



Reducing Premiums on Colorado's Standardized Plan

Colorado Division of Insurance

Michael Conway, Commissioner

January 13, 2022



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Opening Remarks and Introductions

- Introductions of Division staff
- Introductions from attendees

Agenda

- Review:
 - stakeholder feedback from 12/15/21 Meeting
 - proposed premium rate reduction methodology
 - healthcare coverage cooperative exemption
 - expected rate filing process
- Public Comments



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Stakeholder Feedback



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Key Comments

General support -

- There was appreciation of the work put into the methodology and transparency in the calculation examples provided as this methodology is a “key component to ensure that the standardized plan lowers cost and addresses critical racial health disparities”
- “This [methodology] is a strong basis for the premium reductions carriers will be required to meet and we support the Division’s efforts to refine and strengthen the methodology.”

Small Group Baseline Premium - Request to use Q2, Q3, or an average across quarters to determine the small group baseline premium instead of using the Q4 rate as the baseline premium

Threshold for “Other Adjustments” - Request to put in place a threshold or quantitative measure for including new adjustments

EHB Adjustment - There were differing comments on the EHB adjustment. One perspective states the current adjustment is too low; while the other perspective requests the Division to maintain the proposed adjustment factor

Key Comments (contd.)

Adjustment for new legislation - request to outline specific adjustments based on legislation passed in 2021/2022 that may impact premiums

Plan pricing AV adjustment - request to add a carrier specific adjustment to allow for differences in a carrier's pricing AV models

Pandemic Adjustment - request to allow for an adjustment when determining the 2021 Baseline premium to account for carrier's inability to increase 2021 rates due to caps on utilization and cost trends

Medical Inflation Adjustment - Request to allow for an adjustment outside of the legislative definition



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Proposed premium rate reduction methodology



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Premium Rate Reduction Requirements

- Carriers offering a Standardized Plan at the bronze, silver, and gold metal level must offer standardized plans with a premium that is reduced by a specified percent relative to their 2021 premiums, after adjustments for national medical inflation.
- The required Standardized Plan premium reductions are:
 - 5% reduction for 2023
 - 10% reduction for 2024
 - 15% reduction for 2025

For 2026 and beyond, a carrier must limit any annual premium rate increase to a rate that is no more than medical inflation, relative to the previous year

Our Proposed Methodology



2021 Baseline Plan Unadjusted Premium - Individual Market

The 2021 Baseline Plan Unadjusted Premium will be calculated on a county, metal level, and market basis for each carrier

It will be the 21-year old, non-tobacco rate, prior to reinsurance

2021 Baseline Plan Unadjusted Premium =

(minimum 2021 Calibrated Plan Adjusted Index Rate offered in the county for the metal level) x

(1.0 age factor) x

(2021 Geographic Rating Factor for the applicable county)



2021 Baseline Plan Unadjusted Premium - Small Group Market

The 2021 Baseline Plan Unadjusted Premium will be calculated on a county, metal level, and market basis for each carrier. It will be the 21-year old, non-tobacco rate, prior to reinsurance

If a carrier submitted quarterly rate filing(s) subsequent to the annual filing, the last filing submitted will be used to determine the Q4 rate for the Baseline plan.

2021 Baseline Plan Unadjusted Premium =

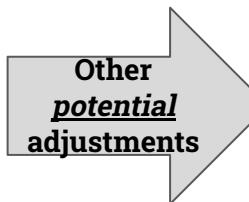
(minimum annual filing 2021 Calibrated Plan Adjusted Index Rate offered in the county for the metal level) x

$$((\text{fourth quarter rate of 2021 Baseline Plan}) / (\text{first quarter rate of 2021 Baseline Plan})) \times (1.0 \text{ age factor}) \times (2021 \text{ Geographic Rating Factor for the applicable county})$$

Proposed Plan Level Adjustments



1. Changes in AV
2. Induced demand
3. CSR loading (IND market Silver plans only)
4. EHB Changes
5. Non-EHB Changes
6. Medical inflation Trend



1. Material methodology or data changes to the federal AV calculator
2. New legislation
3. Other “unknowns”

1. Changes in Member Cost Sharing (AV) Adjustment

An adjustment factor will be applied to reflect changes in the member cost sharing from the 2021 Baseline Plan to the applicable Colorado Option plan design

The 2021 Baseline Plan AV will be determined by the value entered in the carrier's Plans & Benefit Template (PBT) for the 2021 Baseline Plan.

