wakely.com

State of Colorado Department of Regulatory Agencies

Colorado Option Rate Target Methodology

May 5, 2022

Prepared by:

Wakely Consulting Group, LLC

Julie Peper, FSA, MAAA
Principal

Michael Cohen, PhD
Senior Consultant, Policy Analytics

Danielle Hilson, FSA, MAAA
Senior Consulting Actuary
Alpine Actuarial LLC

Table of Contents

Introduction 1

Methodology 2

Other Factors 8

Additional Considerations 10

New Carriers and Service Area Changes 10

Exemption for Healthcare Coverage Cooperatives 11

Reliances 12

Disclosures and Limitations 12

Appendix A: Methodology Outline 15

Appendix B: Sample Calculations 18

Example 1 18

Example 2 20

Example 3 22

Example 4 24

Introduction

The State of Colorado has submitted an amendment to its Section 1332 State Innovation Waiver (“1332 waiver” or “waiver”) in order to receive federal pass-through funding to expand premium subsidies to individuals eligible for federal premium and cost sharing subsidies (PTC-eligible) and those who are currently not eligible for federal premium tax credits, such as Coloradans without documentation and people who are subject to the Affordable Care Act’s (ACA’s) “family glitch”.[1] The proposed waiver would reduce premiums starting in 2023 through a state-led public option program, the Colorado Option, under House Bill 21-1232.[2]

The Colorado Option requires carriers operating in the individual and small group markets to offer a Standardized Plan at the Bronze, Silver, and Gold metal levels in the counties that the carriers offer plans. Under the waiver, carriers must offer these plans with a premium that is reduced by a specified percent relative to their 2021 premiums (referred to as the Baseline premium throughout this report), after adjustments for national medical inflation and any actuarial value changes required for the Colorado Option. The required reductions are five percent for 2023, ten percent for 2024, and fifteen percent for 2025. After 2025, premiums may only increase by national medical inflation. The Colorado Option will be implemented in both the individual and small group markets.

Wakely Consulting Group, an HMA Company (“Wakely”), has been retained by the State of Colorado Department of Regulatory Agencies (“Colorado” or “DORA”) to assist in the development of an actuarial methodology for calculating the premium rate targets for the Colorado Option Standardized Plans to be in compliance with the specified rate reductions required under HB21-1232.

This document has been prepared for the sole use of DORA. It is our understanding that this report will be made public and utilized in discussion with stakeholders. The methodology presented here is considered the final documentation and calculation of the target rates for 2023. Using the information in this report for other purposes may not be appropriate. This document

---

[1] The “family glitch” refers to the rule under which a family’s eligibility for premium subsidies turns on whether available employer-sponsored insurance is affordable for the employee only, even if it is not actually affordable for the whole family. As a result of this rule, if one person in a family is offered “affordable” employee-only coverage, the entire family is deemed ineligible for federal premium tax credits. Families that would be eligible for subsidies if the eligibility determination were based on the entire family premium are classified as being affected by the family glitch.

[2] https://leg.colorado.gov/sites/default/files/documents/2021A/bills/2021a_1232_ren.pdf

contains the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (“ASOP”) 41 reporting requirements.

The methodology used to determine compliance with the specified rate reductions will have a significant impact on the Colorado Option premiums and federal pass-through savings achieved should Colorado’s waiver be approved by CMS. Therefore, in considering potential adjustments, consideration was given to maximizing pass-through savings while attempting to balance the carriers’ ability to achieve rate reduction targets.

In general, the proposed methodology would allow adjustments to be made to the Baseline premiums for pricing impacts that are outlined in the Colorado Option legislation (HB21-1232), such as:

- Actuarial differences between the Standardized Plan and the Baseline plan, such as benefits required for the Colorado Option Standardized Plans, including member cost sharing and actuarial value (AV).
- Regulatory changes, including the requirement to utilize the federal formula for determining induced demand. This requirement was implemented in 2022 and therefore, is not reflected in the 2021 Baseline premiums

Colorado anticipates carriers will use other tools in order to achieve the required rate reductions, such as renegotiating provider-contracted payment rates, reducing administrative and non-benefit expenses, and reducing their target profit margin.

Methodology

The following outlines the proposed calculation methodology for determining the target rates for the Colorado Option plans. Carrier’s filed plan premiums must be at or below these rates in order to be compliant with the required rate reductions in HB21-1232. A summary of the recommended adjustments and considerations described below is included in Appendix A.

1. Determine 2021 Baseline Plan Premiums

   Per discussions with Colorado, target rates are developed separately for each carrier, County, Metal Level, and Market. These target rates are based on the 2021 filed premiums (Unadjusted Baseline Premium) with adjustments as described in this report. The lowest age 21 premium rate in 2021 (without reinsurance) is utilized as the Unadjusted Baseline Premium in each of these divisions.

a. Carrier is based on the HIOS company code.
b. Bronze and Expanded Bronze plans are combined to determine the lowest cost premium rate for the Bronze Colorado Option Standardized Plan.
c. Special considerations for Small Group plans: Recognizing that the small group premiums may be re-filed quarterly and may reflect an application of quarterly trend, the 2021 Baseline plan premium are based on the final filed rates for the fourth quarter 2021. In each quarter of the applicable benefit year, carriers are expected to have premiums at or below the target rate based on the October 2021 Baseline premium. Small group rates will continue to be reviewed quarterly.
d. Compliance with rate targets is based on 21-year old non-tobacco rates, prior to reinsurance. The tobacco rate load will be reviewed, as usual, through the rate review process.

