blueprint. Governor Hickenlooper's office developed these objectives in 2011 after hearing from more than 5,000 Coloradans in the state's 64 counties about how to develop their local economies.

- 1. Build a Business-Friendly Environment:** Issues affecting a company's operations within Colorado, including regulations, taxes, industry representation and costs of doing business.
- 2. Retain, Grow and Recruit Companies:** Retention and expansion of existing Colorado operations and the recruitment and attraction of key businesses in the industry.
- 3. Increase Access to Capital:** The lending climate between banks and companies in the industry in Colorado, as well as access to private investors and other types of financing.
- 4. Create and Market a Stronger Colorado Brand:** Awareness among industry, the public and policymakers about the benefits of doing business in Colorado.
- 5. Educate and Train the Workforce of the Future:** Availability of qualified workers and a sustainable talent pool through education to meet industry needs.
- 6. Cultivate Innovation and Technology:** Research and development activity within the industry, and solid technology transfer to products and services.

Each recommendation features time and cost estimates:

Estimated Time Frame:

-  Short Term
(Up to 6 months)
-  Medium Term
(6 to 18 months)
-  Long Term
(18+ months)

Estimated Cost:

-  Little to no cost
-  Low cost
-  Moderate cost
-  High cost

Core Objective 1: Build a Business-Friendly Environment

Government regulations, taxes and the costs of doing business in Colorado impact the health and wellness industry in a variety of ways. Some regulations result in a supportive environment, such as those that create incentives to use wellness services, allow providers the flexibility to respond to demand for services, and support shared data infrastructure. The state can also support the industry by removing regulations that are unnecessarily restrictive or outdated.

Although state government does not control federal regulations, it can help health and wellness businesses to navigate them as well as make the most of federal

funding. At the same time, it is important for Colorado's health and wellness industry to consolidate its voice to better advocate for supportive regulations at all levels of government.

Colorado can promote policies and programs that lower health care costs for businesses, or provide for a more productive workforce, creating a more business-friendly environment for all industries. Meanwhile, improving industry data and evidence – particularly for the wellness sector – will lay the groundwork for a stronger industry able to respond strategically to opportunities and threats.

Goal: Establish tax policies that promote growth and expansion of the health and wellness industry.

Create an industry association or coalition to serve as the voice of health and wellness in Colorado.

- Support creation of a statewide industry-led or non-profit advisory committee to ensure cohesion in policy discussions.



- Leverage existing business, government, academic and industry group partnerships to develop local and statewide health and wellness coalitions and strategy.



Explore tax policies that could be customized to the health sector and the wellness sector.

- Recommend specific tax policies for each industry sector.



- Inventory and compare tax policies of states with the fastest-growing health and wellness companies, Florida, Texas, North Carolina, and Massachusetts, and of regional competitors Arizona and Utah.



- Explore the creation of potential tax rebates based on performance benchmarks and number of jobs created. Tie tax incentives to companies willing to headquarter in Colorado.



- Market the tax findings to site selectors.



Goal: Improve the regulatory environment for the health and wellness industry.

Review Colorado policies and regulations to identify barriers to a strong health and wellness industry.

- Inventory and compare the regulatory and policy framework of states with the fastest-growing health and wellness companies and regional competitors.   
- Encourage the Congressional delegation to support appropriate regulation and oversight of digital health, drug and medical device manufacturers and other relevant health and wellness businesses that create technology to support the industry.   
- Work with state and federal partners to analyze ways to streamline permitting processes.   

Evaluate policies regarding provider licensing and scopes of practice to meet workforce needs.

- Explore expanded scopes of practice for mid-level providers.   
- Promote greater flexibility of interstate certification and licensure.  
- Evaluate enhanced opportunities for reciprocal agreements of licensing across state lines.  

Goal: Reduce employer uncertainty about the Affordable Care Act.

Coordinate and support employer education efforts.

- Support and promote efforts by the Colorado Small Business Development Center (CSBDC) to share resources and information about the ACA with small business owners.  
- Partner with chambers of commerce, institutions of higher education, economic development organizations and business groups to help answer questions about the law.  
- Provide resources to make small businesses aware of the online health insurance marketplace, possible tax credits and wellness incentives.   

Goal: Reduce health care costs for businesses.

Support and implement payment reform initiatives and pilot programs aimed at lowering health care costs for the private sector.

- Identify pilot programs and payment reform efforts that seek to lower health care costs for the private sector.
- Identify additional federal funding streams for new payment reform initiatives that target private payers.

