



Impact of the Colorado Public Option on Premiums and Market Competition

The Colorado (CO) Public Option, officially known as the Colorado Option (CO Option), is a health insurance initiative signed into law in 2021 and implemented in 2023 designed to enhance affordability and accessibility to healthcare services in CO.¹ This study assessed the impact of the CO Option on meeting its objectives and found that it has not achieved its goal of providing premium savings to all Coloradans and reduced consumer choice across the state.

The CO Option released its standardized health benefit plans with goals to lower the health insurance premiums, improve racial health equity, and utilize the premium savings to expand access to care.² In 2024, 80,655 individuals enrolled in the CO Option plans, accounting for 34% of total enrollments in the marketplace.³

The state also aims to regulate the health insurance market by increasing competition with the introduction of standardized plans and lowering health premiums with premium reduction targets (5% in 2023, 10% in 2024, and 15% in 2025 compared to rates from 2021) and enhanced oversight.⁴ To facilitate the transparency of premium reductions, a public hearing could be held for the CO Option plans that do not reach the target.⁵

The program has generated concerns regarding its effectiveness in achieving premium reduction targets. A recent report published by NovaRest demonstrated that

only 15% of the CO Option plans reached the 5% target premium reduction in 2023.⁶ Data from the Centers for Medicare & Medicaid Services (CMS) showed that the CO Option brought less than one percent premium savings in a majority of services areas.⁷ Moreover, the premiums of the CO Option plans are projected to increase by 4.2% in 2025, failing to achieve the goal of reducing premiums.⁸

Now that the CO Option has been available to consumers for three years (2023-2025), this study:

- assessed whether the CO Option achieved premium savings,
- quantified the impact of the CO Option on consumer choice and plan availability, and
- examined the impact on healthcare coverage.

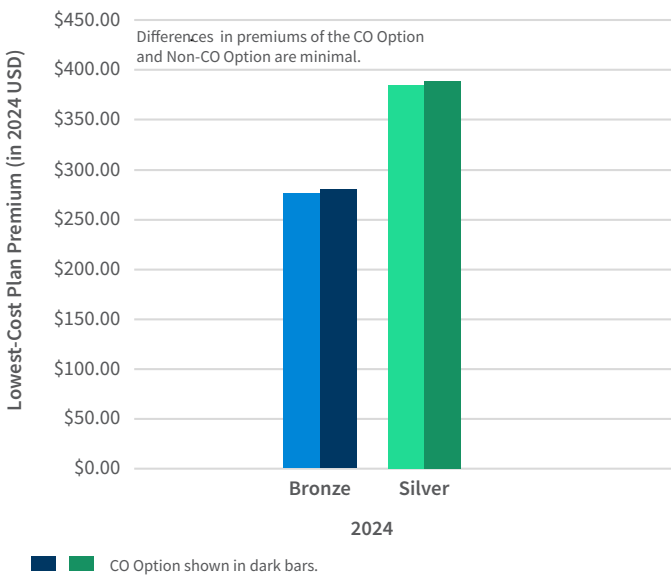
Findings

Impact on Premiums

Non-CO Option plans were the lowest-cost option for enrollees seeking out bronze and silver plans.⁹

The CO Option plans did not provide the lowest cost for enrollees in 2024. **The lowest-cost silver and bronze plan premiums were higher for the CO Option** than those of non-CO Option plans, raising questions about affordability relative to market alternatives (**Figure 1**).¹⁰ The trend of higher premiums for the lowest-cost CO Option plans compared to non-CO Option plans across all metal tiers persists into 2025.¹¹