(CO Option Standardized Plan AV)

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(2021 Baseline Plan AV)



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2. Induced Demand Factor (IDF)

An adjustment will be made for changes in the induced demand factor applied between 2021 and the corresponding Colorado Option plan at each metal level

- Colorado Option Standardized Plan IDF =
$$1.24 - (AV) + (AV)^2$$
- The 2021 Baseline Plan IDF will be determined by the value supplied to the Division in a data call.

(CO Option Standardized Plan IDF)

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(2021 Baseline Plan IDF)



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3. Changes in CSR Loading

An adjustment factor will be applied to reflect changes in the loading applied to **Individual market Silver plans** for CSR payments.

The CSR load will be calculated for both the Colorado Option Standardized Plan and the 2021 Baseline Plan using the ratio of the on-Exchange silver plan and the off-Exchange Substantially Similar Plan

(CO Option Standardized Plan CSR Load)

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(2021 Baseline Plan CSR Load)



4. Changes in Benefits: EHBs

An adjustment factor of 1.0016 will be applied to reflect the changes in the EHB-benchmark plan, which will be 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

Adjustment factor = 0.16% or 1.0016



5. Changes in Benefits: Non-EHBs

If the Baseline Plan has non-EHBs not reflected in Standardized Plan, an adjustment will be made

If the 2021 Baseline Plan didn't include non-EHB benefits but the carrier chooses to offer allowable non-EHB benefits in the Standardized Plan, an adjustment would also be made

(“EHB Percent of Total Premium”
for the CO Option Standardized
Plan)

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(“EHB Percent of Total Premium”
for 2021 Baseline Plan)



6. Medical Inflation Trend

This adjustment will be calculated based on the latest CPI-U published prior to the publication of a bulletin by April 1, 2022 for the 2023 Benefit Year, and Feb 1 of each year thereafter

Months of Trend will be calculated as the difference between the midpoint of the CO Option Standardized Plan benefit year and the midpoint of the effective period of the 2021 Baseline plan

$$(1 + "10 Year Average CPI-U for Medical Services, Annualized")^{(Months of Trend/12)}$$


Other Adjustments

Other Adjustments may be determined by the Division if there are *material impacts* to rates based on new legislation or other considerations.

The Division will update its regulation on an add needed basis to account for new and justifiable adjustments as they are identified



Required Rate Reduction Factor

The Plan Year Required Rate Reduction Percentage will equal 5% for plan year 2023, 10% for plan year 2024 and 15% for plan years 2025 and on.

$(1 - \text{Plan Year Required Rate Reduction Percentage})$



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Maximum CO Option Standardized Plan Premium - Existing Carrier

Maximum Colorado Option Standardized Plan Premium =

(2021 Baseline Plan Unadjusted Premium) x

(Changes in Member Cost Sharing Adjustment) x ***(CSR Load Adjustment)**** x

(Induced Demand Factor Adjustment) x (Adjustment for EHB Changes) x

(Adjustment for non-EHB Changes) x (Medical Inflation Trend) x

(Required Rate Reduction Factor)