Maximize knowledge-sharing among companies to identify best practices for reducing employer and employee health insurance costs.

- Educate small businesses about tax credits in the ACA and the small group health options program (SHOP) health insurance marketplace for small businesses.  
- Establish a platform for employers to share best practices for addressing premium costs.   
- Standardize metrics for comparing plans and providers.  

Goal: Form Stronger Industry Unity Around Key Wellness Sector Issues.

Enhance cohesion, data and information-gathering in the wellness sector.

- Disseminate data with a focus on key wellness indicators such as body mass index (BMI), mental and oral health, and risk factors for chronic disease.
- Identify evidence-based wellness practices and quantify the economic impact of wellness activities.
- Identify available wellness resources based on geography.



Identify opportunities to analyze and disseminate the economic and quality of life outcomes of wellness programs.

- Establish partnerships between the private sector and research institutes to determine best practices in wellness and to measure outcomes of specific programs. As an example, the Colorado School of Public Health is collecting employer wellness data and certifying "healthy businesses" to quantify the impact of wellness programs on bottom lines.



Core Objective 2: Retain, Grow and Recruit Companies

Colorado can make the most of its healthy population and culture of wellness to attract and retain businesses looking for success and a high quality of life for their employees. Colorado's health care infrastructure and numerous centers of excellence are an asset that can attract companies critical to the industry's value chain and those that can help export the industry's goods and services.

At the same time, Colorado must offer support and resources to these companies and start-ups, with

centers of excellence and an industry consortium to support growth and development. With adequate support, the wellness industry can tap new markets and increase demand for its services.

If it builds on its existing infrastructure to become the premiere national destination for outdoor recreation, wellness and high quality health services, Colorado will attract competitive national and global companies in all industries.

Goal: Nurture An Ecosystem For New And Existing Health And Wellness Companies.

Create opportunities for innovators and start-up companies to establish relationships with health and wellness companies.

- Establish a regular forum for innovators to present opportunities to large companies with headquarters in Colorado by expanding events such as PRIME Health Collaborative's Digital Health Summit 2.0 and Monthly Business Meetups.
- Showcase Colorado's emerging digital health companies at national events such as Denver Start-Up Week hosted by the Colorado Technology Association, a potential technology showcase to be hosted by the Colorado Advanced Industry Associations and the Medicaid Enterprise Systems Conference which is scheduled for August 2014.



Identify and support companies that will thrive in the changing health and wellness marketplace.

- Identify new businesses that can leverage health reform opportunities. 
- Partner with the newly developed Colorado Business Intelligence Center to launch a business plan competition based on opportunities to thrive in the changing health and wellness marketplace. 

Goal: Generate Increased Demand For Wellness Services in And Out Of Colorado.

Use data to demonstrate the return on investment of wellness programs.

- Identify opportunities to spread news of employers with positive results from wellness programs, including improved productivity, performance, employee satisfaction and reduced health care costs. 

Provide support and resources for companies to implement worksite wellness programs.

- Explore the creation of tax credit incentives for employers to implement wellness programs. 
- Establish a program to certify evidence-based wellness programs to help employers identify and implement rigorous programs and to serve as a clearing house for wellness resources. 
- Through existing and developing health and wellness sector partnerships, convene small businesses that want wellness programs and help them to create co-ops for wellness services. 
- Tap the SBDC "Gateway" to provide links and information about wellness programs and wellness service providers around the state. 

Goal: Leverage Colorado's Above-Average Population Health And Culture Of Wellness to Recruit Employers.

Develop an assertive marketing strategy that positions Colorado as the go-to destination for health and wellness companies and professionals.

- Promote existing Job Growth Incentive Tax Credit and Strategic Fund incentives to encourage wellness companies to locate in Colorado. 
- Coordinate with the Colorado Tourism Office and BrandColorado to harness Colorado's reputation for active lifestyles as an economic development driver, and promote Colorado's health indicators. 
- Partner with economic development councils and chambers of commerce to share information on the health and productivity of Colorado's workforce with key corporate audiences, focusing on out-of-state companies. 
- Enhance branding for health care IT in Colorado. 

Coordinate and support statewide efforts aimed at improving population health.

- Support the state's focus on improving health and wellness, including reducing obesity and substance use, improving mental health and strengthening access to oral health as outlined in "The State of Health: Colorado's Commitment to Becoming the Healthiest State."  
- Lead the country in certified workplace wellness programs.  

Goal: Recruit Companies That Will Thrive In a Changing Marketplace.

Support and develop business incubators and accelerators that provide resources and mentorship for start-up health and wellness companies.