Figure 1. Lowest-Cost Plan Premiums Across Tiers, 2024



Data Source: Colorado System for Electronic Rates & Forms Filing, 2024

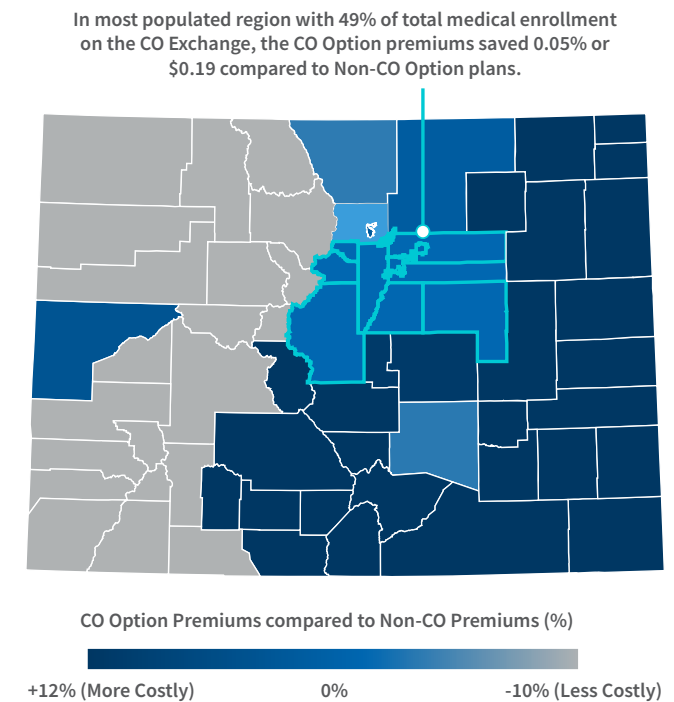
Compared to the lowest-cost premiums in 2021 as a baseline (before the CO Option was signed into law), **premiums increased more for the CO Option** than non-CO Option plans across bronze and silver tiers.

The CO Option achieved premium savings in nearly half of Colorado counties, with minimal savings in highly populated regions such as Denver County.

In 2024, premium savings differed by geographic area.¹² Comparing the second lowest-cost silver plan premiums of a representative individual (21-year-old, non-tobacco user),¹³ the CO Option plans achieved premium savings in only 33 of 64 Colorado counties.¹⁴

Further, the premium savings in the vast majority of these 33 counties were very small. In these counties, the average premium savings for the CO Option ranged from \$0.19 (0.05%) to \$60.08 (9.7%) (**Figure 2**). However, the average **premium saving of \$0.19 was in the most populous region** with 10 counties, including Denver County, that accounted for 49% of the total medical enrollment in the exchange.¹⁵ Out of 64 counties, the largest premium saving was in 21 counties that accounted for only 14% of the total medical enrollment.

Figure 2. Difference in Second Lowest-Cost Silver Plan between the CO Option and Non-CO Option Plans by County, 2024

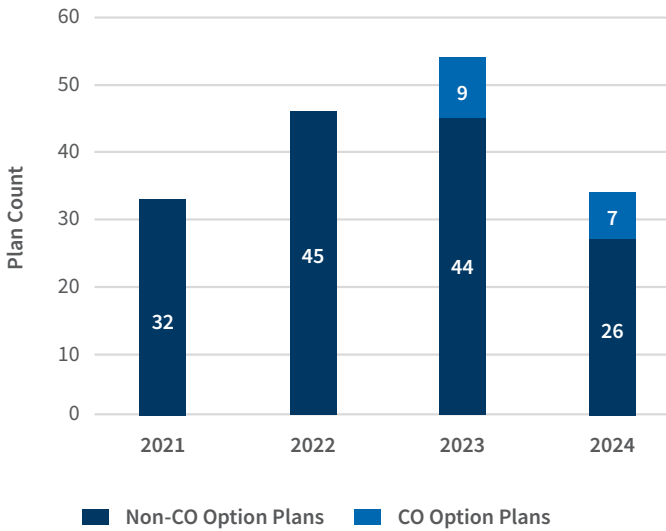


Data Source: Colorado System for Electronic Rates & Forms Filing, 2024

In 2024, the vast majority of the CO Option plans fell short of the 10% premium reduction target.

Out of the 489 plan-county combinations, **only 11 (2.2%) achieved the statutory set premium target, representing just three plans.**¹⁶ With the failure of meeting the premium reduction targets among most plans, roughly 95% of enrollees missed out the expected premium savings. Only a small proportion of enrollees—5.2%—selected one of the three CO Option plans that met the reduction target when purchasing health coverage through the CO Exchange.

Figure 3. Average Number of Plans Across Counties, 2021-2024



Data Source: Centers for Medicare & Medicaid Services Health Insurance State-based Exchange Public Use Files, 2021-2024

Impact on Market Competition and Consumer Choice

The CO Option may have led to decreased market competition.

Plan availability experienced steady growth prior to the CO Option implementation (2021-2022: 39.5%), however, it has slowed significantly to 16.3% from 2022 to 2023 (Figure 3).¹⁷ Moreover, **the average number of plans decreased by 37.7% (53 to 33 plans) across the majority of CO counties** in the second year of the CO Option implementation, indicative of decreasing competition. Additionally, **the majority of counties (87.5%) experienced as high as a 75.5% reduction in the number of available plans.**

The implementation of the CO Option may have significantly reduced consumer choice.

