



Abstract

NovaRest was engaged by The Partnership for America's Health Future Action, Inc. to perform an actuarial review of impact from Colorado's HB 21-1232 and implementation for the 2023 plan year

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Introduction

Beginning in plan year 2023, the Colorado Division of Insurance ("Division") required issuers operating in the individual and small group ACA markets to offer Colorado Option Plans.¹ Among the goals of these Colorado Option Plans are increasing affordability (through meeting premium reduction targets enacted by Colorado HB 21-1232)² and increasing competition. Additionally, during its review process for plan year 2023, the Division requested issuers comply with other requirements which appear to have been intended to increase adherence with the goals.

Please note, this is a follow-up report to a previous NovaRest report on Colorado's Affordable Care Act (ACA) Section 1332 Amendment Request, in which we concluded many of the Division's targets were unrealistic.³ For example, we did not believe the premium reduction targets could be met considering:

- The current reimbursement levels in the market today for many hospitals and physicians appear to be below the reimbursement rate setting floors that the Colorado Insurance Commissioner is authorized to enforce if one or more of an issuer's Colorado Option plans fail to meet the premium targets.
- The 2021 benchmark premium may already be artificially low due to regulatory actions limiting adjustments for COVID-19, trend, and risk margin.
- Using the Medical Component of the Consumer Price Index (CPIM) to adjust benchmark premiums is not appropriate and would lead to premiums that are not actuarially sound.

NovaRest performed an analysis of issuer rate filing information submitted for plan year 2023 to determine if the goals of the Division were met. NovaRest also analyzed the additional requirements implemented by the Division during the plan year 2023 review process including the consequences on the issuers' financial health, federal pass-through savings for Colorado's 1332 Waiver, and the impact on Colorado consumer premium tax credits.

¹ <https://drive.google.com/file/d/1HcCxoBi76XCHEwVN3O3qKbPUa6vdkFAk/view>

² https://leg.colorado.gov/bills/hb21-1232?utm_medium=email&utm_source=govdelivery

³ <https://coloradoshealthcarefuture.org/wp-content/uploads/2022/02/NovaRest-Report-2.1.22.pdf>



Executive Summary

- In plan year 2023, consumers in most counties would be able to achieve more premium savings by shopping for the lowest premium plan rather than selecting a Colorado Option Plan, which is generally not the lowest premium plan available.
- For the 2023 plan year in the individual market, non-Colorado Option Plans are the lowest cost on-exchange plan in 60 of 64 counties for the bronze tier, 54 of 64 counties for the important silver tier, and 32 of 64 counties for the gold tier.
 - When considering off-exchange individual market plans as well, the non-Colorado Option plans are the lowest cost plan in 60 of 64 counties for the bronze tier, all counties (64 of 64) counties for the silver tier, and 32 of 64 counties for the gold tier.
 - In 2021 (the most recent full year reported), silver and bronze tier plans represented 89% of individual market enrollment.
- A significant majority of Colorado Option plans did not meet the 5% target premium reduction for plan year 2023.
 - 85% of Colorado Option Plans offered in the individual market did not meet the 5% premium reduction target.
 - Denver Health Medical Plan was the only issuer to meet the Colorado Option Plan premium reduction requirements for all its plans; it did so by pricing their Colorado Option Plans at an unsustainable loss. We note Denver Health Medical Plan had relatively small individual market enrollment in 2022 (1% of the Colorado individual ACA market enrollment). While Denver Health Medical Plan is only offered in 4 counties, these specific Denver counties are some of the most populous in the state and represent over 40% of Colorado's total population.⁴
 - While issuers will have more time to negotiate with providers, it is unlikely that Colorado Option Plans will meet the 10% and 15% target premium reductions target for 2024 and 2025 respectively because they were not able to meet the lower 5% reduction and the incrementally higher targets will be that much more difficult.

⁴ https://www.colorado-demographics.com/counties_by_population



- As we noted in our previous report⁵ analyzing Colorado's Affordable Care Act waiver amendment application, we do not believe that the target premium reductions are realistic. For example:
 - If issuers' existing hospital and provider reimbursements are at or below the HB 21-1232 reimbursement floors, the commissioner will not be able to require additional reductions needed to meet the premium reduction requirements. In fact, many hospitals and providers will get higher reimbursement rates for Colorado Option Plans than for the non-Colorado Option plans.⁶
 - The use of the Medical Component of the Consumer Price Index (CPIM) to adjust the 2021 benchmark premiums to plan years 2023 and beyond understates the true Colorado Option Plan premiums by understating the projected claims. This could result in premiums that will not be sufficient to cover claims, administrative costs, and risk margins, which means the premiums are not actuarially sound.⁷
- HB 21-1232 would allow the commissioner the authority to set hospital reimbursement rates. This makes it more difficult for providers to negotiate and will continue to drive provider shortages. As of 2022, all Colorado counties except Pitkin, Summit, and Broomfield have primary care shortages.⁸
- Colorado Option-related restrictions will also make it more difficult for the Colorado market to attract new issuers to participate in the individual or small group ACA markets. For the 2023 plan year, the Division implemented restrictions on non-benefit expenses after issuers submitted the initial rate filings. The restrictions on non-benefit expenses included a maximum 15% of premium non-benefit expense load for Colorado Option Plans and a maximum 2% of premium risk margin load for all individual and small group plans. All issuers continuing to participate in the Colorado ACA markets met the restrictions on non-benefit expenses. Due to these restrictions, several issuers noted they believe the rates are inadequate (HMO Colorado, Kaiser Foundation Health Plan of Colorado,⁹ Rocky Mountain HMO, and Rocky Mountain Hospital and Medical Service) or submitted premium rates that are projecting a loss on Colorado Option Plans (Humana Health Plan, Humana Insurance Company, Denver Health Medical Plan).¹⁰
- It appears that the additional administrative and financial burden from the Colorado Option Plan requirements is reducing competition in the market.

⁵ For additional discussion and analysis on the Colorado Option premium reduction requirements, please see the February 2022 NovaRest report available on www.coloradoshealthcarefuture.org website.

⁶ <https://www.milliman.com/-/media/milliman/pdfs/2021-articles/5-27-21-analysis-colorado-hb-21-1232-impact-healthcare-provider-reimbursement-consumer-premiums.ashx>

⁷ Ibid.

⁸ "Health Professional Shortage Areas: Primary Care, by County, 2022 – Colorado." Rural Health Information Hub. <https://www.ruralhealthinfo.org/charts/5?state=CO>. November 2022.

⁹ Kaiser's actual reply was, "KFHP has carefully considered how to meet that limit on administrative expenses in an actuarially sound manner, without requiring significant layoffs and resulting negative impacts to regulatory compliance, member experience, and timely claims payments."

¹⁰ Bright Health Insurance Company declined to reduce their profit when asked. Friday was not asked to reduce their profit for their individual market ACA business.



- For plan year 2023, Oscar Health Insurance Company exited the individual and small group ACA markets and will not offer any ACA plans in Colorado.
- After the above restrictions on non-benefit expenses were communicated to issuers, Friday Health Plans withdrew from the small group market.¹¹ While Friday Health Plans remained in the individual market, it is notable that this was the only issuer not asked to meet the 2% risk margin reduction in the individual ACA market.
- Bright Health Insurance Company exited a number of states where they felt could not be profitable.¹² However, it appears from filed rates, that Bright Health wanted to remain in the Colorado market. In 2022 during the 2023 filing season, Bright Health filed rates for 2023 and communicating with the Colorado Division of Insurance, Bright Health Insurance Company decided to exit the Colorado ACA market that was their state of domicile. Bright Health explained, "For Colorado to remain a viable BHIC market in the future, capital reserves must be replenished. As noted above, 2.0% profit and risk load does not allow for certainty that the market is viable."
- Humana Health Plans and Humana Insurance Company will exit the Colorado ACA market beginning with July 1, 2023 renewals, and all coverage will cease June 30, 2024.¹³ We note, however, that Humana Inc. is exiting the small group market in all states over the next 18 to 24 months.¹⁴
- A review of the financials for the issuers offering in the Colorado ACA market appears to show they are incurring losses in 2021. The limitations placed by the Division may exacerbate these losses.
- The Colorado Option Plans appear to have reduced the second-lowest cost silver plan (SLCSP) in half of Colorado counties, which could generate federal pass-through dollars for Colorado. For the majority of these counties, the impact for federal pass-through dollars is relatively small at \$60 to under \$96 per member per year (PMPY). In Adams, Arapahoe, Denver, and Jefferson counties, the most significant savings appear to be generated by Denver Health Medical with an approximate \$275 PMPY impact. However, the reduction in these areas is due to Denver Health Medical Plan offering Colorado Option Plans at over a 6% loss, which we do not believe is sustainable. As we noted in our previous report analyzing Colorado's Affordable Care Act waiver amendment application, we do not believe that the target premium reductions are realistic – especially over the longer-term.¹⁵

¹¹ Per communication on rate filing available at <https://filingaccess.serff.com/sfa/home/CO>

¹² Bright Health had been profitable in CO in 2019 and 2020 but showed underwriting losses in 2021 according to the NAIC financial statements.