*Only for Individual Market Standard Silver Plans



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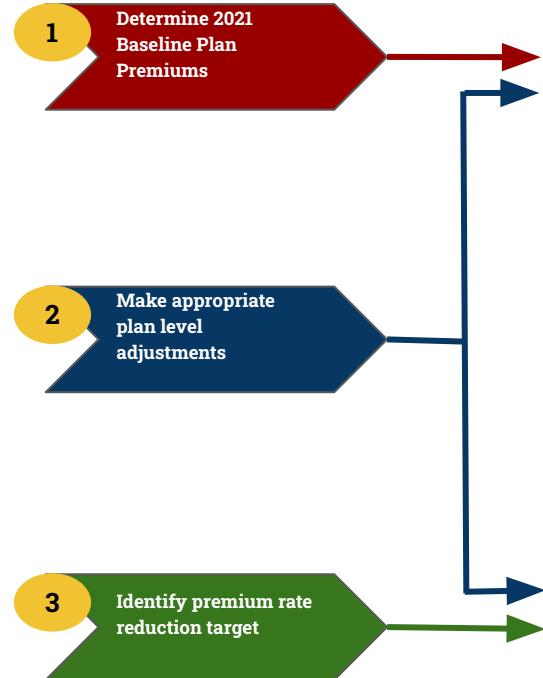
Maximum CO Option Standardized Plan Premium - New Entrant

If a carrier is offering the standardized plan in a county where the carrier did not sell plans in 2021, the Maximum Colorado Option Standardized Plan Premium will be:

- the weighted average, using enrollment as of April 2021, of the Maximum Colorado Option Standardized Plan Premium, across all carriers, that offered plans in the applicable county in 2021,
- regardless of whether plans are sold in the entire county or a partial part of the county.



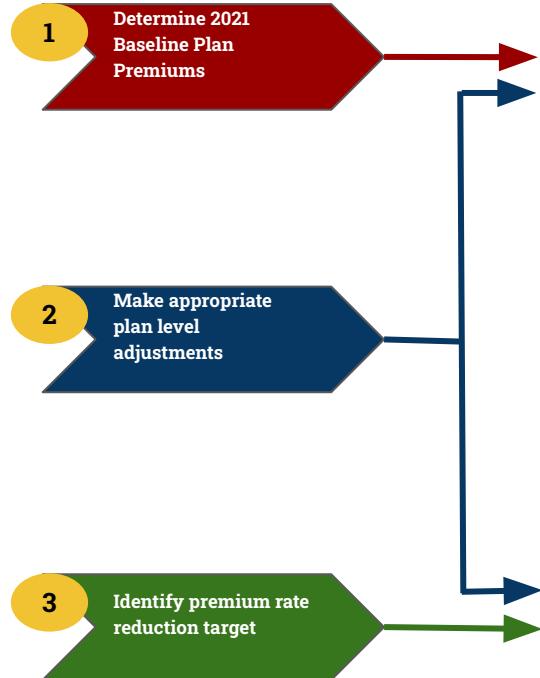
Example - Individual Market, 2023 Silver Standardized Plan



Line	Description	Source	Example
A	2021 Benchmark Plan Unadjusted Premium = (Calibrated Plan Adjusted Index Rate) x (1.0 Age Factor) x (Geographic Rating Factor)	URRT	\$299.55
B	Actuarial Value of 2021 Benchmark Plan	2021 PBT "Issuer Actuarial Value"	68.00%
C	Actuarial Value of 2023 Colorado Option Standard Silver Plan	Appendix A of 4-2-81	68.80%
D	Adjustment for Changes in Member Cost Sharing	Calculated: = (C) / (B)	1.012
E	CSR Load in 2021 Benchmark Plan	Calculated: = (2021 Benchmark Plan Calibrated Plan Adjusted Index Rate) / (2021 Benchmark Plan Substantially Similar Off-Exchange Plan Calibrated Plan Adjusted Index Rate)	1.200
F	CSR Load in 2023 Colorado Option Standard Silver Plan	Calculated: = (Colorado Option Standard Silver Plan Calibrated Plan Adjusted Index Rate) / (Colorado Option Standard Silver Off-Exchange Plan Calibrated Plan Adjusted Index Rate)	1.220
G	Adjustment for CSR Load	Calculated: = (F) / (E)	1.017
H	Induced Demand Factor for 2021 Benchmark Plan	Carrier Data Call	1.010
I	Induced Demand Factor for 2023 Colorado Option Standard Silver Plan	Calculated: = (688) / 688 + 1.24	1.025
J	Adjustment for Induced Demand	Calculated: = (I) / (H)	1.015
K	Adjustment for EHB Changes	EHB-Benchmark Plan Actuarial Report	1.0016
L	Non-EHB Benefits, 2021 Benchmark Plan	2021 PBT "EHB Percent of Total Premium"	99.80%
M	Non-EHB Benefits, 2023 Colorado Option Standard Silver Plan	2023 PBT "EHB Percent of Total Premium"	99.80%
N	Adjustment for non-EHB Changes	Calculated: = (M) / (L)	1.000
O	Medical Inflation Trend	10 year average CPI-U for Medical Care Services Annualized	3.00%
P	Month of Trends Applied	Calculated: = (Midpoint of 2023 Benefit Year) - (Midpoint of 2021 Benefit Year)	24
Q	Trend Adjustment	Calculated: = (1+O) ^ (P/12)	1.061
R	Required Rate Reduction	Calculated: 0.95	0.95
S	Maximum Colorado Option Standardized Silver Plan Premium	Calculated: (A) * (D) * (G) * (J) * (K) * (N) * (Q) * (R)	\$315.91