2. Adjust 2021 Baseline Plan Premiums to Benefit Year

The following adjustments will be made to determine the target rate in the applicable benefit year.

a. Changes in Member Cost Sharing:
    i. The first component of this adjustment is a factor equal to the benefit year AV for the Colorado Option plan, calculated using the Federal Actuarial Value Calculator ("FAVC") for the appropriate benefit year, divided by the carrier AV for 2021. This was determined based on the carrier AV submitted in the Plan & Benefits Template for the 2021 Baseline plan.

ii. The calendar year (CY) 2023 draft federal AV calculator updated the data underlying the model. This change resulted in significant changes in plan AVs relative to the CY2022 federal AV calculator, including meaningfully different changes across the various metal levels beyond the impact of claim cost, utilization trends, and trend leveraging. Therefore, the federal AV for the 2023 Colorado Option plans are multiplied by the factors below when determining the impact of differences in member cost sharing.

Metal	AV Calculator Adjustment
Gold	0.992
Silver	0.971
Bronze	1.002

The AV Calculator Adjustment factors are based on the change in the federal AV calculator in each of the CY2023 Colorado Option plans using the CY2022 federal AV calculator and the CY2023 federal AV calculator. The following steps were taken to determine these factors:

- Each CY2023 Colorado Option plan was input into the CY2022 FAVC and the CY2023 FAVC.
- The ratio was calculated as the AV from the CY2022 calculator divided by the AV from the CY2023 calculator. This is the AV Calculator Adjustment in the above table.

The adjustment is multiplied by the CY2023 Colorado Option federal AV so that it can be directly comparable to the 2021 federal AV of the Baseline plan (since the FAVC was not updated between 2021 and 2022).

iii. The last component of this adjustment is a pricing AV adjustment by market and metal level. The Division heard from carriers and the Colorado Hospital Association regarding the need to include a pricing AV adjustment in the premium rate reduction methodology. On calls with carriers and their actuaries on February 3rd and February 24th, the Division discussed this adjustment and took carrier feedback. The Division used data submitted by all carriers to create the appropriate pricing AV adjustment. The carriers submitted pricing AVs for their Baseline plans and the Colorado Option plans to further capture the difference in member cost sharing between the plans. Since an adjustment is already applied at the carrier, market, and metal level based on the Federal AV calculator, the pricing AV adjustment is based on the difference in relativities between the carrier-submitted pricing AV and the Federal AV calculator, between the Colorado Option plans and the Baseline plans, in the following way:

$$\text{Pricing AV Adjustment} = \frac{\text{Relativity of Carrier AV}}{\text{Relativity of FAVC}}$$

Where

$$\text{Relativity of Carrier AV} = \frac{\text{Pricing AV of Colorado Option Plan}}{\text{Pricing AV of Baseline Plan}}$$

$$\text{Relativity of FAVC} = \frac{\text{FAVC of Colorado Option Plan}}{\text{FAVC of Baseline Plan}}$$

Due to the confidentiality of pricing models, the pricing AV adjustment was calculated as an average adjustment that is applied to all carriers on a market and metal level basis. The average was calculated as a straight average of the pricing AV adjustments as submitted by the carriers, with the highest and lowest two values removed, which significantly reduced the range of calculated pricing AV adjustments when reviewing the results on a carrier level. Before removing the highest and lowest two values for each calculation, the average range of responses (by market and metal level) was 13.9% from lowest to highest carrier submitted values. After removing the highest and lowest two values for each calculation, the average range of responses (by market and metal level) was 7.5% from lowest to highest submitted values.

These calculations were done separately by market and metal level. The following is a summary of the pricing AV adjustments by market and metal level.

Metal	Individual	Small Group
Gold	1.001	0.986
Silver	1.027	1.021
Bronze	0.997	1.004

b. Induced Demand: An adjustment is made for changes in the induced demand factor applied between 2021 and the corresponding Colorado Option plan at each metal level. This adjustment is applied in two steps. The first adjustment reflects the impact of the requirement to use the federal induced demand formula in 2023 and beyond per Bulletin B-4.116.[3] The second adjustment reflects the difference in induced demand related to differences in AV between the baseline plan and the Colorado Option plan.

i. In 2022 and beyond, the induced demand factors are based on the federal induced demand formula:

$$1.24 - (AV) + (AV)^2$$

The induced demand factors used to develop the 2021 baseline premiums may have been developed independently by carriers. An adjustment factor is developed based on the difference in the induced demand factors applied in the CY2021 rate development and the induced demand factor using the Baseline plan AV and the federal formula above.