¹³ https://www.coloradopolitics.com/health-care/humana-to-withdraw-from-the-employer-health-insurance-market-in-colorado/article_03ee59d6-53f0-11ed-bf21-b7af96871eca.html

¹⁴ <https://press.humana.com/news/news-details/2023/Humana-to-Exit-Employer-Group-Commercial-Medical-Products-Business/default.aspx#gsc.tab=0>

¹⁵ For additional discussion and analysis on the Colorado Option premium reduction requirements, please see the February 2022 NovaRest report available on www.coloradoshealthcarefuture.org website.



- Denver Health Medical Plan is a small regional issuer offering plans in four counties with less than 1% of the Colorado ACA individual market enrollment in 2021 in the Colorado individual ACA market, despite operating in 4 of Colorado's 5 most populous counties. As previously stated, we believe that Denver Health Medical Plan may not be able to financially withstand significant membership in their Colorado Option Plans, which are priced with negative margins. Denver Health Medical Plan's actuary Milliman stated "...by pricing certain plans at a loss, Denver Health Medical Plan is exposed to the risk that premiums will be inadequate if actual enrollment in the Colorado Option plans (which is beyond Denver Health Medical Plan's control and difficult to project due to 2023 being the first year of the program) is significantly higher than anticipated."
- Denver Health Medical Plan is priced at an unsustainable loss margin in order to meet the premium reduction thresholds. We believe these rates will hurt premium tax credits and consumer-facing premiums for other plans available to low income individuals even if it increases the federal pass-through funding for the areas served by Denver Health Medical Plan (Adams, Arapahoe, Denver, Jefferson). This is because a reduction in the SLCSP reduces the premium tax credit available to consumers. If consumers enrolled with another carrier want to retain their existing plan, they will be required to pay more for that plan given the reduction in the ACA premium tax credit.
 - By approving inadequate premium rates by Denver Health Medical Plan, the Division artificially lowered the ACA premium tax credits available to some consumers. As an example, individuals or families in Adams, Arapahoe, Denver, or Jefferson counties making an income of 300% of the FPL are paying higher premiums because of their now reduced ACA premium tax credits if they want to purchase a plan from a different carrier:
 - \$276 more in premium per year for an individual age 21,
 - \$348 more in premium per year for an individual age 40,
 - \$744 more in premium per year for an individual age 60,
 - \$708 more in premium per year for a couple both age 40,
 - \$1,128 more in premium per year for a family with two adults age 40 and two children age 15.



Purpose of this Report

NovaRest was engaged by The Partnership for America's Health Future Action, Inc. to perform an actuarial review of the impact from Colorado's HB 21-1232 and implementation for the 2023 plan year. Donna Novak and Richard Cadwell are the actuaries responsible for the statements, opinions, and conclusions in this document. We are both Members of the American Academy of Actuaries, and meet all the Qualification Standards of the American Academy of Actuaries regarding this report's subject and content. We acknowledge the significant contributions of Amanda Rocha to this work.

Background

Colorado HB 21-1232¹⁶ requires that:

1. A standardized health benefit plan (Colorado Option Plan) be established by the insurance commissioner on or before January 1, 2023, for the individual and small group market.¹⁷
2. The Colorado Option Plan be actuarially sound and allow an issuer to continue to meet the financial requirements in Article 3 of Title 10 in Colorado Revised Statutes.¹⁸
3. Have a network that is no narrower than the most restrictive network that the issuer is offering for the non-Colorado Option Plan in the individual and small group market for the same metal tier in the same rating area.¹⁹
4. Starting January 1, 2023, individual and small group health benefit plans in Colorado are required to offer the Colorado Option Plan in those markets and counties that the issuer offers non-Colorado Option plans.²⁰
5. The insurance commissioner may require the issuer to offer the Colorado Option Plan in specific counties where no issuer is offering the Colorado Option Plan in that plan year in the individual or small group market.²¹
6. In 2023, the Colorado Option Plan must be offered at a premium that is at least 5% less than the lowest premium rate for health benefit plans in the same county that the issuer offered in 2021—prior to the application of the Colorado reinsurance program—, adjusted for medical inflation.²² In 2024 and 2025, the premiums are required to be 10% and 15% less respectively, than the lowest premium rate for health benefit plans in the same county that the issuer offered in 2021 prior to the application of the Colorado reinsurance program, adjusted for medical inflation.²³

¹⁶ https://leg.colorado.gov/sites/default/files/2021a_1232_signed.pdf

¹⁷ Ibid, 10-16-1304 page 5

¹⁸ Ibid, 10-16-1304 III.B.e page 6

¹⁹ Ibid, 10-16-1305 III.g.II page 6

²⁰ Ibid, 10-16-1305 1 a and b page 8

²¹ Ibid, 10-16-1306 page 13

²² https://leg.colorado.gov/sites/default/files/2021a_1232_signed.pdf, 10-16-1305 2.a.I page 8.

²³ Ibid, 10-16-1305 II.A and B pages 8-9 and c.I page 9-10



7. For the premium reduction targets, the Insurance Commissioner shall take into account actuarial differences between the Colorado Option Plan and the issuers' 2021 plan offering, any changes to the Colorado Option Plan, and state or federal coverage mandates implemented after the 2021 plan year.²⁴
8. For the plan year beginning on or after January 1, 2026, and each year thereafter, each issuer and health-care coverage cooperative shall limit any annual percentage increase in the premium rate for the Colorado Option Plan in both the individual and small group market to a rate that is no more than medical inflation,²⁵ relative to the previous year.²⁶

If issuers are unable to meet the Colorado Option Plan as required in Section 10-16-1305, the statute requires that:

1. The issuer must notify the commissioner of the reason why.²⁷
2. If the commissioner determines that an issuer has not met the premium rate requirements in Section 10-16-1305 or the network adequacy requirements, the Division shall hold a public hearing.²⁸
3. Based on evidence presented at the public hearing, the commissioner may establish issuer reimbursement rates under the Colorado Option Plan for hospital and provider services, if necessary, to meet network adequacy requirements or the premium rate requirements in Section 10-16-1305.
 - The Commissioner cannot set hospital reimbursement rates at:
 - less than 165% of the Medicare reimbursement rate or the equivalent rate; or
 - more than 20% lower than the rate negotiated between the issuer and the hospital for the previous plan year.
 - Many hospitals have a different rate floor based on a formula for certain types of hospitals as specified in HB 12-1232. The hospital floor formula starts from a base rate of 155% of a hospital's Medicare FFS rate with increases if the specific hospital qualifies for any of the following conditions:
 - 20 percentage point increase for being Independent or Essential Access (or up to 40 percentage points for both);
 - Up to 30 percentage point increase for having a high share of Medicaid/Medicare patients; and
 - Up to 40 percentage point increase for management of underlying cost of care²⁹

²⁴ Ibid, 10-16-1306 (9)(b) pages 16-17.

²⁵ Medical inflation is defined as the annual percentage change in the medical care index component of the United States department of labor's bureau of labor statistics consumer price index for medical care services and medical care commodities, or its applicable predecessor or successor index, based on the average change in the medical care index over the previous ten years.

²⁶ https://leg.colorado.gov/sites/default/files/2021a_1232_signed.pdf 10-16-1305 II.A.d page 10.

²⁷ Ibid 10-16-1306 2 page 11

²⁸ Ibid 10-16-1306 3.a page 12

²⁹ For additional details see the Colorado Division of Insurance Regulation 4-2-91. The Colorado Division of Insurance has also published 2024 hospital-specific reimbursement floors per Regulation 4-2-91. These materials can both be found on the Colorado Division of Insurance Colorado Option website.



The commissioner may consult with employee membership organizations representing health-care providers' employees in Colorado and with hospital-based health-care providers in Colorado and shall take into account the cost of adequate wages, benefits, staffing, and training for health-care employees to provide continuous quality care.³⁰

4. For non-hospital providers, the commission cannot establish reimbursement rates that are less than 135% of the Medicare reimbursement rates.
5. The commissioner may require a provider to participate in a Colorado Option Plan and accept the reimbursement rates set by the commissioner.³¹ Although the section indicates health care provider, the fines and penalties for noncompliance apply to hospitals only.

During the rate review period for 2023 plan year individual plan offerings, the Division required issuers to limit non-benefit expense (excluding PCORI and Colorado Health Insurance Affordability Fee) to 15% for the Colorado Option Plan and limited risk margins to 2% for all individual plans.

How do the Colorado Option Plan Premiums Compare to Non-Colorado Option Plans in the Individual ACA Market?