- Launch a governor's prize for most innovative business plan in health and wellness and offer modest deal closer and relocation incentives to innovative firms.  
- Focus on attracting companies with exportable services, such as health and wellness tourism, health care information technology, tele-health, natural food products, and health care supplies.  
- Identify the fastest-growing health and wellness businesses in the U.S. to focus on market opportunities, such as information technology, chiropractic care, molecular diagnostics, digital pharmacy benefit management. Share the data with economic developers around Colorado.  
- Conduct a gap analysis to identify unmet health and wellness demand in Colorado and the U.S. Examples include long-term services and supports, population health management and digital health.   

Nurture regional centers of excellence around health care design.

- Market Colorado's centers of excellence, focusing on excellence in quality outcomes, and help to replicate successes by creating and expanding health and wellness sector partnerships.  
- Continue to seek grant opportunities that pilot care health care system redesign in Colorado.  

Create incentives for health care suppliers to establish regional hubs in Colorado.

- Work with the industry to determine which major Colorado suppliers do not have in-state operations and establish a strategy to recruit them using existing tax and relocations incentives.  

Core Objective 3: Increase Access to Capital

Colorado can tap into new funding sources by raising awareness among national and international investors about its thriving and innovative health and wellness industry. It should explore all types of investors – not only venture capitalists, but investors likely to fund projects that serve the social good with social impact bonds, program-related investments and mission-related investments.

Federal funds are another source of capital to nurture new ideas, models and products. Private and public entities can collaborate to draw down federal funds, leveraging them to stimulate research and development of new products that may then qualify for other funding sources.

Goal: Increase Investor Awareness, Nationally and Internationally, Of Colorado's Health And Wellness Industry.

Share industry successes and opportunities with a broad audience of private-equity and venture capital investors.

- Establish Colorado business alumni groups in cities that have high concentrations of venture capital, such as San Jose, New York and Boston. Charge the alumni groups with introducing Colorado health and wellness innovators to venture capitalists. Encourage information exchange and deal flow between Colorado businesses and venture capitalists and investors.  
- Disseminate word of Colorado's outstanding health and wellness industry to the health and wellness venture capital community.  
- Work with CTA, the Colorado Bioscience Association and other industry associations that are cultivating relationships and existing networks for capital opportunities.  

Create opportunities for innovators and start-up companies to establish relationships with established health and wellness companies.

- Partner with COIN, CTA and PrIME Health Collaborative to build on existing or create new events to further establish Colorado as a hub for technology innovation. Include national thought leaders and showcase Colorado as a state with a business-friendly environment.  

Enhance information-sharing and collaboration in the health and wellness industry to attract funding streams.

- Promote Denver Capital Matrix, an online resource of potential lenders, investors and funders specific to the health and wellness industry.  
- Promote existing and new business mentorship opportunities to help health and wellness entrepreneurs navigate funding and connect with investors, grants and loans.   
- Create a wellness network so that smaller companies can pool resources to attract capital funding and grant funding.   

Develop sustainable funding models for health and wellness programs that serve lower-income populations.

- Explore social impact funding models that link private-sector investors with social enterprises.  
- Identify mission-related investment strategies for worthwhile wellness programs.  
- Encourage foundations to invest in low-margin wellness activities to demonstrate proof of concept before rolling them out to private-sector investors.   

Attract entrepreneurs by growing the local investor community and leveraging existing capital programs.

- Promote Colorado capital funding programs, including the Colorado Venture Capital Fund, OEDIT Strategic Funds, Enterprise Zone Tax Credits, and Community Development Block Grants for health and wellness start-up and early stage companies.  
- Establish and expand state programs providing loan guarantees and credit enhancement such as the State Small Business Credit Initiative.   

Goal: Expand Colorado's Share Of Federal And Grant Funding For Health And Wellness Initiatives.

Foster greater collaboration among various entities when applying for private or public grants.

- Support OEDIT efforts to develop a strategy to more effectively identify funding opportunities, notify potential grantees of grant and collaboration opportunities, and foster information-sharing partnerships to maximize funding opportunities for the health and wellness community.  
- Identify best practices and create a technology portal to facilitate communication about grant and funding opportunities.  

Strengthen research centers of excellence.

- Leverage Colorado's reputation for public-private collaboration by promoting successful models.  
- Consider positioning Colorado as a hub for research on workplace wellness programs in order to bring in additional federal research dollars.   

Help small businesses to attract federal dollars and grants for wellness initiatives.

- Explore creating grants for wellness programs for small businesses.    
- Position small businesses to they apply for health reform funding for wellness programs.    