The Baseline plan induced demand factors are normalized based on the projected membership carriers assumed for the CY2021 benefit year. Therefore, in order to ensure the induced demand adjustment is consistent, a normalization factor was developed and applied to the induced demand factor using the federal formula. This normalization factor was developed separately for each carrier and ensure that the shift from carrier-specific induced demand factor to the federal induced demand formula is revenue-neutral across each carrier’s 2021 rate filing.

[3] https://drive.google.com/file/d/1Fc0IMg_QQakGyjgnEvIBt39f-t2MB0VA/view

ii. A second induced demand adjustment reflects the impact of the AV difference between the Baseline plan and the Colorado Option plan. This adjustment is based on the difference between the federal induced demand formula using the Baseline plan AV and the Colorado Option plan AV.

c. Cost Sharing Reduction Plan (CSR) Loading – Individual Silver Plans Only: An adjustment factor is applied to reflect changes in the loading applied to Individual market Silver plans for CSR payments. The loading factor was calculated for both the Colorado Option and the 2021 Baseline plan using the ratio of the on-Exchange silver plan and the "substantially similar" off-Exchange silver plan. This adjustment was determined based on the CSR load applied to the Colorado Option plan in the applicable benefit year divided by the load applied to the 2021 Baseline plan.

d. Benefit Changes – Essential Health Benefits (EHBs): CMS recently approved changes to Colorado's EHB-benchmark plan for the 2023 plan year and beyond. In order to reflect the impact of these changes, an increase to premiums of 0.16% is applied to the 2021 Baseline premium rates. This adjustment is based on the actuarial analysis submitted with Colorado's application for EHB changes, which estimated the cost impact of the benchmark plan changes.[4]

e. Benefit Changes – Non-EHBs: Non-EHBs are allowed in the Colorado Option plans if they are related to perinatal coverage and/or reproductive health. If the Baseline plan has non-EHBs not reflected in the Colorado Option plan, an adjustment was made based on the EHB Percent of Total Premium in the Plan & Benefits Template for 2021. Additionally, if the 2021 Baseline plan did not include any non-EHB benefits but the carrier chooses to offer allowable non-EHB benefits in the Colorado Option plan, an adjustment would also be made based on the EHB Percent of Total Premium in the Plan & Benefits Template for the benefit year.

f. Trend: Trend is applied to the 2021 premium to the applicable Colorado Option benefit year based on 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. It is calculated as the geometric average change in the medical care index over the previous ten years based on the annual changes as of the most recently available month. This was calculated based on the latest CPI-U published 30 days prior to the publication of a bulletin with maximum allowable premium rates by April 1, 2022 for the 2023 benefit year and by February 1 of each year thereafter. For 2023 Colorado Option Standardized Plan

[4] https://www.cms.gov/CCIIO/Resources/Data-Resources/ehb

rate reduction targets, the annual trend was determined to be 2.72%, based on the above methodology. Carriers may use trend that they believe is actuarially sound in rate development, but the target rates are determined by the CPI-U index as described here.

g. Rate Reduction: Per the requirements in HB21-1232, the required rate reduction is 5% in 2023, 10% in 2024, and 15% in 2025.

A sample of the above rate calculation is provided in Appendix B.

Other Factors

Considerations were made for other potential adjustments that could be made should the need arise. While, at this time, we are not recommending including an explicit methodology for adjusting the target rates for the below items, they may be included should Colorado deem that they have a material impact and are actuarially justifiable. Examples of such adjustments include, but are not limited to:

- New or changes to existing legislation: Changes to the legal requirements to individual or small group plans, such as enhanced premium subsidies available under the American Rescue Plan Act or Build Back Better program, may necessitate an adjustment.
    - Adjustments were considered for regulations that have been enacted as of the date of this report, such as HB21-1140 Eliminate Donor Costs for Living Organ Donations. However, as the impact of such changes has a de minimis impact on AV value and rates because the number of people who would be subject to its coverage requirements are so small, an adjustment has not been included.
    - HB21-1297 Pharmacy Benefit Manager and Insurer Requirements creates administrative requirements of carriers which, per HB21-1232, the Division cannot adjust the Standardized Plan for; and therefore, an adjustment has not been included.
    - There was also a review of fertility treatment coverage; however, no fertility treatment coverage requirements have been implemented in the individual and small group markets, so no adjustment was considered.
    - In addition, HB21-1276 Prevention of Substance Abuse Disorders in which carriers must provide a cost-sharing benefit for non-pharmacological treatment where an opioid might be prescribed was considered. Wakely reviewed the potential impact of the regulation; however, since the logistics of how carriers will implement this requirement are still being determined, and the impact is assumed to be negligible, at least initially, due to a small number of claims, Wakely did not include an adjustment

for this regulation. Once the carriers finalize how they will operationalize this requirement, this assumption should be revisited.