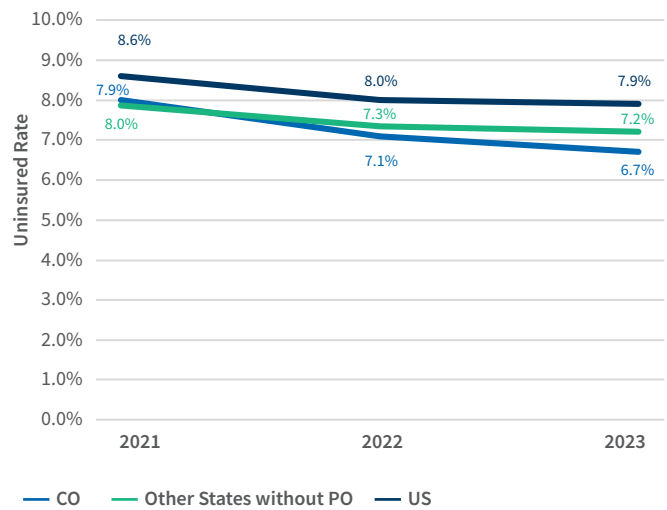
After the CO Option was implemented, consumers were left with fewer choices than before. In fact, more counties than ever before offered consumers plans from only one issuer as fewer were able to stay afloat in the market. For instance, **the number of single-issuer counties rose sharply from 2023 (1 county) to 2024 (25 counties).** Similarly, the percentage of people who had access to only one issuer among total enrollees in the CO Marketplace increased from 0.03% in 2023 to 3.7% in 2024.¹⁸

Impact on Coverage

A higher decline in the uninsured rate was observed before the CO Option implementation.

The decline in Colorado’s uninsured rate was higher in the years immediately preceding the implementation of the CO Option (Figure 4).¹⁹ However, the decrease could not be attributed to the CO Option due to a number of confounding factors.²⁰

Figure 4. Uninsured Rate in Colorado Compared to States Without a Public Option and Overall U.S., 2021-2023



Data Source: American Community Survey, 2021-2023

Conclusion

The CO Option plans brought minimal premium savings across the state, especially in the urban regions with the highest number of enrollments. For the vast majority of Coloradans, premiums savings did not come close to the CO Option reduction targets. In fact, consumers were faced with higher CO Option premiums in some areas. Ultimately, the CO Option has not met its goals of premium savings for all Coloradans.

Note

This report was commissioned by the Partnership for America's Health Care Future Action.