Core Objective 4: Create and Market a Stronger Colorado Brand

Colorado's reputation as a place of active living, good health and balanced lifestyles make it an attractive place to visit and do business. The health and wellness industry should continue to make this an integral part of Colorado's brand. It can also support the lifestyle aspects that make Colorado true to its brand, such as low rates of chronic disease and higher rates of exercise.

With this strong brand of health and wellness, Colorado can clearly position itself as a regional destination for excellent medical care. It can also continue to promote the state as a national and international wellness destination, not just for skiing but for wellness retreats, camps, conferences, athlete training, bike tours and races.

Goal: Make health and wellness an integral part of the state's culture and brand.

Continue to incorporate health and wellness messaging into the Colorado state brand and share Colorado success stories with a broad audience.

- Clarify the core message platforms for both in-state and out-of-state audiences. 
- Hone the "Healthiest State" rally cry and develop visual identity that the Colorado Health and Wellness campaign will deploy throughout all outreach programs and partners. 
- Develop, fund and implement a media plan to motivate in-state residents to pursue healthy behaviors and lifestyle. 
- Develop plans and partnerships to extend the Colorado Health and Wellness message to out-of-state target communities across the U.S. 
- Collaborate with brandCOLORADO to ensure the wellness message is integrated with all relevant state brand communications and throughout state agencies.

Attract national health and wellness events to Colorado.

- Bring government, business, tourism and economic development partners together to develop a strategy to attract or create more major trade shows and conferences for the health and wellness industry. 
- Organize a TED-style health and wellness conference in Colorado or a national wellness event that showcases Colorado's innovative wellness companies. 
- Create a lifestyle industries festival in Colorado to showcase the best of health and wellness, outdoor recreation, creative industries, and food and agriculture. 

Goal: Enhance the state's medical and wellness tourism industry.

Leverage Colorado's world-class medical facilities to attract more out-of-state patients.

- Cultivate centers of excellence that provide health care at a competitive price. 
- Support infrastructure that encourages exporting health care expertise. 
- Explore opportunities to market Colorado as a destination for senior care. 
- Form a task force dedicated to promoting Colorado's health and wellness amenities to out-of-state audiences. 

Core Objective 5: Educate and Train the Workforce of the Future

The health and wellness industry is changing rapidly. Professional education programs in health and wellness must collaborate with employers to stay current on the skills and abilities most important to the industry now and in the future. The industry must work with education programs to establish standards and create learning opportunities in the health care and wellness sectors.

In this shared endeavor, the industry must give professionals the opportunity to use what they have

learned to work at the top of licensure, so they can deliver all of the services they are trained to provide.

A strong partnership with educational institutions will also help the industry address workforce shortages in some professions and geographic regions. With a strong industry-education partnership in place, Colorado will be in a better position to meet the labor demands of health and wellness businesses and, ultimately, to meet the population's demand for services.

Goal: Promote stronger collaboration between health care educators and employers.

Support regional health and wellness industry partnerships that work to coordinate educational programs with the needs of employers.

- Support the network of existing and emerging health and wellness sector partnerships that regularly bring together health and wellness employers with education, workforce and economic development leaders.  
- Analyze education programs and identify knowledge, skills and abilities needed by the industry in order to develop plan that addresses gaps.  
- Promote development of educational programs that are industry-driven and industry-recognized.  

Goal: Build a workforce that addresses the current and future needs of Coloradans.

- Develop a strategy for filling high-skilled workforce gaps over the short term and long term.  
- Collaborate with educators to expand educational capacity and programming for high-demand fields.  
- Create incentives such as grants, loan repayment and scholarships for students to enter high-need fields such as primary care and geriatrics.   
- Expose youth to high-demand health care job opportunities and the career ladders available to them.  
- Identify technology substitutions for low-skilled jobs.  
- Establish certifications for wellness jobs to enhance credibility and establish expertise.  

Goal: Expand and enhance educational opportunities for health and wellness workers.

Expand clinical and non-clinical training opportunities.

- Develop and cultivate educational programs for home health aides, wellness coaches and other needed programs or certifications, as identified from a workforce gap analysis.  
- Support junior researchers and faculty with funding opportunities and investments in infrastructure.  

Develop new Colorado degree programs for digital health care and health information technology.

- Work with institutions to develop health “informatics” degree programs in Colorado, allowing Colorado to generate in-state talent for high-paying IT jobs.  
- Incorporate internships and state scholarships into university programs.  