- Material changes to the federal AV Calculator for benefit years *after* 2023 for determining the benefit adjustment: Changes to the underlying data or methodology of the federal AV calculator may impact the AV of the Colorado Option plan designs in *future* years, relative to the 2021 Baseline plans. These changes may not appropriately reflect differences in expected carrier paid claims as is intended by this adjustment. The direction and magnitude of such changes will not be known until the calculator is released for each benefit year. Once released, consideration will be given to making an adjustment for these changes in the target rate methodology.
- COVID-19 Pandemic related adjustments: An adjustment was considered for premium impacts related to the COVID-19 pandemic. However, as this adjustment may vary significantly by carrier and county, an adjustment has not been included.
- In April 2022, changes were made to the Standardized Plans to achieve compliance with the Mental Health Parity and Addiction Equity Act (MHPAEA). If necessary, the MHPAEA required changes were offset by changes to the deductible and/or maximum out of pocket for the Gold, Silver (Standard), and Bronze metal level plans to maintain the federal Actuarial Value before and after the revisions. Since the federal Actuarial Value did not change for the Gold, Silver (Standard), and Bronze metal levels, we did not make any changes to the target rate methodology due to these plan design changes. In particular, the following changes were made:
    - Gold
        - Physical Therapy / Occupational Therapy / Speech Therapy: $40 copay (no deductible) to 30% coinsurance (after deductible)
        - Deductible: $1,500 to $1,600
        - Maximum Out of Pocket: $7,700 to $7,800
    - Silver (Standard), Silver (Off Exchange), and Silver (CSR 73%)
        - Physical Therapy / Occupational Therapy / Speech Therapy: $60 copay (no deductible) to 40% coinsurance (after deductible)
    - Silver (CSR 87%)
        - Physical Therapy / Occupational Therapy / Speech Therapy: $40 copay (no deductible) to 30% coinsurance (after deductible)
        - Deductible: $700 to $800
    - Silver (CSR 94%)
        - Physical Therapy / Occupational Therapy / Speech Therapy: $20 copay (no deductible) to 20% coinsurance (after deductible)

- Bronze
    - Mental / Behavioral Health / SUD Office Visit: First 3 visits $0, then deductible, then $50 copay to $0 (no deductible)
    - Maximum Out of Pocket: $8,700 to $9,100

Additional Considerations

Other adjustments were considered for inclusion into the methodology to determine the Colorado Option Maximum Premium Rate Reduction targets, but are not recommended for inclusion. These include:

- Substantial changes in market morbidity – Should the market experience or is expected to experience a material change to morbidity of a particular market, an explicit adjustment to determine the premium rate targets may be necessary. However, the Division will continue to allow carriers to make these adjustments during the rate review process.
- Different Networks – It is our understanding that carriers may be able to use network changes in order to achieve rate reduction as long as it continues to meet network adequacy requirements and is no more narrow than the most restrictive network the carrier is offering in nonstandard plans. Therefore, we excluded adjustments for these differences in the recommended methodology.

New Carriers and Service Area Changes

Carriers new to the Colorado market or existing carriers entering a new county after 2021 will not have a 2021 Baseline plan premium in order to determine compliance of their Colorado Option plan premiums. Per HB21-1232, the Colorado Option plan premiums will be considered compliant if they are at or below the average target rate for that county and metal level as determined above. The average target rate is determined based on the membership-weighted enrollment by carrier, metal level, and county as of April 2021 for the 2023 benefit year. If the metal level and county do not have April 2021 enrollment, the average target rate is determined using a simple average of the rates available within that metal level and county.

A similar methodology is applied to calculate the average 2021 CSR Load and EHB Percent of Total Premium that are included in the new carrier target rate calculations. The components are a weighted average based on the April 2021 enrollment of the factors by carrier available in each metal level and county. If there is no April 2021 enrollment, the components are weighted using a simple average.

Exemption for Healthcare Coverage Cooperatives

Per HB21-1232, plans offered under agreement with the healthcare coverage cooperative are exempt from offering a Colorado Option Standardized Plan and from meeting the target rates and rate reductions if they offered plans prior to June 2021 at rates that were at least 15% below the premiums available in the year prior to the entrance of the healthcare coverage cooperative in to the market. These premium rates, after adjusting for medical inflation, need to be maintained each year after the entrance of the healthcare coverage cooperative into the market in order to maintain the exemption.

To determine whether the healthcare coverage cooperatives meet the exemption requirements, a similar methodology to the carrier premium rate target methodology is applied, with the following differences:

- The required rate reduction is 15.0% for the initial year that the health care coverage cooperative offered plans in the market and all subsequent years. Consequently, healthcare coverage cooperatives at or above the 15.0% reduction for the initial year and all subsequent years are considered to have met the exemption requirement, while those with a reduction less than 15.0% in any year would not meet the exemption requirements. Healthcare coverage cooperatives that do not meet the exemption requirements are required to offer the Colorado Option Standardized Plans with the premium rate reductions described above relative to their 2021 premiums or those required of new market entrants.
- The Unadjusted Baseline plan premium is equal to the lowest cost plan premium (without reinsurance, if applicable) by county and metal level in the year prior to the introduction of the healthcare coverage cooperative plan.
    - Changes in member cost sharing are made based on the Federal AV calculator. The Carrier AV of the applicable healthcare coverage cooperative plan is compared to the Baseline plan (rather than the Colorado Option plan AVs) between the "year prior" and the "year of" the introduction of the healthcare coverage cooperative plan. The "year prior" AV is based on the Baseline plan and the "year of" AV is based on the healthcare coverage cooperative plan.
- Trend is applied from the Baseline plan year to adjust the Baseline plan to the same year of the comparison healthcare coverage cooperative plan. The trend rate is based on 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. This was determined to be 2.72%, based on the above described methodology.