The Division advertises on their website that Colorado Option Plans are "Saving People Money."³² The Division further asserts that Coloradans can "collectively save \$14.7 million by shopping and choosing the lowest cost Colorado Option plan in their preferred metal tier (bronze, silver or gold)."³³ This statistic is misleading because in any given year the lowest cost plan in a given metal tier can change, and Coloradans have always had the option of shopping for plans to save premium dollars. Exchanges across the country encourage consumers to shop for coverage, rather than renew into their existing plan, given this dynamic. This is unrelated to Colorado Option and is a dynamic that has been true in prior years for Colorado and exchanges throughout the country. Connect for Health Colorado stated the following at the start of open enrollment:

"Many customers will be able to save money if they enroll in a different plan, rather than renew into their existing coverage. Customers who are receiving financial help can save 13 percent on average if they switch to the lowest-cost plan in their same metal tier. Those who do not qualify for financial help can save 29 percent on average if they switch to the lowest-cost plan in their same metal tier."³⁴

³⁰ https://leg.colorado.gov/sites/default/files/2021a_1232_signed.pdf 10-16-1306 page 13.

³¹ Ibid 12-30-117 pages 23 to 24

³² <https://doi.colorado.gov/insurance-products/health-insurance/health-insurance-initiatives/colorado-option>

³³ <https://doi.colorado.gov/news-releases-consumer-advisories/division-of-insurance-works-to-save-coloradans-326-million-on>

³⁴ Connect for Health Colorado press release. "Health Insurance Enrollment on Colorado's Marketplace Begins Today." November 1, 2022. Available at: <https://connectforhealthco.com/health-insurance-enrollment-on-colorados-marketplace-begins-today/>

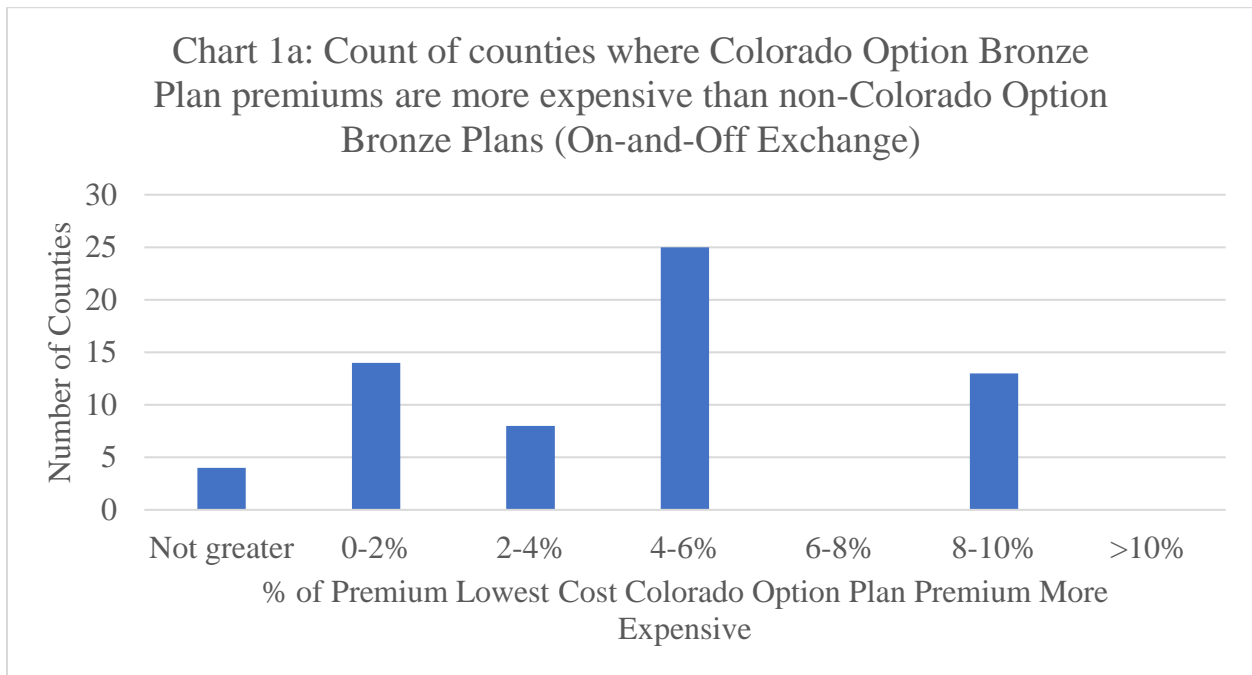


The savings in the Connect for Health Colorado quote above are driven by consumers shopping for the lowest cost coverage in a given metal tier. We believe the Division's \$14.7 million in savings is generated by the calculation of what consumers would save by switching to the lowest cost Colorado Option carrier. These savings are more of a function of shopping for any lower cost coverage in a given metal tier than driven by the Colorado Option itself.

To further investigate the Division's claim, we compared the lowest premium for a consumer with a non-Colorado Option Plan compared to the lowest premium for a consumer with a Colorado Option Plan in each county.³⁵ While premiums are not the only health care expense for members, they represent a large portion of a member's expenditure in a year.

We found that there are non-Colorado Option Plans with lower premiums than the lowest premium Colorado Option Plan in most counties. Therefore, consumers in most counties would save more by purchasing the lowest cost non-Colorado Option Plan. If the Division determined the \$14.7 million in savings solely by reviewing the lowest cost Colorado Option Plan premiums, we believe Coloradans would save more than the \$14.7 million solely by shopping for the lowest cost plan, which will be a non-Colorado Option Plan in most counties and metal tiers. **Appendix A** provides the lowest cost Colorado Option Plan premium rate as a % of premium greater than the lowest cost premium rate by county, considering both on-and-off exchange plans.

In 2021 (the most recent full year reported), silver and bronze tier plans represented 89% of individual market enrollment. **Charts 1.a and 1.b** summarize how much more expensive the Colorado Option plans are than the lowest premium plan for the bronze and silver tier plans, including both on-and-off exchange plans.



³⁵ Using rate filing information available at <https://filingaccess.serff.com/sfa/home/CO>



Chart 1a shows that the lowest premium Colorado Option plan is also the lowest premium plan in only 4 counties in the bronze tier. In contrast, in 25 counties, the lowest premium Colorado Option plan is 4-6% of premium greater than the lowest premium plan in the bronze tier. There are no counties where the lowest premium Colorado Option plan is over 10% higher than the lowest premium plan. When considering solely on-exchange bronze premiums, the count of counties does not change.

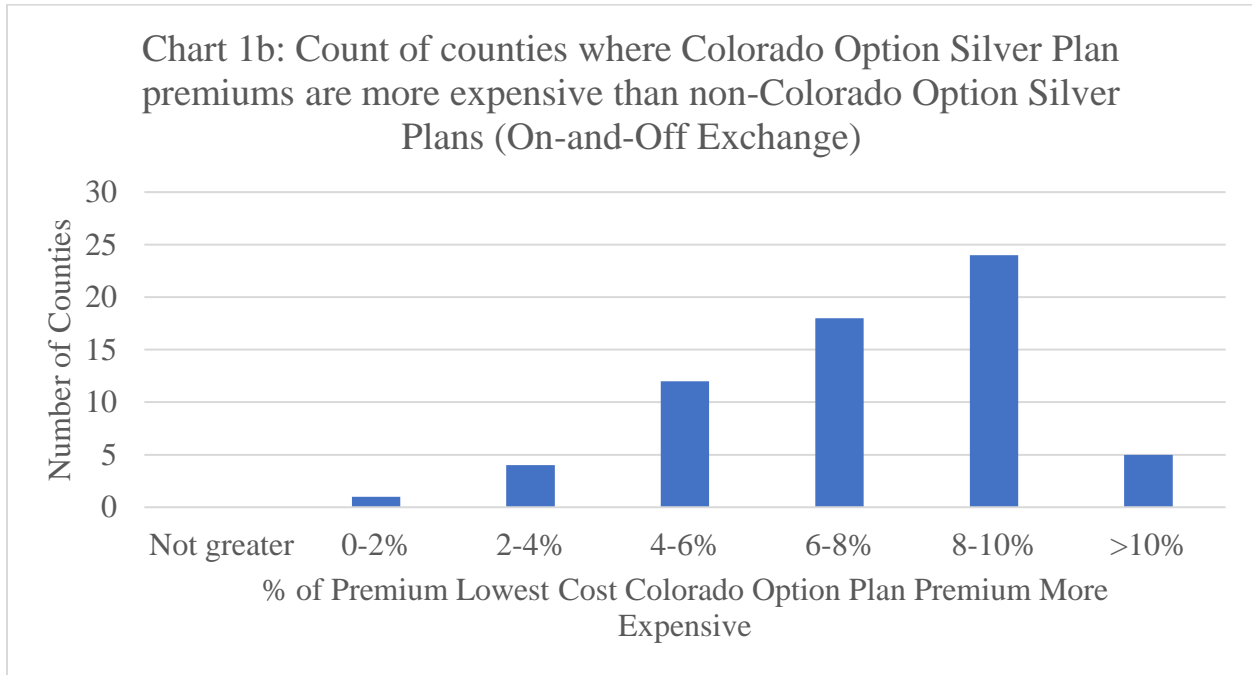


Chart 1b shows that the lowest premium Colorado Option plan is not the lowest premium plan in any county in the silver tier. In contrast, in 24 counties the lowest premium silver tier Colorado Option plan is 8-10% of premium greater than the lowest premium plan in the silver tier. There are no counties where the lowest premium silver tier Colorado Option plan is over 12% greater than the lowest premium plan in the silver tier. When considering solely on-exchange silver plans, the lowest premium silver tier Colorado Option plan is the lowest premium plan in 10 counties, and there are no counties where the lowest premium silver tier Colorado Option plan is over 6% greater than the lowest premium plan in the silver tier.