Core Objective 6: Cultivate Innovation and Technology

Colorado has strong public-private partnerships that establish and promote innovation and technology in the health and wellness industry. The industry can ensure that these partnerships continue to foster new technology by making Colorado a hub for health and wellness technology and establishing compelling incentives to invest in the technology infrastructure.

Health and wellness technology allows for better information-sharing, which leads to more innovation – a virtual loop essential to growth. Colorado has made tremendous progress in creating a shared health information technology infrastructure, but must continue to inspire confidence and commitment from all stakeholders in order to make data collection complete and interoperable.

Goal: Foster new innovation and technology in the health and wellness ecosystem.

Create incentives to invest in new health and wellness technologies.

- Work with state philanthropic organizations to create a program that rewards and promotes industry innovations and technologies generated in Colorado, including seed money to launch businesses.    
- Evaluate innovation voucher programs such as the one currently being used in Connecticut.    

Make Colorado a hub for health and wellness technology.

- Support initiatives that are increasing collaboration in the health and wellness ecosystem such as the networking created through PrIME Health Collaborative.  
- Using the Advanced Industries Accelerator Act model, support academic incubators to foster technology transfer and collaboration between academia and business.  
- Coordinate with CTA, OEDIT, PrIME and other economic development organizations to promote an enhanced Colorado presence at out-of-state health IT events.    

- Work with PRIME, CTA and CBSA to attract more high-profile health IT events to the state.



- Expand regional sector partnerships to facilitate collaboration among health entrepreneurs.



Maximize Colorado's federal funding incentives to adopt new health care technologies.

- Promote adoption of Electronic Health Records among Colorado providers.



- Consider additional state-based incentives for adopting technologies that promote cost savings. MT-LT \$



Goal: Enhance information-sharing of health care information technology.

Develop new resources for health and wellness IT.

- Using the Advanced Industries Act as a model, support existing matchmaking platform to match public and private innovators and technologists.



Facilitate networking among Colorado's wellness and IT providers and businesses.

- Provide opportunities to share best practices and success stories.



- Tap into expertise of Colorado leaders in harnessing technology and wellness, such as Café Well and Healthgrades.



Conclusion

These are exciting times for the health and wellness industry. Old models and ways of doing business are being upended, setting the stage for innovation and growth.

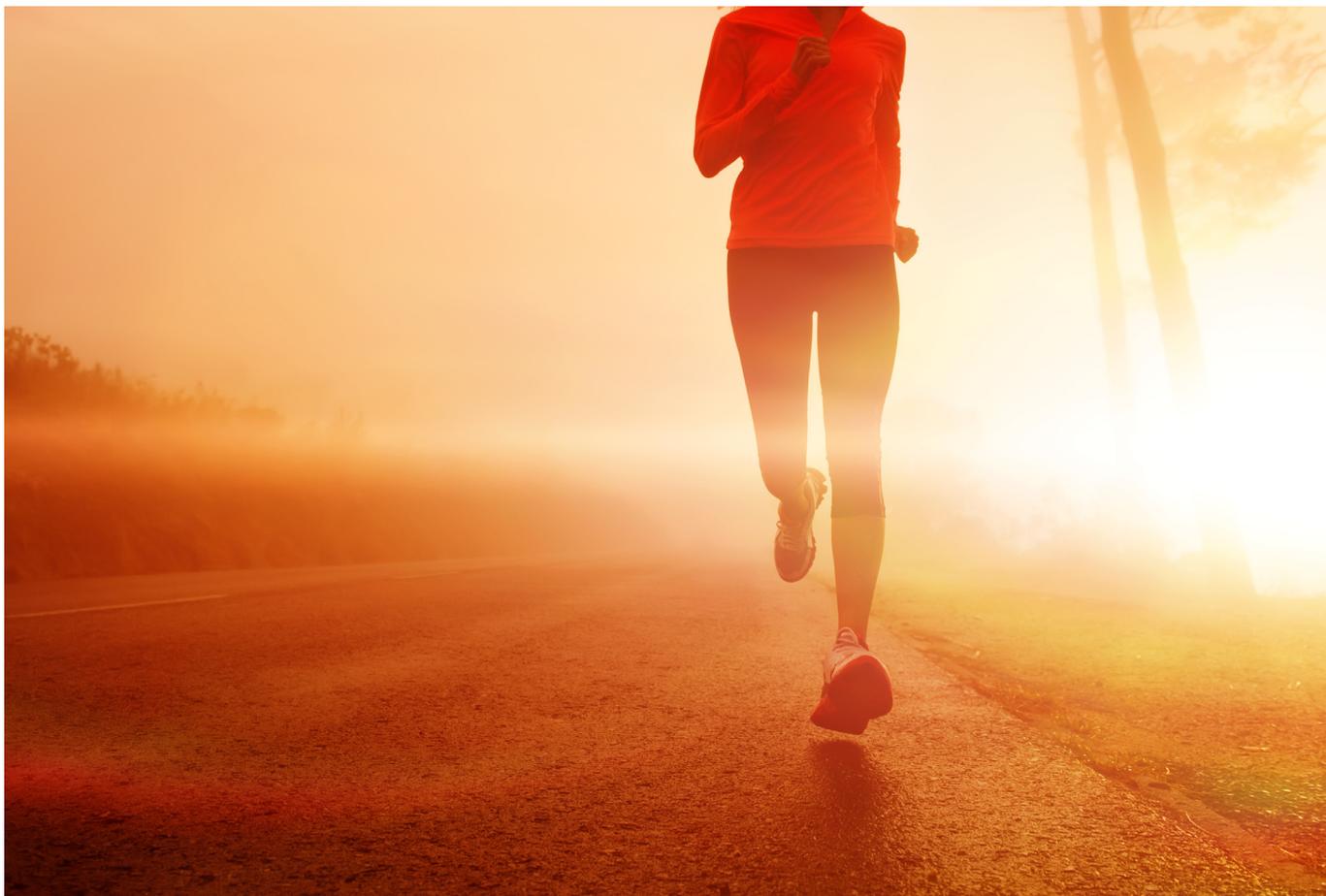
Still, change is never easy. Those with long health care careers find themselves in a new – and possibly unsettling – environment. Workers who have recently joined the field should expect to experience different rewards, responsibilities and roles. The ground is shifting.