- No adjustment was made for changes in EHBs as these revisions were not implemented by 2021.

An initial determination of whether the healthcare coverage cooperative plan meets the exemption is done based on the Baseline plan prior to the entrance year of the healthcare coverage cooperative plan, adjusted by changes in member cost sharing and one year of trend, compared to the lowest healthcare coverage cooperative plan in the entrance year. For each additional year, the exemption is met if the lowest cost healthcare coverage cooperative plan is at least 15% lower than the initial healthcare coverage cooperative plan trended forward an additional year. All years must be met prior to the current benefit year for the healthcare coverage cooperative to be considered exempt in the benefit year.

The exemption is determined separately for each market (individual and/or small group), county, and metal level. For example, a healthcare coverage cooperative plan could meet the exemption requirements for the Bronze metal level but may not be exempt for the Silver or Gold metal levels.

Reliances

Wakely has utilized data provided by the State of Colorado as well as public data in the analyses described in this report. Wakely relied on the following public data sources to inform the assumptions used in the analyses:

- Uniform Rate Review Templates for 2020 from publicly available sources
- Uniform Rate Review Templates for 2021 plan filings provided by State of Colorado
- Plan and Benefits Template for 2021 plan filings provided by State of Colorado
- Rate Templates for 2019-2022 plan filings without reinsurance (if applicable) provided by State of Colorado
- 2020 carrier service area information provided by State of Colorado
- April 2021 enrollment by carrier, metal level, and county provided by State of Colorado
- 2023 Colorado Option plan designs and member cost sharing
- Carrier submitted data, including but not limited to,
    - Induced demand factors by plan used to develop 2021 premium rates
    - Pricing actuarial values of their baseline plans and the Colorado Option plans

Disclosures and Limitations

Responsible Actuaries. Julie Peper and Danielle Hilson are the actuaries responsible for this communication. They are Members of the American Academy of Actuaries. They are Fellows of the Society of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue this report. Michael Cohen also contributed significantly to this analysis and report.

Intended Users. This information has been prepared for the sole use of the management of the DORA and cannot be distributed to or relied on by any third party without the prior written permission of Wakely. This information is confidential and proprietary. Wakely does not intend to create a reliance to these outside parties and these materials may not be released to third parties without Wakely's prior written consent, and when consent is granted, the materials should be provided in their entirety. The parties receiving this report should retain their own actuarial experts in interpreting results.

Risks and Uncertainties. Please note that these results are preliminary and are subject to change as we gather input, and potentially refine the modeling methodology and assumptions. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. It is the responsibility of the DORA receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. Wakely provides actuarial services to a variety of clients throughout the health industry. Our clients include commercial, Medicare, and Medicaid health plans, the federal government and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving our various clients. Except as noted here, the responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In addition, Wakely is organizationally and financially independent from DORA.

Data and Reliance. We have relied on information and data provided by DORA and other public data sources in the analysis. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly.

Subsequent Events. These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this analysis. Furthermore, changes in state or Federal law were not included in the analysis. There are no other known relevant events subsequent to the date of information received that would impact the results of this report.

Contents of Actuarial Report. This document constitutes the entirety of actuarial report and supersedes any previous communications on the project.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of our knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

- ASOP No. 23, Data Quality
- ASOP No. 41, Actuarial Communication
- ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act
- ASOP No. 56, Modeling

Appendix A: Methodology Outline

Compliance is determined separately by:	Comments:
Carrier	Based on HIOS Company Code
County	Includes partial county plans
Metal Level	Expanded and non-expanded Bronze plans are considered together for the Bronze metal level
Market	Separately for Individual and Small Group
2021 Premiums and Adjustments:	**Comments:**
Baseline Plan Premium	For each group above, the comparison rate is based on the lowest age 21 premium in 2021, adjusted to the appropriate year
Reinsurance	Compliance is determined prior to impact of reinsurance
Tobacco Rates	Compliance is determined based on non-Tobacco rates only
Changes in Member Cost Sharing	Adjustment is made for the Actuarial Value of the Colorado Option plans in each metal level. This is determined based on the Carrier AV submitted in the Plan & Benefits template for the 2021 plan design and the Colorado Option in applicable benefit year as well as Carrier submitted AVs based on outputs from their pricing models for each plan design.
Induced Demand	An adjustment is made for changes in the induced demand factor applied in 2021 and the applicable Colorado Option plan design
CSR Loading – Individual Silver Plans Only	An adjustment is made for changes in the CSR load between 2021 and applicable benefit year
Benefit Changes – EHB	An adjustment is made to reflect the changes in the EHB-benchmark plan, which is in effect starting with the 2023 benefit year. This adjustment is based on the cost impact of the benefit changes in the actuarial analysis submitted to CMS for approval of these changes.
Benefit Changes – Non-EHB	Non-EHBs are allowed in Colorado Option if they are related to perinatal coverage and reproductive health. If there are differences in non-EHBs in the Baseline and Colorado Option plans, an adjustment is made based on the EHB Percent of Total Premium in the Plan & Benefits Templates for the corresponding year.