Endnotes

- ¹ "Colorado Option 2024 Standard Plans," Colorado Department of Regulatory Agencies (2024) https://drive.google.com/file/d/1GW-7oBh4YDV8g0T4p_reEZO0YFBuQ9yt/view (accessed November 2024)
- ² "Overview of Colorado Option," Colorado Department of Regulatory Agencies https://drive.google.com/file/d/1ELKxg9ZHwBWsFjND96e3Lalul_oX8ZYG/view (accessed November 2024)
- ³ "80,655 Enroll in Colorado Option Plans for 2024, Polis Administration Continues Focus on Saving People Money on Health Care," Colorado Department of Regulatory Agencies (January 18, 2024) <https://doi.colorado.gov/news-releases-consumer-advisories/80655-enroll-in-colorado-option-plans-for-2024-polis#:~:text=As%20of%20January%2018%2C%20a,over%20the%202023%20open%20enrollment.>
- ⁴ "Saving Coloradans Money on Health Insurance Premiums," Colorado Department of Regulatory Agencies https://drive.google.com/file/d/1kJQVpC6mzL0Eer_u3eZUJKyTFUb_8MQ3/view (accessed November 2024)
- ⁵ Ibid.
- ⁶ Cadwell, Richard et al., "Colorado 2023 Actuarial Study," NovaRest Actuarial Consulting (2023) <https://coloradoshealthcarefuture.org/wp-content/uploads/2023/04/NovaRest-Colorado-2023-Actuarial-Study.pdf> (accessed November 2024)
- ⁷ "CO Premium Data for Section 1332 Waiver 2024 Pass-through Calculations," the Centers for Medicare & Medicaid Services (August 2024) <https://www.cms.gov/files/document/1332-state-specific-premium-dataaugust-2024.xls>
- ⁸ Ingold, John, "Individual health insurance rates in Colorado could see below-average increase in 2025," The Colorado Sun (July 2024) <https://coloradosun.com/2024/07/18/colorado-preliminary-health-insurance-rates-2025/>
- ⁹ Authors used premiums without reinsurance program from the National Association of Insurance Commissioners' (NAIC) System for Electronic Rates & Forms Filing (SERFF). Available at <https://filingaccess.serff.com/sfa/home/CO>
- ¹⁰ The lowest-cost plans were the plans with the lowest premium across all regions and carriers for each metal tier. The lowest cost premium comparison only focused on bronze and silver plans given that some carriers did not offer non-CO Option gold plans and thus including gold plans may undermine the validity of the comparison. The non-CO Option plans were the lowest-cost plans for both the bronze and silver tiers in the most populous region in Colorado which includes Denver, Adams, Broomfield, Arapahoe, Clear Creek, Gilpin, Douglas, Jefferson, Elbert and Park counties.
- ¹¹ Trend analysis using data uploaded to the National Association of Insurance Commissioners' (NAIC) System for Electronic Rates & Forms Filing as of October 25, 2024, but not shown due to incomplete data for one health plan.
- ¹² Authors used premiums without reinsurance program from the National Association of Insurance Commissioners' (NAIC) System for Electronic Rates & Forms Filing (SERFF). Available at <https://filingaccess.serff.com/sfa/home/CO>
- ¹³ The study used the second lowest-cost silver plan premium in the estimation of premium savings is to keep consistent with the premium data released by the Centers for Medicare & Medicaid Services (CMS) and thus validate our data with CMS's. See "CO Premium Data for Section 1332 Waiver 2024 Pass-through Calculations," Centers for Medicare & Medicaid Services (August 2024) <https://www.cms.gov/files/document/1332-state-specific-premium-dataaugust-2024.xls>
- ¹⁴ Authors used premiums without reinsurance program from the National Association of Insurance Commissioners' (NAIC) System for Electronic Rates & Forms Filing (SERFF). Available at <https://filingaccess.serff.com/sfa/home/CO>. Similarly, when using the 2024 premium data released by the Centers for Medicare & Medicaid Services by service area, the premium savings from most of counties are less than one percentage.
- ¹⁵ The most populous region here refers to Rating Area 3, including Denver, Adams, Broomfield, Arapahoe, Clear Creek, Gilpin, Douglas, Jefferson, Elbert and Park counties.
- ¹⁶ Following the CO Option Rate Reduction Notice Template Summary (available at: <https://filingaccess.serff.com/sfa/home/CO>), the lowest age 21 non-tobacco user monthly premium rate in the metal tier that the issuer offered in 2021, in the same county, prior to the implementation of the Colorado reinsurance program, adjusted for medical inflation, was compared to set the target rates for 2024 premium for the same age, metal tier, and issuer in the county, and the percentage change was calculated.
- ¹⁷ Authors used data from the Centers for Medicare & Medicaid Services (CMS) Health Insurance State-based Exchange Public Use Files from 2021 to 2024. Available at <https://www.cms.gov/marketplace/resources/data/state-based-public-use-files>
- ¹⁸ Ibid.
- ¹⁹ Authors used data from American Community Survey 2021-2023. Available at <https://www.census.gov/programs-surveys/acs>. There are a number of estimates of uninsured rates in CO. The Colorado Health Access Survey (CHAS) estimated that the uninsured rates dropped from 6.5% in 2021 to 4.6% in 2023. See "Colorado Health Access Survey Preview," Colorado Health Institute (February 15, 2024) <https://www.coloradohealthinstitute.org/research/colorado-health-access-survey-preview>. However, the CO Health Foundation in June 2024 estimated 6% uninsured rate. See also, "The Colorado Health Foundation Poll," Colorado Health Foundation (2024) <https://www.copulsepoll.org/sites/default/files/2024-07/Colorado%20Health%20Foundation%202024%20Pulse%20Survey%20Analysis%20-%20Wave%201%20on%20Costs%20-%20Final%20.pdf>.
- ²⁰ Bichell, Rae, "Colorado Dropped Medicaid Enrollees as Red States Have, Alarming Advocates for the Poor," KFF Health News (July 2024) <https://kffhealthnews.org/news/article/colorado-medicaid-unwinding-blue-red-states/#:~:text=Rural%20Health-,Colorado%20Dropped%20Medicaid%20Enrollees%20as%20Red%20States,Alarming%20Advocates%20for%20the%20Poor&text=Colorado%20stands%20out%20among%20the,from%20the%20health%20insurance%20program.>

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