Does a Colorado Option Plan Have the Lowest Cost Individual ACA Premium Across the Metal Tiers?

Appendix A has the lowest cost Colorado Option Plan premium rate as a % of premium greater than the lowest cost premium rate by county, considering both on-and-off exchange plans.

In the individual ACA market as of January 1, 2023, the Colorado Option Plans are:

- The lowest premium plan in only 4 of 64 counties for the bronze tier,
- The lowest premium plan in 0 of 64 counties for the silver tier, and
- The lowest premium plan in 32 of 64 counties for the gold tier.

Of the top 5 most populous counties (El Paso, Denver, Arapahoe, Jefferson, and Adams) only El Paso has a lower cost Non-Colorado Option Plan premium for the bronze and gold. We note that Adams, Arapahoe, Denver, and Jefferson counties make up Denver Health Medical Plan's service area, and we believe Denver Health Medical Plan priced their Colorado Option plans at an unsustainable loss margin in order to meet the premium reduction thresholds. If the Denver Health Medical Plan Colorado Option plans were not included, the lowest premium plan would be a non-Colorado Option plan in Adams, Arapahoe, Denver, and Jefferson counties in the bronze, silver, and gold tiers.

Does a Colorado Option Plan Offer the Lowest Cost Individual ACA Premium, by Metal Level, for Specific Issuers?

Selecting the lowest cost plan premium by metal level may require consumers to change health insurance issuers. There are many reasons why a consumer may not want to change issuers, such as not having to change primary care providers; therefore, we analyzed the lowest premium plan and lowest Colorado Option Plan premium by issuer.

In the Colorado individual ACA market, only Denver Health Medical Health Plan (in the bronze and gold metal tiers) and HMO Colorado³⁶ (in the gold metal tier) have Colorado Option Plans as their lowest premium plan in the state.

We note Denver Health Medical Plan represents about 1% of the Colorado individual ACA market enrollment despite offering in 4 counties which represent over 40% of Colorado's population.³⁷ While HMO Colorado is the largest issuer in the Colorado individual ACA market, representing 30% of the Colorado individual ACA market enrollment, only about 1% of the Colorado individual ACA market is represented by HMO Colorado's gold plans. HMO Colorado does not offer a Non-Colorado Option gold plan.

³⁶ HMO Colorado is an Anthem Blue Cross Blue Shield company.

³⁷ From plan year 2023 Unified Rate Review Template.



Did Colorado Option Plans Meet the Statutory and Regulatory Premium Reduction Requirements in the Individual ACA Market?

A significant majority of Colorado Option Plans were unable to meet the statutory and regulatory premium reduction requirements. In total, Colorado Option Plans did not meet premium reduction targets in 85% of plan counties in the individual ACA market.³⁸

For plan year 2023, Colorado Option Plans had a target premium reduction of 5% lower than each issuer's lowest cost plan year 2021 offering plus the inflation trend (prior to the application of the state reinsurance program) by county and metal level.³⁹ If there was no 2021 offering, the target was based on a simple average of available rates by county and metal level.

In total, 36 Colorado Option Plans are being offered for plan year 2023, in the Colorado individual ACA market.^{40,41}

The issuers report whether they meet the target by plan and county. **Table 1** provides the Colorado Option Plans meeting the target rate reduction by issuer as a percentage of the total number of plans offered.

Table 1: Percentage of Plans Meeting Target Rate Reduction (Individual ACA Market)	
Cigna Health and Life Insurance Company	33.3%
Denver Health Medical Plan, Inc.	100.0%
Friday Health Plans	1.8%
HMO Colorado, Inc.	17.2%
Kaiser Foundation Health Plan of Colorado	36.1%
Rocky Mountain HMO, Inc.	0.0%
All Issuers	15.1%

Only Denver Health Medical Plan met the premium reduction target for all plans in all counties in which they are participating which are Adams, Arapahoe, Denver, and Jefferson. All other issuers in the Colorado individual market did not meet the premium reduction target for even half of their plan counties.

³⁸ Based on an analysis of plan year 2023 Colorado Option Standardized Plan Premium Rate Reduction Templates available at <https://filingaccess.serff.com/sfa/home/CO>

³⁹ https://leg.colorado.gov/sites/default/files/2021a_1232_signed.pdf, 10-16-1305 2.a.I page 8.

⁴⁰ Not counting 12 substantially similar off-exchange silver plans.

⁴¹ Please note, we did not have access to the 2023 Colorado Option Standardized Plan Premium Rate Reduction Templates for UnitedHealthcare Insurance Company or UnitedHealthcare of Colorado, Inc. and relied on the Lewis & Ellis reports available at <https://filingaccess.serff.com/sfa/home/CO> for those two companies in this analysis.



Table 2 provides the percentage of Colorado Option Plans meeting the target rate reduction by metal tier.⁴²

Table 2: Percentage of Colorado Option Plans Meeting Target Rate Reduction	
	Individual ACA Market
Bronze	4.3%
Silver	13.3%
Gold	27.7%

Appendix B provides the percentage of Colorado Option Plans meeting the target rate reduction by county.⁴³

In the Colorado individual ACA market,

- Only one county (Weld) had over 40% of Colorado Option Plans meeting the target premium reduction.
- Most counties showed far lower compliance with the target rate reduction, even with Colorado requiring limitations on non-benefit expense and risk margin.
- Twenty-three (23) counties showed 0% of Colorado Option Plans meeting the target premium reduction.
- Of the 5 most populous counties, all except El Paso show 33% of Colorado Option Plans meeting the target premium reduction. This is largely driven by Denver Health Medical Plan.
 - El Paso was much lower at 13% of Colorado Option Plans, meeting the target premium reduction. Denver Health Medical Plan does not offer business in El Paso County.⁴⁴
 - While the more populous counties tend to show higher compliance (largely driven by Denver Health), generally Colorado Option Plans did not meet the target premium reduction in the individual ACA market.

We believe that it is unlikely that issuers will be able to meet the target premium reductions in future years, because the target premium reduction is greater in 2024 and beyond.⁴⁵

⁴² Please note, this does not include UnitedHealthcare Insurance Company or UnitedHealthcare of Colorado, Inc. as we do not have access to their 2023 Colorado Option Standardized Plan Premium Rate Reduction Templates.

⁴³ Ibid.

⁴⁴ Per Denver Health Medical Plans plan year 2023 Service Area Template available at

<https://filingaccess.serff.com/sfa/home/CO>

⁴⁵ https://leg.colorado.gov/sites/default/files/2021a_1232_signed.pdf



Has the Colorado Option Plan Increased Competition and Consumer Choice in the Colorado Individual ACA Market?

The Colorado Option Plans first became available for plan year 2023.⁴⁶ A Colorado Option bronze, silver, and gold plan is required in every county that each issuer offers Non-Colorado Option individual ACA plans.^{47,48} As discussed above, the Colorado Option plans did not meet the target premium reduction in most counties, even after the Division implemented limitations on profit and on non-benefit expense for Colorado Option plans. We believe issuers have left the Colorado market and reduced competition at least in part due to the administrative burden regarding the Colorado Option Plan requirements and the additional limitations implemented by the Division.

Number of Issuers Participating in the Colorado Individual ACA Market

To determine the impact on competition and consumer choice in the Colorado ACA market, we analyzed the number of issuers for the most recent three plan years. **Table 3** provides the number of issuers from 2021 to 2023.⁴⁹

Table 3: Number of Issuers Participating in the Colorado ACA Market			
	2021	2022	2023
Individual ACA Market	9	9	7

Table 4 identifies the issuers participating in the individual ACA market from 2021 to 2023.