The wellness sector is on the cusp of big changes, too. It is partnering with health care in new and deeper ways, becoming a true complement instead of simply a counterpoint. The wellness sector will experience both the status and responsibility that come with this

role. It will face the challenge of making its services accessible and appealing to new markets and expanding its reach into existing markets.

The time is right for the health and wellness industry to respond with creativity, insight and courage. In the process, the industry can showcase its source of passion and inspiration: the restoration of wholeness and health to human lives.

Just as a spring held in tension possesses surprising potential energy, so does the health and wellness industry as it balances its dual mission of promoting a healthy economy and healthy lives. This energy is waiting to be released, to transform the industry into something new, healthy and whole. It is, after all, what the health and wellness industry does best.





Endnotes

¹The 15.3% number uses consistent revenue figures from other parts of the report. Source: Colorado Health Institute analysis. (2013). Data from Colorado Department of Labor and Employment. Retrieved November 13, 2013.

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⁵ Colorado Department of Labor and Employment. (2013).

⁶ Colorado Health Institute analysis. (2013). Data from the Colorado Department of Labor and Employment. Accessed November 13, 2013.

⁷ Wages include salaries, supplements such as employee benefits and bonuses, and proprietor income.

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Appendix A: Methodology

This report was created as part of Colorado Blueprint, a bottom-up economic development strategy initiated by Governor John Hickenlooper to reflect the needs, wisdom and commitment of leadership at a local, regional and state level. Its primary goal is job growth, focusing on six core objectives:

- Build a business-friendly environment.
- Retain, grow and recruit companies.
- Increase access to capital.
- Create and market a stronger Colorado brand.
- Educate and train the workforce of the future.
- Cultivate innovation and technology.

Health and wellness is one of 14 industries identified by Colorado Blueprint as having potential for economic growth. A definition of the industry and a list of industry codes is found in Appendix B. The Colorado Office of Economic Development and International Trade (OEDIT) retained the Colorado Health Institute to develop the economic development plan for this industry.

