



Reducing Premiums on Colorado's Standardized Plan

Colorado Division of Insurance

Michael Conway, Commissioner

December 15, 2021



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Division of Insurance

Opening Remarks and Introductions

- Introductions of Division staff
- Introductions from attendees
- Commissioner Conway opening remarks



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Agenda

- Review
 - Statutory requirements
 - Stakeholder engagement process
 - Proposed premium rate reduction methodology
- Public Comments

A large, diverse crowd of people is gathered in front of the Colorado State Capitol building. The building is a large, white, 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.

Statutory requirements



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Requirement to offer the standardized plan

10-16-1304: Requires the standardized plan to be offered at bronze, silver, and gold coverage levels*

10-16-1305(1): Requires carriers in the individual and small group markets to offer the standardized plan in counties where they offer plans in these markets

*Requirements for offering the Standardized Plan at specific metal levels is also covered in the Division's new regulation, 4-2-81



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Premium Reduction Requirements: Carrier currently offering coverage in a county

Plan year: Individual & Small Group Market Premium Reduction Target	
2023	Premiums in a given county must be 5% lower than premiums offered in that county, by that carrier, during 2021, adjusted for national medical inflation (CPI-U Medical).
2024	Premiums in a given county must be 10% lower than premiums offered in that county, by that carrier, during 2021, adjusted for national medical inflation (CPI-U Medical).
2025	Premiums in a given county must be 15% lower than premiums offered in that county, by that carrier, during 2021, adjusted for national medical inflation (CPI-U Medical).
2026 and later years	Premiums in a given county are limited to the premiums offered by that carrier in that county in the previous year, plus national medical inflation (CPI-U Medical).

**All 2021 premiums used for calculations of premium rate targets are prior to the application of the Colorado Reinsurance program.*



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Premium Reduction Requirements: Carrier newly offering coverage in a county

10-16-1305(2): If a carrier is new to a county, the premium rate reduction will be calculated based on the average premium rate for an individual or small group plan in that county in the 2021 calendar year (adjusted for medical inflation and prior to the application of reinsurance)



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Federal Induced Demand Factors

10-16-1305(3): Premium reduction requirements must account for certain policy adjustments that protect affordability for low income individuals, such as the induced demand factors utilized in the federal risk adjustment program.



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Notification on Failure to Meet Reduction

10-16-1306: For 2023, if a carrier is unable to meet the premium rate reduction requirements, the carrier must notify the Division by May 1, 2022

For 2024 and any subsequent year, if a carrier is unable to meet the premium rate reduction requirements, the carrier must notify the Division by March 1 of the preceding year



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Questions?



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Stakeholder Engagement Process



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Stakeholder Engagement Process

Focus:

1. 2023 premium rate reduction requirements
2. Expectations for carriers on how to calculate and file the rate reductions with the Division for plan year 2023

Out of Scope (for now):

1. Process for carriers who fail the rate reductions for the 2024 plan (rate hearings)
2. Provider rate setting rules



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Stakeholder Engagement Process

Timing:

1. **December 15, 2021** - Stakeholder Meeting #1 + 5 business day comment period
2. **Early January 2022** - First Draft of Emergency Regulation and comment period
3. **January 13, 2022** - Stakeholder Meeting #2
4. **Late January/Early February 2022** - 2nd Draft of Emergency Regulation and comment period
5. **End of February 2022** - Emergency Regulation Adopted
6. **March 2022** - Start the permanent rulemaking process