Table 4: Issuers Participating in Colorado ACA Market by Plan Year			
Issuer	2021	2022	2023
<i>Individual ACA Market</i>			
Bright Health Insurance Co.	X	X	
Cigna Health and Life Insurance Company	X	X	X
Denver Health Medical Plan, Inc.	X	X	X
Friday Health Plans	X	X	X
HMO Colorado, Inc.	X	X	X
Kaiser Foundation Health Plan of Colorado	X	X	X
Oscar Insurance Co.	X	X	
Rocky Mountain HMO, Inc.	X	X	X
Rocky Mountain Hospital and Medical Service, Inc., D.B.A. Anthem Blue Cross and Blue Shield	X	X	X

⁴⁶ <https://doi.colorado.gov/insurance-products/health-insurance/health-insurance-initiatives/colorado-option>

⁴⁷ https://leg.colorado.gov/sites/default/files/2021a_1232_signed.pdf

⁴⁸ Rocky Mountain Hospital and Medical Service, Inc. was granted an exception in the individual ACA market, considering they only offer Catastrophic coverage.

⁴⁹ Based on rate filing information available at <https://filingaccess.serff.com/sfa/home/CO>



Nine issuers offered coverage in the Colorado individual ACA market in plan years 2021 and 2022, but this decreased to seven issuers for plan year 2023. Bright Health Insurance Company and Oscar Insurance Company exited the market between plan year 2022 and 2023. Bright Health Insurance Company was among the largest issuers in the Colorado ACA individual market. These two issuers were struggling financially,⁵⁰ and it seems likely they decided to leave the market due to difficulty complying with Colorado Option requirements or the financial pressure being exerted in Colorado (through 2% risk margin limitation on Non-Colorado Option Plans and requiring Colorado Option Plans be offered in all counties with a 15% non-benefit expense limitation and premium reduction targets), which made a return to profitability difficult.

Bright Health Insurance Company had significant enrollment, especially in the Colorado individual ACA market (53,745 individual enrollees)⁵¹, so it leaving the market will cause a significant number of members to select new plans with new issuers, meaning they may lose their current network. Bright Health previously increased competition in the market, so their departure will reduce competition moving forward.

We would note that three additional insurers left the small group market in addition to Bright. After the above restrictions on non-benefit expenses were communicated to issuers, Friday Health Plans withdrew from the small group market. While Friday Health Plans remained in the individual market, it is notable that this was the only issuer not asked to meet the 2% risk margin reduction in the individual ACA market. Humana Health Plans and Humana Insurance Company will exit the Colorado small group ACA market beginning with July 1, 2023 renewals, and all coverage will cease June 30, 2024.⁵²

Appendix C provides a discussion on the impact on the number of plans offered.

⁵⁰ Based on NAIC financial statements.

⁵¹ Per plan year 2023 URRT current enrollment available at <https://filingaccess.serff.com/sfa/home/CO>

⁵² https://www.coloradopolitics.com/health-care/humana-to-withdraw-from-the-employer-health-insurance-market-in-colorado/article_03ee59d6-53f0-11ed-bf21-b7af96871eca.html



What are the Implications to the Colorado Individual ACA Market of a Maximum 15% Non-Benefit Expense Load for Colorado Option Plans Only?

Even with the non-benefit expense reduced, the Colorado Option Plans are not the lowest cost plans in most counties.⁵³ The 15% non-benefit expense limit may have contributed to issuers leaving the market.

We noted in our prior report titled "NovaRest Actuarial Review of the Section 1332 Innovation Waiver Amendment Request - Colorado Option" if issuers are not able to achieve these reduced premiums through favorable renegotiated provider reimbursement contracts, a reduction in risk margins may be another way to achieve the premium reduction goals.

After the Colorado ACA rate filings were submitted for plan year 2023, the Division informed issuers that the non-benefit expense for Colorado Option Plans (excluding PCORI and Colorado Health Insurance Affordability Fee) would be limited to 15% of the premium. Four of the six issuers offering Colorado Option Plans in the Colorado individual ACA market had to re-file to reduce their non-benefit expense amounts. According to the Lewis and Ellis actuarial reports, Denver Health Medical Plan⁵⁴ and Kaiser Foundation Health Plan did not meet the non-benefit expense limitation of 15%. Kaiser Foundation Health Plan believes they meet the non-benefit expense limitation when considering the other federal MLR adjustments which include quality improvement expenses, risk adjustment fees, and premium taxes/community benefit expenses.

In addition, the Division informed issuers that risk margin would be limited to 2% for all plans.⁵⁵ Four of the six issuers offering Colorado Option Plans in the Colorado individual ACA market had to re-file for Colorado Option Plan the 2% risk margin cap.

Impact on Financials

Issuers could be financially impacted by the Division restricting the non-benefit expense if the non-benefit expense is not sufficient to cover issuers' non-claim costs. In this section, we analyze issuers' financials to determine if they can meet the Colorado Option Plan target premium reductions or limitations on non-benefit expenses implemented by the Division.

⁵³ Based on an analysis of issuer rate filing materials available at <https://filingaccess.serff.com/sfa/home/CO>

⁵⁴ Our analysis of the non-benefit expense shows Denver Health Medical Plan does meet the 15% non-benefit expense limit on Standard Plans when considering the margin.

⁵⁵ Friday Health Plans was the only issuer offering coverage in the individual ACA market that did not reduce their profit load to 2% or below, however, they did re-file to change their profit load.



Table 5 reports the underwriting gain/loss for the issuers operating in the Colorado individual ACA market.⁵⁶ Please note the information displayed is based on nationwide business and is not Colorado specific unless the issuer only operates in Colorado. We have an asterisk, "*", after the issuers that only operate in Colorado.

Table 5: Underwriting Gain/Loss by Issuer					
	Net UW Gain / (Loss) for Comp Med as of 12/31/2020		Net UW Gain / (Loss) for Comp Med as of 12/31/2021		Difference
Issuer	\$M	% of prem	\$M	% of prem	\$M
Bright Health Insurance Co.	(\$2.1)	-1.2%	(\$95.6)	-65.3%	(\$93.5)
Cigna Health and Life Insurance Company	\$908.1	7.1%	\$325.0	2.4%	(\$583.1)
Denver Health Medical Plan, Inc.*	\$6.0	4.8%	(\$5.7)	-4.4%	(\$11.6)
Friday Health Plans	(\$18.1)	-15.2%	(\$24.2)	-65.3%	(\$6.2)
HMO Colorado, Inc.	\$40.6	6.4%	\$21.4	3.6%	(\$19.2)
Kaiser Foundation Health Plan of Colorado*	\$245.9	10.0%	\$51.3	2.3%	(\$194.6)
Oscar Insurance Co.	(\$63.3)	-125.7%	(\$79.4)	-16.4%	(\$16.0)
Rocky Mountain HMO, Inc.*	\$15.0	8.5%	(\$3.3)	-2.4%	(\$18.3)
Rocky Mountain Hospital and Medical Service, Inc., D.B.A. Anthem Blue Cross and Blue Shield	\$102.6	10.7%	\$44.7	4.5%	(\$57.8)

Three of 9 issuers in the Colorado individual ACA market reported an underwriting loss related to their comprehensive medical business in 2020 compared to 5 of 9 issuers in the Colorado individual ACA market experiencing such an underwriting loss in 2021. These results illustrate that some issuers may not have sufficient margin to absorb the additional claims and non-claims liability associated with the 2023 plan year reductions and risk margin caps and may find themselves in financial difficulty if they are not able to raise additional capital.

⁵⁶ Determined using NAIC financial statements.



Table 6 reports the premium deficiency reserve by issuer.⁵⁷ Please note the information displayed is based on nationwide business and is not Colorado specific unless the issuer only operates in Colorado. Additionally, the premium deficiency reserve also includes non-ACA individual and small group markets. We have an asterisk, “*”, after the issuers that only operate in Colorado.

Table 6: Premium Deficiency Reserve by Issuer			
Issuer	Premium Deficiency Reserve		Difference
	2020 (\$M)	2021 (\$M)	\$M
Bright Health Insurance Co.	\$2.2	\$15.4	\$13.2
Cigna Health and Life Insurance Company	\$33.9	\$45.2	\$11.3
Denver Health Medical Plan, Inc.*	\$0.0	\$0.0	\$0.0
Friday Health Plans	\$0.0	\$0.0	\$0.0
HMO Colorado, Inc.	\$0.0	\$0.0	\$0.0
Kaiser Foundation Health Plan of Colorado*	\$0.0	\$0.0	\$0.0
Oscar Insurance Co.	\$26.5	\$30.7	\$4.2
Rocky Mountain HMO, Inc.*	\$1.5	\$10.4	\$8.9
Rocky Mountain Hospital and Medical Service, Inc., D.B.A. Anthem Blue Cross and Blue Shield	\$0.0	\$0.0	\$0.0

As of December 31, 2020, four issuers in the Colorado individual ACA market reported premium deficiency reserves, which indicates that premiums in 2021 and potentially beyond are expected to be insufficient to cover related benefits and expenses. As of December 31, 2021, the same four issuers in the Colorado individual ACA market reported premium deficiency reserves. All issuers who reported a premium deficiency reserve for December 31, 2020, reported a worsening premium deficiency reserve for December 31, 2021.