Example - Small Group, 2023 Gold Standardized Plan



Line	Description	Source	Example
A	2021 Benchmark Plan Unadjusted Premium = (minimum first quarter filing 2021 Calibrated Plan Adjusted Index Rate offered in the county for the metal level) x (fourth quarter rate of 2021 Benchmark Plan) / (first quarter rate of 2021 Benchmark Plan) x (1.0 age factor) x (2021 Geographic Rating Factor for the applicable county)	URRT	\$328.19
B	Actuarial Value of 2021 Benchmark Plan	2021 PBT "Issuer Actuarial Value"	77.50%
C	Actuarial Value of 2023 Colorado Option Standard Gold Plan	Appendix A of 4-2-81	79.20%
D	Adjustment for Changes in Member Cost Sharing	Calculated: $= (C) / (B)$	1.022
E	CSR Load in 2021 Benchmark Plan	Calculated: $= (2021 Benchmark Plan Calibrated Plan Adjusted Index Rate) / (2021 Benchmark Plan Substantially Similar Off-Exchange Plan Calibrated Plan Adjusted Index Rate)$	N/A
F	CSR Load in 2023 Colorado Option Standard Silver Plan	Calculated: $= (Colorado Option Standard Silver Plan Calibrated Plan Adjusted Index Rate) / (Colorado Option Standard Silver Off-Exchange Plan Calibrated Plan Adjusted Index Rate)$	N/A
G	Adjustment for CSR Load	Calculated: $= (F) / (E)$	N/A
H	Induced Demand Factor for 2021 Benchmark Plan	Carrier Data Call	1.090
I	Induced Demand Factor for 2023 Colorado Option Standard Gold Plan	Calculated: $= (.792)^t - .792 + 1.24$	1.075
J	Adjustment for Induced Demand	Calculated: $= (I) / (H)$	0.987
K	Adjustment for EHB Changes	EHB-Benchmark Plan Actuarial Report	1.0016
L	Non-EHB Benefits, 2021 Benchmark Plan	2021 PBT "EHB Percent of Total Premium"	100.00%
M	Non-EHB Benefits, 2023 Colorado Option Standard Gold Plan	2023 PBT "EHB Percent of Total Premium"	100.00%
N	Adjustment for non-EHB Changes	Calculated: $= (M) / (L)$	1.000
O	Medical Inflation Trend	10 year average CPI-U for Medical Care Services, Annualized	3.00%
P	Month of Trends Applied	Calculated: $= (\text{Midpoint of 2023 Benefit Year}) - (\text{Midpoint of the effective period of the 2021 Benchmark Plan})$	15
Q	Trend Adjustment	Calculated: $= (1+(O))^{(P)/12}$	1.038
R	Required Rate Reduction	Calculated: $= 0.950$	0.950
S	Maximum Colorado Option Standardized Gold Plan Premium	Calculated: $= (A) * (D) * (J) * (K) * (N) * (Q) * (R)$	\$326.97