Trend	Per HB21-1232, trend is applied to the 2021 premium to the applicable Colorado Option benefit year based on 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 or successor index, based on the average change in the medical care index over the previous ten years. This is calculated based on the latest CPI-U published 30 days prior to the publication of a bulletin with maximum allowable premium rates by April 1, 2022 for the 2023 benefit year and by February 1 of each year thereafter. Carriers may use trend that they believe is actuarially sound in rate development, but the target rates are determined by the CPI-U index as described here.
Rate Reduction	Adjusted 2021 premium is reduced by 5% in 2023, 10% in 2024, and 15% in 2025 to determine the maximum allowable premium of the Colorado Option.
Other Considerations:	**Comments:**
Small Group – Quarterly Trend	For small group, the lowest plan premium is based on the premiums applicable for Q4 in 2021. Small group rates will continue to be reviewed quarterly, however, all quarterly rates for Colorado Option Standardized Plans, must be at or below the adjusted Q4 lowest premium in 2021.
Individual - Exchange	For plans offered both on and off-Exchange, compliance with target premium rate is determined based on the lowest premium in 2021 offered on-Exchange.
Small Group - Exchange	Compliance with the target premium rate is determined based on the lowest premium in 2021 offered off-Exchange, due to the limited availability of plans on-Exchange.
Health Alliance Plans (Healthcare Coverage Cooperatives)	Plans offered in partnership with health alliances (such as Peak Health Alliance and/or the Southwest Health Alliance) is excluded from consideration as the lowest cost plan in 2021 and therefore will not be eligible as the 2021 Baseline plan.

Market Changes	New carriers and existing carriers entering a new county are required to offer a Colorado Option Standardized Plan in that county that has a premium rate at or below the average 2021 adjusted premiums applicable for existing carriers in that county, metal level, and market.
Other Considerations	Consideration may be given on a case-by-case basis for other adjustments not considered above. These considerations are meant to reflect impacts to premiums that are not known or available at this time. These will either be updated through rulemaking or will be determined during the rate review process when carriers provide their initial premium rates. Examples of potential adjustments may include: 1. Regulatory or legislation changes 2. Methodology or data changes to the federal AV Calculator for benefit years after 2023

Appendix B: Sample Calculations

Example 1

- Market: Individual
- Metal Plan: Silver
- Target Rate Year: 2023

Line	Description	Notes	Source	Sample
A	2021 Baseline Premium, Unadjusted	Minimum age 21 non-tobacco rate for metal level and county	2021 Filed Rate Template, Without Reinsurance	$299.55
B	Actuarial Value of 2021 Baseline Plan		2021 PBT "Carrier Actuarial Value"	68.0%
C	Actuarial Value of 2023 Colorado Option Plan		CY2023 Federal Actuarial Value	70.8%
D	CY2023 AV Calculator Adjustment		Colorado Option Federal AV in CY2022 calculator / Federal AV in CY2023 calculator	0.971
E	Pricing AV Adjustment		Analysis Using Carrier Provided Data, Supplemental Data Request	1.027
F	Adjustment for Changes in Member Cost Sharing		Calculated: (C * D * E)/ B	1.038
G	Induced Demand – 2021 Baseline Plan		Carrier Provided, Supplemental Data Request	1.002
H	Induced Demand – 2021 Baseline Plan - Using Federal Induced Demand Formula	For plans offered after 2021, required formula per Colorado bulletin	Calculated: B^2 – B +1.24	1.022
I	Induced Demand Normalization Factor		Calculated	0.973
J	Adjustment for Federal Induced Demand Formula		Calculated: H * I / G	0.993
K	Induced Demand - Colorado Option Plan using Federal Induced Demand Formula		Calculated: C^2 – C +1.24	1.033

Line	Description	Notes	Source	Sample
L	Adjustment for Induced Demand - AV Difference		Calculated: K / H	1.011
M	CSR Load – 2021 Baseline Plan	Only applies to Silver On-Exchange plans	Supplemental Template	1.200
N	CSR Load – 2023 Colorado Option	Only applies to Silver On-Exchange plans	Supplemental Template	1.200
O	Adjustment for CSR Loading		Calculated: N / M	1.000
P	Adjustment for EHB Changes		EHB-Benchmark Plan Actuarial Report	1.002
Q	Non-EHB Benefits, 2021 Baseline Plan		2021 PBT "EHB Percent of Total Premium"	99.8%
R	Non-EHB Benefits, 2023 Colorado Option		2023 PBT "EHB Percent of Total Premium"	99.8%
S	Adjustment for non-EHB Benefit Changes		Calculated: Q / R	1.000
T	Medical Inflation Trend		10-year average CPI-U for Medical Care Services, Annualized	2.72%
U	Months of Trend Applied		Mid-Point of 2023 benefit year – Mid-Point of 2021 benefit year	24
V	Total Trend Adjustment		Calculated: (1 + T) ^ (U / 12)	1.055
W	Required Rate Reduction	5% in 2023, 10% in 2024, 15% in 2025	Calculated: 1 – 5%	0.950
X	**Final 2023 Maximum Colorado Option Premium**		**Calculated: A * F * J * L * O * P * S * V * W**	**$330.71**

The numbers in the example above have been rounded. However, no rounding will occur in the calculation of the final target rate.