⁵⁷ Determined using NAIC financial statements.



Table 7 provides a history of risk/profit load, including the initial proposed and final approved risk/profit for plan year 2023.⁵⁸

Table 7: Risk/Profit Margin by Plan Year				
Issuer	2021	2022	Initial 2023	Final 2023
<i>Individual ACA Market</i>				
Bright Health Insurance Co.	2.81%	3.04%	3.04%	Exit
Cigna Health and Life Insurance Company	3.50%	3.50%	3.50%	2.00%
Denver Health Medical Plan, Inc.	3.00%	3.00%	3.00%	1.70%
Friday Health Plans	4.83%	1.99%	2.68%	3.49%
HMO Colorado, Inc.	3.35%	3.00%	3.28%	2.00%
Kaiser Foundation Health Plan of Colorado	2.00%	2.20%	1.60%	1.60%
Oscar Insurance Co.	2.05%	1.62%	Exit	
Rocky Mountain HMO, Inc.	3.72%	3.72%	3.01%	2.00%
Rocky Mountain Hospital and Medical Service, Inc., D.B.A. Anthem Blue Cross and Blue Shield	3.55%	3.55%	3.55%	2.00%

Bright Health Insurance Company exited the Colorado individual ACA market after filing proposed rates for the 2023 plan year.⁵⁹

Oscar Insurance Company exited the Colorado individual ACA market prior to submitting for the 2023 plan year.⁶⁰ This exit may not be tied to the non-benefit expense or risk/profit cap, which was implemented after initial filings were received. However, it may be related to premium reduction requirements on the Colorado Option Plans, which Oscar was not able to meet.

Denver Health Medical Plan was required to reduce their overall non-benefit expense by 1.3% from their initial filing due to the non-benefit expense limitations on the Colorado Option Plans. To meet the non-benefit expense requirements, Denver Health Medical Plan included risk margin margins varying from (6%) to (7%). Denver Health Medical Plan is only estimating 3.4% of their projected membership to enter the Colorado Option Plans where they are expected to have a significant loss. A higher percentage of membership entering these plans could severely impact Denver Health Medical Plan’s financial condition. While Denver Health Medical Plan is only offering plans in Colorado Rating Area 3, their Colorado Option Plans have the lowest premium for bronze, silver, and gold on-exchange plans. We therefore do not understand why Denver Health Medical Plan was permitted a significant negative margin.

More issuers may leave the Colorado individual ACA market and new issuers may not be able to enter the market due to the non-benefit expense restrictions since almost all issuers were required to re-file to meet Colorado non-benefit expense restrictions while issuers’ losses are increasing.

⁵⁸ Based on an analysis of issuer rate filing materials available at <https://filingaccess.serff.com/sfa/home/CO>

⁵⁹ Ibid.

⁶⁰ Ibid.



Are Federal Pass-Through Savings Generated Under the Colorado Option ACA 1332 Waiver?

Federal pass-through savings are generated by the reduction in federal ACA Premium Tax Credits (“PTC”). The federally funded PTCs are the difference between the second lowest cost silver plan (“SLCSP”) in the individual ACA market in a county and the maximum amount that a family pays in premiums based on its income and family size. A reduction in the SLCSP premium results in the reduction in estimated PTCs, which generates additional federal pass-through savings in the 1332 Waiver.⁶¹

To determine if any federal premium tax credit savings would be generated by the Colorado Option ACA 1332 waiver, we compared the premium for the lowest and SLCSP offered on the Exchange in the individual market. Our analysis found that the Colorado Option Plans are either the lowest cost silver plan or SLCSP in 29 counties, where they are expected to impact the federal pass-through. The Colorado Option Plans are not expected to have an impact on the federal pass-through in the remaining 35 counties.

It appears that in the most populous counties especially, the Colorado Option Plan resulted in federal pass-through savings. It also reduced the premium tax credit that low-income individuals and families receive to purchase insurance. This limits the affordable options available to low-income individuals and families, as discussed in another section of this report.

County	Is a Colorado Option Plan the LCSP?	Is a Colorado Option Plan the SLCSP Plan?	Is the federal pass-through affected by Colorado Option Plan
Adams	Yes	No	Yes
Alamosa	No	Yes	Yes
Arapahoe	Yes	No	Yes
Archuleta	Yes	No	Yes
Baca	No	Yes	Yes
Bent	No	Yes	Yes
Boulder	No	No	No
Broomfield	No	No	No
Chaffee	No	Yes	Yes
Cheyenne	No	Yes	Yes
Clear Creek	No	No	No

⁶¹ The premium tax credit paid by the federal government is based on the difference between the SLCSP and the max member responsibility based on family income. If the waiver reduces the SLCSP, the tax credit paid by the federal government decreases, and the difference increases the federal pass-through, which supports the 1332 Waiver reinsurance program.



**Table 8:
Colorado Counties Where Federal Pass-Through Affected by Colorado Option Plans**

County	Is a Colorado Option Plan the LCSP?	Is a Colorado Option Plan the SLCSP Plan?	Is the federal pass-through affected by Colorado Option Plan
Conejos	No	Yes	Yes
Costilla	No	Yes	Yes
Crowley	No	No	No
Custer	No	No	No
Delta	No	No	No
Denver	Yes	No	Yes
Dolores	No	No	No
Douglas	No	No	No
Eagle	Yes	No	Yes
El Paso	No	No	No
Elbert	No	No	No
Fremont	No	No	No
Garfield	No	No	No
Gilpin	No	No	No
Grand	No	No	No
Gunnison	No	No	No
Hinsdale	No	No	No
Huerfano	No	No	No
Jackson	No	Yes	Yes
Jefferson	Yes	No	Yes
Kiowa	No	Yes	Yes
Kit Carson	No	Yes	Yes
La Plata	Yes	No	Yes
Lake	No	No	No
Larimer	No	No	No
Las Animas	No	No	No
Lincoln	No	No	No
Logan	No	Yes	Yes
Mesa	No	No	No
Mineral	No	Yes	Yes
Moffat	No	No	No
Montezuma	Yes	No	Yes
Montrose	No	No	No
Morgan	No	No	No
Otero	No	No	No
Ouray	No	No	No
Park	No	No	No
Phillips	No	Yes	Yes



County	Is a Colorado Option Plan the LCSP?	Is a Colorado Option Plan the SLSP Plan?	Is the federal pass-through affected by Colorado Option Plan
Pitkin	No	No	No
Prowers	No	Yes	Yes
Pueblo	No	No	No
Rio Blanco	No	No	No
Rio Grande	No	Yes	Yes
Routt	Yes	No	Yes
Saguache	No	Yes	Yes
San Juan	No	No	No
San Miguel	No	No	No
Sedgwick	No	Yes	Yes
Summit	Yes	No	Yes
Teller	No	No	No
Washington	No	Yes	Yes
Weld	No	No	No
Yuma	No	Yes	Yes



The reduction due to the Colorado Option Plan ranges from \$60 PMPY to \$275 PMPY, as shown in **Table 9** below. This was calculated as the difference between the actual SLCSPP and the SLCSPP removing Colorado Option Plans from the analysis.

Table 9: Counties Where SLCSPP Plan was Impacted by Colorado Option Plan and Magnitude		
Counties	\$ PMPY Impact	% of Premium Impact
Archuleta, Eagle, La Plata, Montezuma, Routt, Summit (6 counties)	-\$60.48	-1%
Alamosa, Baca, Bent, Chaffee, Cheyenne, Conejos, Costilla, Kiowa, Kit Carson, Logan, Mineral, Phillips, Prowers, Rio Grande, Saguache, Sedgwick, Washington, Yuma (18 counties)	-\$75.84	-2%
Jackson (1 county)	-\$94.44	-2%
Adams, Arapahoe, Denver, Jefferson (4 counties)	-\$274.80	-8%
All other counties (35 counties)	\$0.00	0%

Therefore, the Colorado Option Plan does appear to have generated some pass-through savings for Colorado. This appears especially impactful in 4 of the 5 most populous counties in Colorado (Adams, Arapahoe, Denver, Jefferson) which reduced the SLCSPP by \$275 PMPY. We note, however, the reduction in these areas is due to Denver Health Medical Plan offering Colorado Option Plans at over a 6% loss, which we do not believe is sustainable.

How are Premium Tax Credits Impacted by Colorado Option Plans?

The premium tax credit is a refundable credit used by individuals and families to cover premiums for their health insurance purchased through on-exchange.⁶² Eligibility for the premium tax credit depends on an individual’s income relative to the federal poverty level (FPL). The amount of premium tax credit is the difference between the SLCSPP and a premium contribution determined by an individual’s income.⁶³ Therefore, while lowering the SLCSPP premium increases federal pass-through dollars to Colorado, it also lowers the premium tax credit available to consumers.