Addressing stakeholder feedback

Stakeholder Comment	Division Recommendation
<i>Small Group Baseline Premium</i>	We expect to maintain the Q4 2021 rate as the baseline premium
<i>EHB Adjustment</i>	We expect to maintain the adjustment of 0.16%, which is based on the cost impact of the benefit changes in the actuarial analysis submitted to, and approved by, CMS
<i>Medical Inflation Adjustment</i>	We must follow the statutory definition of medical inflation, and will maintain the current calculation
<i>Plan specific pricing AV</i>	Given the unique nature of a carrier's pricing AV model, we expect to continue to use the federal AV calculator to adjust for member cost sharing
<i>Threshold for "Other Adjustments"</i>	We expect to review potential adjustments to ensure there is a material impact or actuarially justified reason requiring for an adjustment to be made. If an adjustment is identified, we expect to go through the rulemaking process to account for the change.
<i>New legislation adjustment</i>	We expect to review impacts to new legislation and follow the proposed "Other Adjustment" pathway to address any material impacts, if required
<i>Pandemic Adjustment</i>	We are working with our actuaries to explore further
<i>General support</i>	We will continue to provide transparency through the rulemaking process with the use of calculations and examples

A large, diverse crowd of people is gathered in front of the Colorado State Capitol building. The building is a neoclassical structure with a prominent central dome and multiple levels of columns. The sky is overcast, and the overall atmosphere is one of a public event or rally.

Healthcare Coverage Cooperative Exemption



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Healthcare Coverage Cooperative Exemption

Pursuant to § 10-16-1306(9)(a), C.R.S., a healthcare coverage cooperative, and a carrier offering health benefit plans under agreement with the healthcare coverage cooperative, are exempt from the requirements of C.R.S. §10-16-1305 if they have been able to previously reduce premiums and maintain those reductions in the market



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Proposed Exemption Requirements

A healthcare coverage cooperative will be considered exempt from the rate reduction requirements if they have:

- Relative to premiums offered by health benefit plans that were in existence prior to the entrance of the healthcare coverage cooperative into the market, ***offered premium rates at least 15% lower prior to June 16, 2021***, after adjusting for medical inflation and other actuarially justifiable factors as detailed in Section 5 of the draft regulation, and
- ***Maintained at least a 15% premium rate reduction since June 16, 2021***, after accounting for medical inflation and adjustments as defined in Section 5.



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Expected Rate Filing Process



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Major Milestones - 2023 Benefit Year



CO Option Premium Rate Reduction Notice



- The Division will provide carriers with:
 - 2023 rate target summary
 - 2023 “Colorado Option Standardized Plan Premium Rate Reduction” template
- Carriers will be expected to complete the template and submit to the Division no later than May 1, 2022
- **The Division will distribute the 2023 rate target summary via bulletin, and distribute the template no later than March 30, 2022**





Filing Format

- Carriers shall submit the “Colorado Option Standardized Plan Premium Rate Reduction” template in SERFF through an “Colorado Option Rate Reduction Notice” filing. This filing shall be submitted separately from any rate, form, annual certification, binder or network adequacy filing
- Carriers shall use “Informational” for the “Requested Filing Mode” in SERFF
- Carriers shall complete the SERFF Form Schedule tab to specify the forms to which this filing applies
- Carriers shall provide a filing description, including the plan year the filing will support



Public Comment



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Next Steps

1. **January 20, 2022** - External review period closes at 5pm for draft emergency regulation
2. **Early February 2022** - 2nd Draft of Emergency Regulation and comment period
3. **End of February 2022** - Emergency Regulation Adopted
4. **March 2022** - Start the permanent rulemaking process



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How to Engage:

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1332 Waiver Amendment Application:

- Our waiver application has been determined to be complete by the federal government
- The federal comment period is now open through 2/2/22
- Stakeholders may submit comments to stateinnovationwaivers@cms.hhs.gov



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