Example 2

- Market: Individual
- Metal Plan: Bronze
- Target Rate Year: 2025

Line	Description	Notes	Source	Sample
A	2021 Baseline Premium, Unadjusted	Minimum age 21 non-tobacco rate for metal level and county	2021 Filed Rate Template, Without Reinsurance	$310.02
B	Actuarial Value of 2021 Baseline Plan		2021 PBT “Carrier Actuarial Value”	63.0%
C	Actuarial Value of 2023 Colorado Option Plan		CY2023 Federal Actuarial Value	64.5%
D	CY2023 AV Calculator Adjustment		Colorado Option Federal AV in CY2022 calculator / Federal AV in CY2023 calculator	1.002
E	Pricing AV Adjustment		Analysis Using Carrier Provided Data, Supplemental Data Request	0.997
F	Adjustment for Changes in Member Cost Sharing		Calculated: (C * D * E)/ B	1.023
G	Induced Demand – 2021 Baseline Plan		Carrier Provided, Supplemental Data Request	0.951
H	Induced Demand – 2021 Baseline Plan - Using Federal Induced Demand Formula	For plans offered after 2021, required formula per Colorado bulletin	Calculated: B^2 – B +1.24	1.007
I	Induced Demand Normalization Factor		Calculated	0.959
J	Adjustment for Federal Induced Demand Formula		Calculated: H * I / G	1.015
K	Induced Demand - Colorado Option Plan using Federal Induced Demand Formula		Calculated: C^2 – C +1.24	1.011
L	Adjustment for Induced Demand - AV Difference		Calculated: K / H	1.004

Line	Description	Notes	Source	Sample
M	CSR Load – 2021 Baseline Plan	Only applies to Silver On-Exchange plans	Supplemental Template	1.000
N	CSR Load – 2023 Colorado Option	Only applies to Silver On-Exchange plans	Supplemental Template	1.000
O	Adjustment for CSR Loading		Calculated: N / M	1.000
P	Adjustment for EHB Changes		EHB-Benchmark Plan Actuarial Report	1.002
Q	Non-EHB Benefits, 2021 Baseline Plan		2021 PBT "EHB Percent of Total Premium"	100.0%
R	Non-EHB Benefits, 2023 Colorado Option		2023 PBT "EHB Percent of Total Premium"	100.0%
S	Adjustment for non-EHB Benefit Changes		Calculated: Q / R	1.000
T	Medical Inflation Trend		10-year average CPI-U for Medical Care Services, Annualized	2.72%
U	Months of Trend Applied		Mid-Point of 2023 benefit year – Mid-Point of 2021 benefit year	48
V	Total Trend Adjustment		Calculated: (1 + T) ^ (U / 12)	1.113
W	Required Rate Reduction	5% in 2023, 10% in 2024, 15% in 2025	Calculated: 1 – 15%	0.850
X	**Final 2023 Maximum Colorado Option Premium**		**Calculated: A * F * J * L * O * P * S * V * W**	**$306.53**

The numbers in the example above have been rounded. However, no rounding will occur in the calculation of the final target rate.

Example 3

- Market: Small Group
- Metal Plan: Silver
- Target Rate Year: 2023

Line	Description	Notes	Source	Sample
A	2021 Baseline Premium, Unadjusted	Minimum age 21 non-tobacco rate for metal level and county	2021 Filed Rate Template, Without Reinsurance	$419.98
B	Actuarial Value of 2021 Baseline Plan		2021 PBT "Carrier Actuarial Value"	70.2%
C	Actuarial Value of 2023 Colorado Option Plan		CY2023 Federal Actuarial Value	70.8%
D	CY2023 AV Calculator Adjustment		Colorado Option Federal AV in CY2022 calculator / Federal AV in CY2023 calculator	0.971
E	Pricing AV Adjustment		Analysis Using Carrier Provided Data, Supplemental Data Request	1.021
F	Adjustment for Changes in Member Cost Sharing		Calculated: (C * D * E)/ B	1.000
G	Induced Demand – 2021 Baseline Plan		Carrier Provided, Supplemental Data Request	1.004
H	Induced Demand – 2021 Baseline Plan - Using Federal Induced Demand Formula	For plans offered after 2021, required formula per Colorado bulletin	Calculated: B^2 – B +1.24	1.031
I	Induced Demand Normalization Factor		Calculated	0.974
J	Adjustment for Federal Induced Demand Formula		Calculated: H * I / G	1.000
K	Induced Demand - Colorado Option Plan using Federal Induced Demand Formula		Calculated: C^2 – C +1.24	1.033
L	Adjustment for Induced Demand - AV Difference		Calculated: K / H	1.002
M	CSR Load – 2021 Baseline Plan	Only applies to Silver On-Exchange plans	Supplemental Template	N/A
N	CSR Load – 2023 Colorado Option	Only applies to Silver On-Exchange plans	Supplemental Template	N/A
O	Adjustment for CSR Loading		Calculated: N / M	1.000