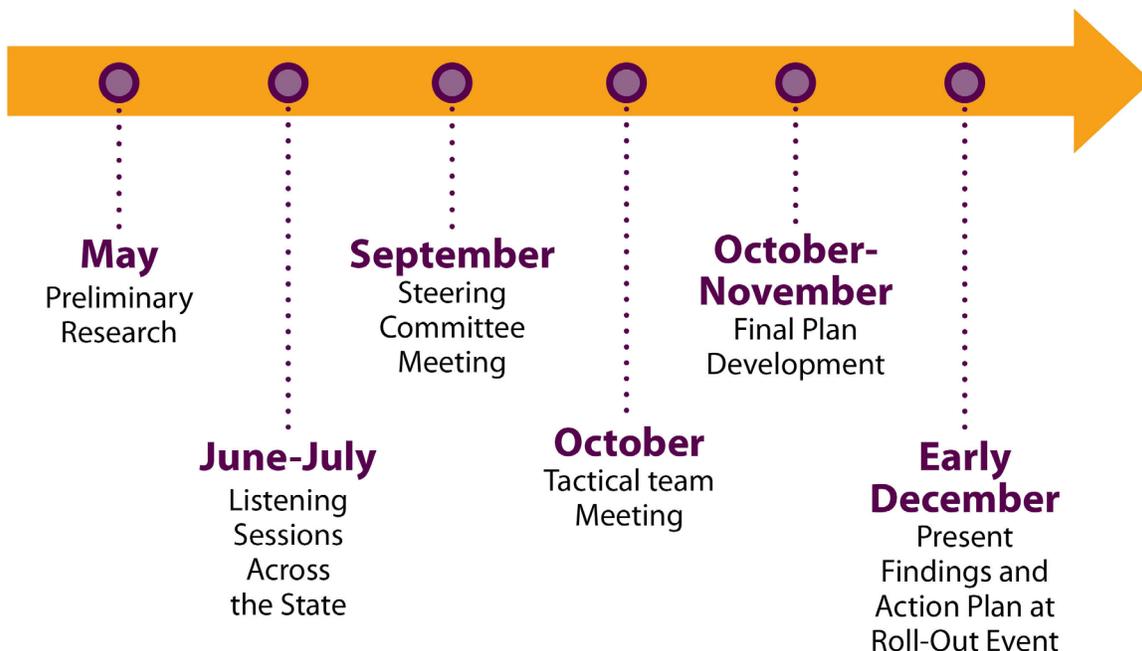
Developing the Health and Wellness Economic Development Plan

The Colorado Health Institute used a three-phase approach that included in-depth research, data analysis and input from stakeholders across the state.

Phase One: Diverse data resources were used to define the industry, create a fact base, establish trends and determine potential challenges and opportunities.

This phase included:

- Data research. Quantitative research included national and Colorado-specific data about the health and wellness industry, such as workforce statistics, consumer demographics, historic and projected trends for the industry and its impact on Colorado's economy. Primary data sources included the Bureau of Labor Statistics, industry reports and other national and Colorado-specific studies on the economic impact of the health and



wellness industry. The full list of sources is in the endnotes.

- Regional listening tour: The Colorado Health Institute and OEDIT hosted five listening sessions across the state for key stakeholders, presenting data on major industry trends and soliciting input on key opportunities and challenges facing local communities. OEDIT partnered with local economic development organizations to identify stakeholders and encourage them to participate. A total of 75 Coloradans attended these meetings:
 - Western Slope: June 18 in Fruita
 - San Luis Valley: June 19 in Alamosa
 - Central Mountains: June 19 in Cañon City
 - Eastern Plains: June 20 in Limon
 - Front Range: June 21 in Aurora

Phase Two: The Colorado Health Institute presented data gathered in Phase One to a steering committee and a tactical team committee. Committee members reviewed and analyzed the information and made recommendations for the final report.

- Steering committee. Senior-level executives from private-sector industries, economic development organizations, industry associations, health philanthropies, nonprofits, academia and state and local government. The committee was asked to define the mission and vision of the health and wellness industry, review its strengths, weaknesses, opportunities and challenges and discuss

Colorado's readiness to make the most of the opportunities. The committee met on September 9, with 52 people attending.

- Tactical team. High-level leaders from the four industry sub-sectors met on October 1, with 85 people attending. Following a briefing on the progress of the steering committee, the team split into four groups based on sub-sector. Each group was asked to recommend specific goals that would position their sub-sector for smart growth across the six core objectives of Colorado Blueprint. The groups also recommended strategic actions to accomplish the goals, making the best use of public-private partnerships, cross-sector partnerships and federal-state-local government collaboration.

Phase Three: The Colorado Health Institute compiled the information and recommendations from the steering committee and tactical team and identified common themes and strategies. When necessary, supplemental research was conducted to determine the validity of stakeholder input and to back up specific recommendations with data. The recommendations were then analyzed by priority and feasibility. The research and data were integrated into a draft report. The Colorado Health Institute conducted a webinar on November 19 to go over the findings and obtain additional feedback from all of the stakeholders.

