



COLORADO

Department of
Regulatory Agencies

Division of Insurance

Amended Bulletin No. B-4.121

Concerning the Medical Inflation Trend Calculation for the Premium Rate Reduction Requirements on the Colorado Option Standardized Health Benefit Plans

I. Background and Purpose

The purpose of this bulletin is to provide carriers with additional guidance to comply with the premium rate reduction requirements of the Colorado Option Standardized Plans pursuant to Colorado Insurance Regulation 4-2-85.

Bulletins are the Division of Insurance's (Division) interpretations of existing insurance law or general statements of Division policy. Bulletins themselves establish neither binding norms nor finally determine issues or rights.

II. Applicability and Scope

This Bulletin is intended for all carriers issuing small group and individual health benefit plans in the state of Colorado. Starting in the 2023 benefit year, carriers in the individual and small group markets are required to offer a Colorado Option Standardized Plan in each county where they offer small group and individual health benefit plans at a reduced premium compared to 2021 rates.

III. Division Position

The Division provides the following guidance to carriers:

Medical Inflation Trend Calculation for Benefit Year 2026. As defined in Section 10-16-1303(10) C.R.S., medical inflation means “the annual percentage change in the medical care index component of the United State 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 for Denver-Aurora-Lakewood, Colorado over the previous three years.”

To calculate the medical inflation trend, the Division used the geometric average of the annual percentage increase, as of May, for each of the last three years of the Medical Care index of the Consumer Price Index for Denver-Aurora-Lakewood, Colorado for all urban consumers (CPI-U). The source data can be found on the Bureau of Labor Statistics (BLS) website, using the information below:

Series Title:	Medical care in Denver-Aurora-Lakewood, Colorado, all urban consumers, not seasonally adjusted
Series ID:	CUURS48BSAM
Seasonality:	Not Seasonally Adjusted
Survey Name:	CPI for All Urban Consumers (CPI-U)
Measure Data Type:	Medical care
Area:	Denver-Aurora-Lakewood, Colorado
Item:	Medical care
Webpage:	https://beta.bls.gov/dataViewer/view/timeseries/CUURS48BSAM

Colorado Insurance Regulation 4-2-85 requires the Division to publish the latest 3-year average of the annual percentage change in the medical care index component index CPI-U for Denver-Aurora-Lakewood, Colorado by June 30, 2023 for the 2024 Benefit Year and January 1 of each year thereafter. Based on BLS published data above, the “3 Year average of the annual percentage change of the medical care index of CPI-U” is **3.70%**.

For the Colorado Option Standardized Plan’s premium rate reduction methodology, medical inflation trend is calculated as follows:

$$(1 + \text{“3 Year Average of the annual percentage change of the medical care index of CPI-U”}) ^ {(\text{Months of Trend}/12)}$$

For the 2025 Benefit Year, the medical inflation trend adjustment in the premium rate reduction methodology for the *individual and small group market*, rounded to the nearest thousandth, is:

$$(1 + 0.0370) ^ {60/12} = \mathbf{1.1993}$$

IV. History

Issued March 31, 2022

Revised June 28, 2023

Revised November 1, 2023

Revised December 10, 2024.

Appendix A: Derivation of Medical Inflation Adjustment

CPI for All Urban Consumers (CPI-U), Medical care in Denver-Aurora-Lakewood, CO, not seasonally adjusted

Row	Date	12 Month Percentage Change
(a)	May 2022	10.3%
(b)	May 2023	-0.2%
(c)	May 2024	1.3%

3 Year Geometric Average of the annual percentage change of the medical care index of CPI-U

$$= [(1+(a)) \times (1+(b)) \times (1+(c))]^{(1/3)} - 1$$
$$= 3.70\%$$