While individuals who continue to seek out and purchase the SLCSPP will not notice an increase in their out-of-pocket costs for premiums, individuals who want to keep their plan because it better suits their needs (network of providers, cost-sharing, etc.) would pay the additional premium out-of-pocket due to a lower SLCSPP.

As discussed in **Table 8 and 9**, the Colorado Option plans contributed to a lower SLCSPP premium in 29 of 64 Colorado counties. There is a particularly large decrease in Adams, Arapahoe, Denver, and Jefferson counties which are 4 of the top 5 most populous counties in

⁶² <https://www.irs.gov/affordable-care-act/individuals-and-families/the-premium-tax-credit-the-basics>

⁶³ <https://www.healthreformbeyondthebasics.org/premium-tax-credits-answers-to-frequently-asked-questions/>



Colorado (over 40% of Colorado’s population).⁶⁴ The SLCSP premium in these large counties decreased due to the Division’s approval of Denver Health Medical Plan’s Colorado Option premium rates, which we believe were priced at an unsustainable loss to meet premium reduction targets. Denver Health Medical Plan’s actuary Milliman stated “...by pricing certain plans at a loss, Denver Health Medical Plan is exposed to the risk that premiums will be inadequate if actual enrollment in the Colorado Option plans (which is beyond Denver Health Medical Plan’s control and difficult to project due to 2023 being the first year of the program) is significantly higher than anticipated.”⁶⁵ The result is that individuals in these areas who do not want to purchase coverage from Denver Health Medical Plan (who is a small regional carrier only covered approximately 1% of the Colorado individual ACA market in 2021, and only operates in Adams, Arapahoe, Denver, and Jefferson counties), will spend more out-of-pocket.

Table 10 below estimates the additional premium out-of-pocket a premium tax credit eligible individual or family in Adams, Arapahoe, Denver, or Jefferson county would pay annually for various scenarios due to the Division approving Denver Health Medical Plan’s unsustainable rates.⁶⁶

Table 10: Scenarios of Estimated Additional On-Exchange Premiums Out-Of-Pocket Per Year for Individuals or Families Due to Lower SLCSP in Adams, Arapahoe, Denver, or Jefferson Counties					
Income relative to FPL	Individual Age 21	Individual Age 40	Individual Age 60	Couple, Both Age 40	Family, Two Adults Age 40, Two Children Age 15
150%	\$276	\$348	\$744	\$708	\$1,128
200%	\$276	\$348	\$744	\$708	\$1,128
250%	\$276	\$348	\$744	\$708	\$1,128
300%	\$276	\$348	\$744	\$708	\$1,128
400%	\$0	\$0	\$744	\$708	\$1,128
500%	\$0	\$0	\$744	\$708	\$1,128

Conclusion

Generally, the Colorado Option Plans are not the lowest premium plans in the market. Consumers in most counties would likely save more premium dollars by shopping for Non-Colorado Option Plans.

⁶⁴ https://www.colorado-demographics.com/counties_by_population

⁶⁵ Correspondence found in issuer rate filing materials available at <https://filingaccess.serff.com/sfa/home/CO>

⁶⁶ This was calculated as the difference between the actual SLCSP and the SLCSP removing Colorado Option Plans from the analysis. Using the expanded premium tax credits under the American Rescue Plan.



The Colorado Option Plans target premium reduction of 5% for plan year 2023 was generally unsuccessful, with 85% of Colorado Option Plans offered in the individual market not meeting the target. Denver Health Medical Plan was the only issuer to meet the target premium reduction but did so by pricing all Colorado Option Plans at a significant loss (over 6%) and only represent 1% of the Colorado individual ACA market.

If issuers were unable to meet the 5% reduction, we find it unlikely they will meet the 10% reduction expected for plan year 2024 without significant decreases in provider rates, which may impact member access to health care services if networks are narrowed to arrive at lower rates or if providers leave the area due to price pressure on already scarce resources. As of 2022, all Colorado counties except Pitkin, Summit, and Broomfield have primary care shortages.⁶⁷ Additionally, if issuers' existing hospital and provider reimbursements are at or below the HB 21-1232 reimbursement floors, the commissioner will not be able to require additional reductions needed to meet the premium reduction requirements. Lastly, the Colorado Option Plan allowed medical trend of 2.72% annually plus the 5% reduction was not consistent with issuers' actual trends. Approved Colorado individual ACA market filings included a projected member weighted average annual allowed claims trend of 4.7%.⁶⁸ The National Health Expenditure projected annual trend for 2023 is 7.2% and for 2024 is 5.6%.⁶⁹ Considering these items, we find it unlikely issuers will be able to meet future premium reduction targets.

The Division instituted a 15% non-benefit expense limit on Colorado Option Plans after the issuers' initial filings were submitted. This may have been to require issuers to decrease rates closer to premium reduction targets. The Division also implemented a 2% risk/profit load on all ACA issuers except Friday Health Plans in the individual ACA market, again after initial rate filings were submitted, which may not allow issuers sufficient capital to offset any losses they are projecting on the Colorado Option Plans. These non-benefit expense limitations will also hinder Colorado's ability to attract new issuers to the Colorado ACA market, as new business will incur higher non-benefit expenses until they are sufficiently established in the market.

Two issuers (Bright and Oscar) left the Colorado ACA individual market, likely due to a combination of financial losses in the state and additional Colorado filing requirements. Two issuers (Bright and Friday Health) have also exited the Colorado ACA small group market and two more (Humana Health Plans and Humana Insurance Company) are in the process of exiting the small group market as well. This limits consumer choice and competition in the market. We are also concerned that premium reduction requirements in future years will cause more issuers to exit the Colorado ACA market. A review of the financials for the issuers offering in the Colorado ACA market appears to show they are incurring greater losses in 2021 compared to 2020. The limitations placed by the Division may exacerbate these losses.

⁶⁷ "Health Professional Shortage Areas: Primary Care, by County, 2022 – Colorado." Rural Health Information Hub. <https://www.ruralhealthinfo.org/charts/5?state=CO> . November 2022.

⁶⁸ Based on an analysis of issuer rate filing materials available at <https://filingaccess.serff.com/sfa/home/CO>

⁶⁹ NHE Projection Tables through 2030 Table 17 Health Insurance Enrollment and Enrollment Growth Rates, Spending per Enrollee Private Health Insurance



The Colorado Option Plans appear to have reduced the second-lowest cost silver plan in almost half of Colorado counties. While this could generate federal pass-through dollars for Colorado, it lowers the premium tax credit available to individuals to purchase coverage other than the second lowest silver premium plan. For the majority of these counties, the impact for federal pass-through dollars is relatively small at \$60 to under \$96 per member per year. In Adams, Arapahoe, Denver, and Jefferson counties, the most significant savings appear to be generated by Denver Health Medical with an approximately \$275 PMPY impact. However, the reduction in these areas is due to Denver Health Medical Plan offering Colorado Option Plans at over a 6% loss, which we do not believe is sustainable. As we noted in our previous report analyzing Colorado’s Affordable Care Act waiver amendment application, we do not believe that the target premium reductions are realistic – especially over the longer-term.⁷⁰

Denver Health Medical Plan incurred an underwriting loss in 2021, where they had none in 2020. We are concerned significant membership in Denver Health Medical Plan’s Colorado Option Plans could threaten their solvency, which was acknowledged by the filing actuary. We note they anticipate a small percentage of their projected membership in Colorado Option Plans; however, Denver Health Medical Plan’s Colorado Option Plans are the lowest cost exchange plans in the bronze, silver, and gold levels. While the Denver Health Medical Colorado Option Plan lowest premiums are only \$12 PMPY less than their Non-Colorado Option offerings, they are \$240 to \$600 lower than the next least expensive issuer plan annually. We believe there is a high probability they will receive more membership in these plans than they are projecting.

Reliances

In developing the findings and opinions in this report, we relied upon information obtained from and/or provided by other sources. We have reviewed this information for reasonableness and applicability but have performed no audits of the information. These include:

- 2020 and 2021 Annual Statements for Colorado individual health issuers.
- Colorado health issuer rate filings and binders for plan years 2021, 2022, and 2023. These filings are publicly available at <https://filingaccess.serff.com/sfa/home/CO>.
- Lewis & Ellis Reports on the Actuarial Review of Rate Filings for plan year 2023. These are publicly available with the rate filings at <https://filingaccess.serff.com/sfa/home/CO>

⁷⁰ For additional discussion and analysis on the Colorado Option premium reduction requirements, please see the February 2022 NovaRest report available on www.coloradoshealthcarefuture.org website.



Limitations

This report and the conclusions and opinions herein have been developed for the exclusive use of The Partnership. Other uses of this report and its comments and opinions may not be appropriate for other uses. NovaRest assumes no obligation or liability for other such uses. Users of this report should read the entire report and possess a general working knowledge of the Colorado Section 1332 Innovation Waiver Amendment Request, the Colorado health insurance market, and the Affordable Care Act.