Appendix B: Industry Definition

Many industries, companies and organizations contribute to the health and wellness of Coloradans. Although factors such as adequate housing and education are important for good health, this report focuses on economic development and job growth in the industries that care for the body and mind. This report covers these four major sub-sectors within the health and wellness industry:

• Health Care Delivery Systems

- Medical and dental practices and clinics
- Hospitals
- Diagnostic labs
- Skilled nursing facilities and home care

• Wellness

- Gyms, recreation centers, fitness centers, yoga studios and personal trainers
- Weight loss centers
- Vitamin and supplement stores
- Outdoor recreation facilities, tours and retailers
- Massage, acupuncture and other wellness-based personal care

• Health Care Suppliers and Information Technology

- Durable medical equipment (beds, walkers, wheelchairs, crutches, etc.)
- Supplies used in health care settings and diagnostic labs
- Diagnostic equipment
- Telehealth technology
- Fitness equipment
- Health information technology, such as electronic medical record systems and health information exchange systems

• Federally Funded Initiatives

- Funding for health services through Medicaid and Medicare
- Grants to test new delivery and payment models (State Innovations Model)
- Clinical trials and clinical translation research (research on how to use new medical discoveries in clinical practice)
- Research on complementary and alternative care interventions
- Patient engagement research and interventions in areas such as patient communication, health literacy, medication safety and care transitions
- Health information technology, such as "Meaningful Use" grants
- Prevention and wellness research, including chronic disease prevention, immunization awareness, obesity prevention, exercise and nutrition, cancer screening promotion, tobacco and other substance use prevention and other public health work

North American Industry Classification System (NAICS) Codes

Health Care Delivery System

NAICS Code	Description
621111	Offices of Physicians (except Mental Health Specialists)
621112	Offices of Physicians, Mental Health Specialists
621210	Offices of Dentists
621310	Offices of Chiropractors
621320	Offices of Optometrists
621330	Offices of Mental Health Practitioners (except Physicians)
621340	Offices of Physical, Occupational and Speech Therapists and Audiologists
621391	Offices of Podiatrists
621399	Offices of All Other Miscellaneous Health Practitioners
621410	Family Planning Centers
621420	Outpatient Mental Health and Substance Abuse Centers
621491	HMO Medical Centers
621492	Kidney Dialysis Centers
621493	Freestanding Ambulatory Surgical and Emergency Centers
621498	All Other Outpatient Care Centers
621511	Medical Laboratories
621512	Diagnostic Imaging Centers
621610	Home Health Care Services
621910	Ambulance Services
621991	Blood and Organ Banks
621999	All Other Miscellaneous Ambulatory Health Care Services
622110	General Medical and Surgical Hospitals (Private)
622210	Psychiatric and Substance Abuse Hospitals (Private)
622310	Specialty (except Psychiatric and Substance Abuse) Hospitals (Private)
623110	Nursing Care Facilities
623210	Residential Mental Retardation Facilities
623220	Residential Mental Health and Substance Abuse Facilities
623311	Continuing Care Retirement Communities
623312	Homes for the Elderly
624120	Services for the Elderly and Persons with Disabilities
624190	Other Individual and Family Services
902622	Hospitals (State Government)
903622	Hospitals (Local Government)

Wellness

NAICS Code	Description
339920	Sporting and Athletic Goods Manufacturing
423910	Sporting and Recreational Goods and Supplies Merchant Wholesalers
424480	Fresh Fruit and Vegetable Merchant Wholesalers
424490	Other Grocery and Related Products Merchant Wholesalers
445230	Fruit and Vegetable Markets
446191	Food (Health) Supplement Stores
451110	Sporting Goods Stores
532292	Recreational Goods Rental
611620	Sports and Recreation Instruction (Private)
713920	Skiing Facilities
713940	Fitness and Recreational Sports Centers
812191	Diet and Weight Reducing Centers
812199	Other Personal Care Services
813212	Voluntary Health Organizations

Suppliers

NAICS Code	Description
325411	Medicinal and Botanical Manufacturing
325412	Pharmaceutical Preparation Manufacturing
325413	In-Vitro Diagnostic Substance Manufacturing
325414	Biological Product (except Diagnostic) Manufacturing
334510	Electromedical and Electrotherapeutic Apparatus Manufacturing
334516	Analytical Laboratory Instrument Manufacturing
339112	Surgical and Medical Instrument Manufacturing
339113	Surgical Appliance and Supplies Manufacturing
339114	Dental Equipment and Supplies Manufacturing
339115	Ophthalmic Goods Manufacturing
339116	Dental Laboratories
423450	Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers
423460	Ophthalmic Goods Merchant Wholesalers
424210	Drugs and Druggists' Sundries Merchant Wholesalers
446199	All Other Health and Personal Care Stores
532291	Home Health Equipment Rental



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