Line	Description	Notes	Source	Sample
P	Adjustment for EHB Changes		EHB-Benchmark Plan Actuarial Report	1.002
Q	Non-EHB Benefits, 2021 Baseline Plan		2021 PBT "EHB Percent of Total Premium"	100.0%
R	Non-EHB Benefits, 2023 Colorado Option		2023 PBT "EHB Percent of Total Premium"	100.0%
S	Adjustment for non-EHB Benefit Changes		Calculated: Q / R	1.000
T	Medical Inflation Trend		10-year average CPI-U for Medical Care Services, Annualized	2.72%
U	Months of Trend Applied		Mid-Point of 2023 benefit year – Mid-Point of 2021 benefit year	24
V	Total Trend Adjustment		Calculated: (1 + T) ^ (U / 12)	1.055
W	Required Rate Reduction	5% in 2023, 10% in 2024, 15% in 2025	Calculated: 1 – 5%	0.950
X	**Final 2023 Maximum Colorado Option Premium**		**Calculated: A * F * J * L * O * P * S * V * W**	**$422.77**

The Colorado Option Standardized Plan premium rates filed in 2023 will need to be at or below the target calculated above in each quarter.

The numbers in the example above have been rounded. However, no rounding will occur in the calculation of the final target rate.

Example 4

- Market: Small Group
- Metal Plan: Gold
- Target Rate Year: 2025

Line	Description	Notes	Source	Sample
A	2021 Baseline Premium, Unadjusted	Minimum age 21 non-tobacco rate for metal level and county	2021 Filed Rate Template, Without Reinsurance	$373.95
B	Actuarial Value of 2021 Baseline Plan		2021 PBT "Carrier Actuarial Value"	76.0%
C	Actuarial Value of 2023 Colorado Option Plan		CY2023 Federal Actuarial Value	79.8%
D	CY2023 AV Calculator Adjustment		Colorado Option Federal AV in CY2022 calculator / Federal AV in CY2023 calculator	0.992
E	Pricing AV Adjustment		Analysis Using Carrier Provided Data, Supplemental Data Request	0.986
F	Adjustment for Changes in Member Cost Sharing		Calculated: (C * D * E)/ B	1.027
G	Induced Demand – 2021 Baseline Plan		Carrier Provided, Supplemental Data Request	1.043
H	Induced Demand – 2021 Baseline Plan - Using Federal Induced Demand Formula	For plans offered after 2021, required formula per Colorado bulletin	Calculated: B^2 – B +1.24	1.058
I	Induced Demand Normalization Factor		Calculated	1.003
J	Adjustment for Federal Induced Demand Formula		Calculated: H * I / G	1.017
K	Induced Demand - Colorado Option Plan using Federal Induced Demand Formula		Calculated: C^2 – C +1.24	1.079
L	Adjustment for Induced Demand - AV Difference		Calculated: K / H	1.020

Line	Description	Notes	Source	Sample
M	CSR Load – 2021 Baseline Plan	Only applies to Silver On-Exchange plans	Supplemental Template	1.000
N	CSR Load – 2023 Colorado Option	Only applies to Silver On-Exchange plans	Supplemental Template	1.000
O	Adjustment for CSR Loading		Calculated: N / M	1.000
P	Adjustment for EHB Changes		EHB-Benchmark Plan Actuarial Report	1.002
Q	Non-EHB Benefits, 2021 Baseline Plan		2021 PBT "EHB Percent of Total Premium"	99.6%
R	Non-EHB Benefits, 2023 Colorado Option		2023 PBT "EHB Percent of Total Premium"	99.6%
S	Adjustment for non-EHB Benefit Changes		Calculated: Q / R	1.000
T	Medical Inflation Trend		10-year average CPI-U for Medical Care Services, Annualized	2.72%
U	Months of Trend Applied		Mid-Point of 2023 benefit year – Mid-Point of 2021 benefit year	48
V	Total Trend Adjustment		Calculated: (1 + T) ^ (U / 12)	1.113
W	Required Rate Reduction	5% in 2023, 10% in 2024, 15% in 2025	Calculated: 1 – 15%	0.850
X	**Final 2023 Maximum Colorado Option Premium**		**Calculated: A * F * J * L * O * P * S * V * W**	**$377.87**

The Colorado Option Standardized Plan premium rates filed in 2023 will need to be at or below the target calculated above in each quarter.

The numbers in the example above have been rounded. However, no rounding will occur in the calculation of the final target rate.