

Do Final Colorado Option Rates Deliver on the Promise of Consumer Savings?

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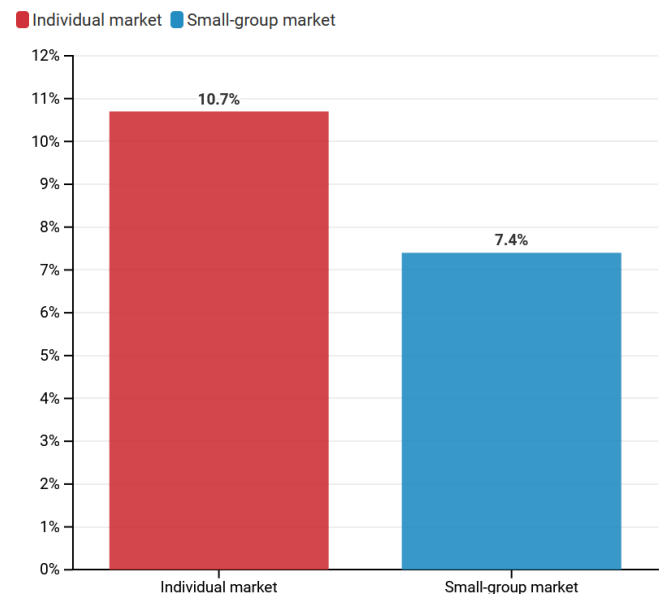
On October 25th, the Colorado Department of Regulatory Agencies (DORA) released the final 2023 approved health insurance rates for the individual and small-group markets. Alongside this release, DORA issued a statement that Coloradans could save up to \$326 million on health insurance in 2023 due to several recent policy changes, including the launch of the Colorado Option.

HB21-1232, which created the Colorado Option, requires health insurance carriers to offer “standardized plans” within the individual and small-group markets at reduced prices. These plans’ premiums are required to be set below equivalent 2021 prices by 5% in 2023, 10% in 2024, and 15% in 2025. Prior CSI research has consistently shown that the impacts of this new law, which mandates price reductions without reducing the underlying cost of care, will **force medical providers to cut costs in a way that impacts quality and access or pass on costs to the remaining private insurance market through higher prices.**ⁱ

The newly released 2023 health insurance rates show that, despite the state’s promise of savings and improved competition, non-Colorado Option plans will be less expensive and fewer health insurance options will be available to most Coloradans:

- **The approved 2023 individual and small-group premiums are higher than 2022’s, on average, by 10.4% and 7.4%, respectively.** The rate hikes are likely to be especially high in rural Colorado, where health insurance is most expensive.
- **Colorado Option plans will not be the least expensive plans available in 2023.** Consumers who are primarily concerned about saving money will still be able to purchase more affordable insurance elsewhere.
- DORA’s press release indicated that consumers could save \$326 million on health insurance. **Over 90% of those savings already exist, and the Colorado Option savings are only hypothetical.**
 - \$294 million of the estimated savings is accounted for by Colorado’s reinsurance program. This policy is already in effect and has produced similar savings since 2020.
 - **The estimate of \$14.7 million saved because of the Colorado Option assumes that consumers will immediately switch to the lowest-cost CO Option plans within each metal tier, contrary to likely consumer behavior.**
- **The savings estimates count the impacts of policies that have reduced prices but not those that have increased prices.** Due in part to these policies, the average 2023 benchmark

Average Health Insurance Premium Growth between 2022 and 2023



premium in Colorado will be 8.3% more expensive than it was in 2022—nearly double the national average growth rate of 4.2%.ⁱⁱ

- SB20-215, for example, imposes a fee upon health insurance carriers in the individual market to fund subsidies and has increased prices as a result.ⁱⁱⁱ
- The Colorado Association of Health Plans identified 11 different policies besides the Colorado Option that have increased health insurance premiums by a total of 5.53–7.92% annually (between \$321 and \$405 million) within the fully insured individual, small-group, and large-group markets.^{iv}

The Colorado Option also poses a range of risks to the broader health care market. CSI’s research has found that, besides imposing premium cuts, the policy caps the future growth of standardized plan premiums at a rate which is too restrictive to properly account for the actual medical costs that the healthcare industry will face in the coming years. In order to cope with reduced revenue from standardized plan payments, health care providers may be forced to choose between cutting services and passing on costs by raising prices for most insured Coloradans.

Hospitals will be faced with a critical choice: CUT services and access to care or PASS the costs of the Colorado Option on to others

- DORA’s press release doesn’t acknowledge the possibility that the Colorado Option could force health care providers to either cut services or offset some of the estimated savings by increasing the prices of traditional employer-sponsored plans.
 - Provisions within the Colorado Option elevate the risk of this over time: higher premium reduction targets will come into force through 2025 and the long-term medical cost trend is likely to exceed the allowable premium growth rate.^v

This risk will be especially evident within the small-group market, which does not benefit from Colorado’s reinsurance program. CSI’s modeling projects that providers could collect 37% less revenue from small-group Option plans than they otherwise would for the same services in 2030.

- Already, four health insurance carriers have left one or both markets in Colorado.^{vi} One which left the state entirely enrolled 55,000 people in 2022, all of whom will be forced to find new coverage and potentially lose access to their preferred providers. In 2023, 91 fewer individual-market plans will be offered than in 2022.^{vii} **When stricter price controls come into force in 2024 and 2025, even more plans and carriers may be forced out of Colorado.**
 - Peak Health, a co-operative which insures 6,400 people in some of the state’s most expensive regions at relatively affordable prices, will not operate in 2023. Everyone who was covered through it will have to find new, and likely costlier, insurance.

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ⁱ <https://commonsenseinstituteco.org/the-revamped-public-option-bill/>

ⁱⁱ <https://www.kff.org/health-reform/state-indicator/percent-change-in-average-marketplace-premiums-by-metal-tier/>

ⁱⁱⁱ <https://leg.colorado.gov/bills/sb20-215>

^{iv} <https://doi.colorado.gov/news-releases-consumer-advisories/biden-administration-announces-approval-of-colorados-inclusive>

^v <https://commonsenseinstituteco.org/inflation-and-the-colorado-option-plan/>

^{vi} https://www.coloradopolitics.com/health-care/article_0a5d2e26-54b5-11ed-9156-bbfa91e3188c.html

^{vii} Connect for Health Colorado 2023 Consumer Impact Analysis (individual market)