Subsequent Events

To our knowledge, there have been no subsequent events that impact this report and our findings and conclusions. Should there be subsequent events or actions after the delivery of this report, such as changed methodologies in final regulations or modifications to existing regulations, such events or actions could impact our findings.



Appendix A: Lowest Cost Colorado Option Plan Premium Rate % Greater Than Lowest Cost Premium Rate

Appendix A: Colorado Individual ACA Market Lowest Cost Colorado Option Plan Premium Rate % Greater Than Lowest Cost Premium Rate (Includes both On-Exchange and Off-Exchange Plans)			
Colorado Counties	Bronze	Silver	Gold
Adams	0.0%	11.8%	0.0%
Alamosa	4.6%	9.0%	0.0%
Arapahoe	0.0%	11.8%	0.0%
Archuleta	2.8%	9.2%	0.0%
Baca	4.6%	9.0%	0.0%
Bent	4.6%	9.0%	0.0%
Boulder	4.3%	1.9%	5.1%
Broomfield	4.3%	3.1%	5.1%
Chaffee	4.6%	9.0%	0.0%
Cheyenne	4.6%	9.0%	0.0%
Clear Creek	9.1%	7.0%	5.1%
Conejos	4.6%	9.0%	0.0%
Costilla	4.6%	9.0%	0.0%
Crowley	9.1%	7.0%	5.1%
Custer	9.1%	7.0%	5.1%
Delta	0.9%	6.4%	0.8%
Denver	0.0%	11.8%	0.0%
Dolores	0.5%	5.4%	2.8%
Douglas	4.3%	3.1%	5.1%
Eagle	2.8%	9.2%	0.0%
El Paso	9.1%	7.0%	5.1%
Elbert	4.3%	3.1%	5.1%
Fremont	9.1%	7.0%	5.1%
Garfield	0.5%	5.4%	2.8%
Gilpin	4.3%	3.1%	5.1%
Grand	0.3%	4.9%	0.8%
Gunnison	0.5%	5.4%	2.8%
Hinsdale	0.5%	5.4%	2.8%
Huerfano	9.1%	7.0%	5.1%
Jackson	4.6%	11.0%	0.0%
Jefferson	0.0%	11.8%	0.0%
Kiowa	4.6%	9.0%	0.0%
Kit Carson	4.6%	9.0%	0.0%
La Plata	2.8%	9.2%	0.0%
Lake	0.3%	4.9%	0.8%
Larimer	9.1%	7.0%	5.1%



Appendix A: Colorado Individual ACA Market Lowest Cost Colorado Option Plan Premium Rate % Greater Than Lowest Cost Premium Rate (Includes both On-Exchange and Off-Exchange Plans)			
Colorado Counties	Bronze	Silver	Gold
Las Animas	9.1%	7.0%	5.1%
Lincoln	9.1%	7.0%	5.1%
Logan	4.6%	9.0%	0.0%
Mesa	0.9%	6.4%	0.0%
Mineral	4.6%	9.0%	0.0%
Moffat	0.9%	6.4%	0.0%
Montezuma	2.8%	9.2%	0.0%
Montrose	2.2%	5.4%	2.8%
Morgan	9.1%	7.0%	5.1%
Otero	9.1%	7.0%	5.1%
Ouray	0.5%	5.4%	2.8%
Park	9.1%	7.0%	5.1%
Phillips	4.6%	9.0%	0.0%
Pitkin	0.5%	5.4%	2.8%
Prowers	4.6%	9.0%	0.0%
Pueblo	5.8%	7.0%	2.0%
Rio Blanco	0.9%	6.4%	0.0%
Rio Grande	4.6%	9.0%	0.0%
Routt	2.8%	9.2%	0.0%
Saguache	4.6%	9.0%	0.0%
San Juan	0.5%	5.4%	2.8%
San Miguel	0.5%	5.4%	2.8%
Sedgwick	4.6%	9.0%	0.0%
Summit	2.8%	9.2%	0.0%
Teller	9.1%	7.0%	5.1%
Washington	4.6%	9.0%	0.0%
Weld	3.0%	4.6%	3.0%
Yuma	4.6%	9.0%	0.0%
All Counties	0.0%	11.8%	0.0%



Appendix B: Percentage of Colorado Option Plans Meeting Statutory and Regulatory Premium Reduction Requirements by County

Appendix B: Percentage of Colorado Option Plans Meeting Target Rate Reduction	
Colorado Counties	Individual
Adams	33.3%
Alamosa	16.7%
Arapahoe	33.3%
Archuleta	0.0%
Baca	16.7%
Bent	16.7%
Boulder	26.7%
Broomfield	20.0%
Chaffee	16.7%
Cheyenne	16.7%
Clear Creek	33.3%
Conejos	16.7%
Costilla	16.7%
Crowley	22.2%
Custer	22.2%
Delta	0.0%
Denver	33.3%
Dolores	0.0%
Douglas	6.7%
Eagle	0.0%
El Paso	13.3%
Elbert	0.0%
Fremont	11.1%
Garfield	0.0%
Gilpin	33.3%
Grand	0.0%
Gunnison	0.0%
Hinsdale	0.0%
Huerfano	22.2%
Jackson	0.0%
Jefferson	33.3%
Kiowa	16.7%
Kit Carson	16.7%



Appendix B: Percentage of Colorado Option Plans Meeting Target Rate Reduction	
Colorado Counties	Individual
La Plata	0.0%
Lake	0.0%
Larimer	33.3%
Las Animas	22.2%
Lincoln	11.1%
Logan	16.7%
Mesa	0.0%
Mineral	16.7%
Moffat	0.0%
Montezuma	0.0%
Montrose	0.0%
Morgan	22.2%
Otero	22.2%
Ouray	0.0%
Park	11.1%
Phillips	16.7%
Pitkin	0.0%
Prowers	16.7%
Pueblo	11.1%
Rio Blanco	0.0%
Rio Grande	16.7%
Routt	0.0%
Saguache	16.7%
San Juan	0.0%
San Miguel	0.0%
Sedgwick	16.7%
Summit	0.0%
Teller	22.2%
Washington	16.7%
Weld	41.7%
Yuma	16.7%
All Counties	15.1%



Appendix C: Issuers in Each Metal Level by Year and Years of Participation by Issuer

Appendix C.1 provides the number of plans in the Colorado Individual ACA market by year from 2021 to 2023, by metal tier including the impact of issuers leaving the market.

Appendix C.1: Number of Plans Offered in the Colorado ACA Market			
Metal	2021	2022	2023
<i>Individual ACA Market</i>			
Catastrophic	12	14	8
Bronze	71	110	70
Silver	131	218	132
Gold	33	49	41
Platinum	0	0	0
Total	247	391	251

The total number of plans offered in the individual ACA market in every metal category (except Platinum where no plans are offered) increased from plan year 2021 to plan year 2022. The number of plans decreased from plan year 2022 to plan year 2023 in all offered metal categories. The total number of plans, including the number of plans in silver and gold is still higher in plan year 2023 than plan year 2021.



Appendix C.2 provides the number of plans offered by each issuer from 2021 to 2023.

Appendix C.2: Number of Plans Offered in the Colorado Individual ACA Market by Issuer				
Company	2021	2022	2023	# of Colorado Option Plans in 2023
<i>Individual ACA Market</i>				
Bright Health Insurance Company	60	66	0	0
Cigna Health and Life Insurance Company	12	16	22	4
Denver Health Medical Plan, Inc.	8	8	12	4
Friday Health Plans	10	14	34	4
HMO Colorado, Inc.	47	41	56	12
Kaiser Foundation Health Plan of Colorado	48	50	58	8
Oscar Insurance Company	19	102	0	0
Rocky Mountain HMO	42	93	68	16
Rocky Mountain Hospital and Medical Service, Inc., D.B.A. Anthem Blue Cross and Blue Shield	1	1	1	0
Total	247	391	251	48

Six of the seven issuers continuing to offer plans in the Colorado individual ACA market in 2023 are offering Colorado Option Plans in plan year 2023. Rocky Mountain Hospital and Medical Service, Inc., D.B.A. Anthem Blue Cross and Blue Shield is the only issuer offering plans in the Colorado individual ACA market which will not offer Colorado Option Plans.

Of the issuers that are offering plans in the Colorado individual ACA market in 2023, five of the seven increased their plan offerings from plan year 2022 to plan year 2023. Rocky Mountain HMO decreased plan offerings from plan year 2022 to plan year 2023 and Rocky Mountain Hospital and Medical Service, Inc., D.B.A. Anthem Blue Cross and Blue Shield continues to only offer a Catastrophic plan.

It appears the administrative and financial burden in Colorado is decreasing competition in the Colorado ACA market. Issuers are leaving because of the difficulty in being profitable due to the regulatory pressures.