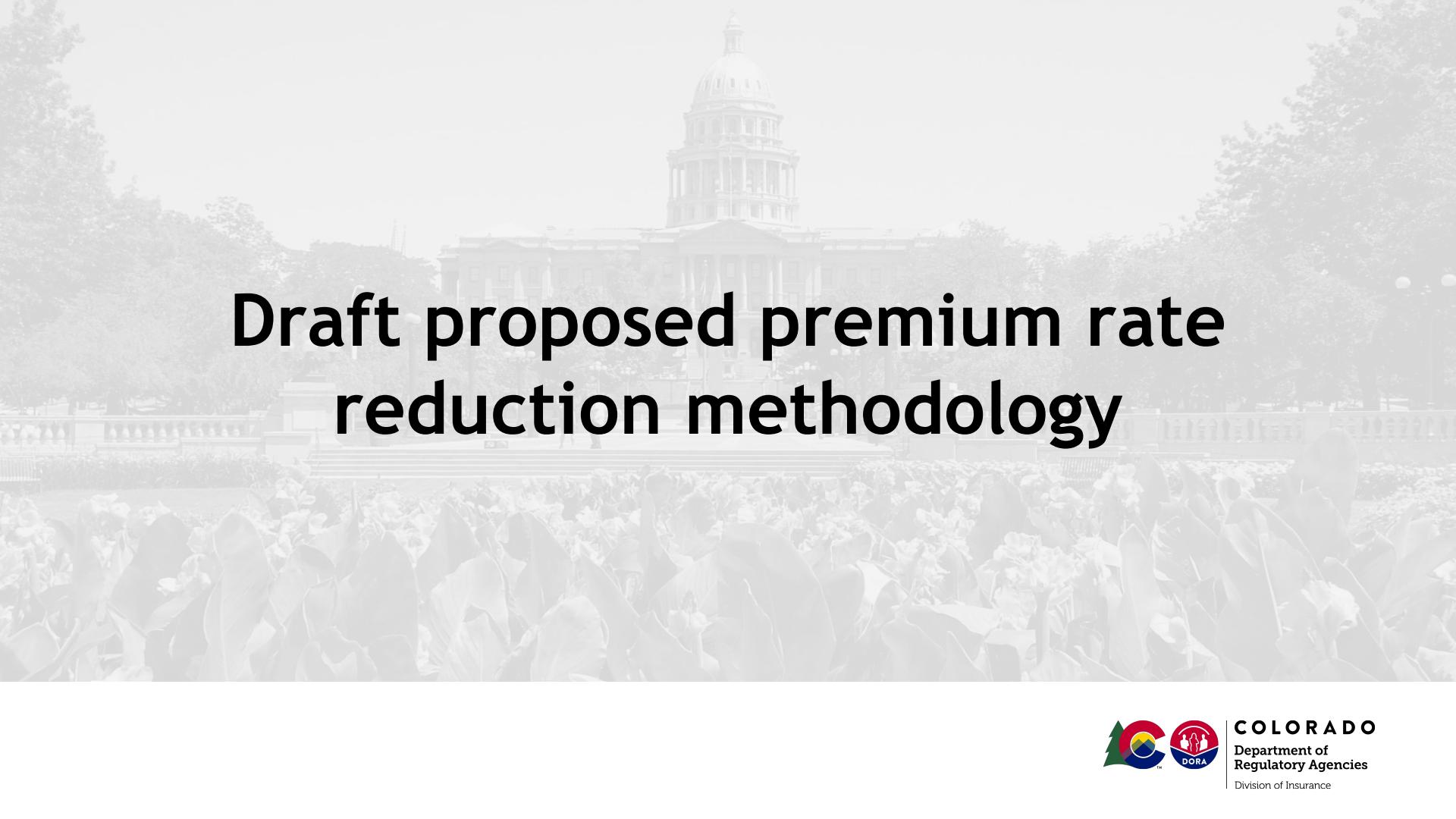




Questions?



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Draft proposed premium rate reduction methodology



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Our Design Priorities

Our priorities in drafting the proposed premium rate reduction methodology are:

1. **Simplicity**- create a methodology and process that is easy to understand and easy to implement
2. **Consistency** - create a methodology that can be applied consistently across carriers and plan years
3. **Flexibility** - allow for adjustments to be made to the benchmark premiums for pricing impacts that are largely outside of a carrier's control

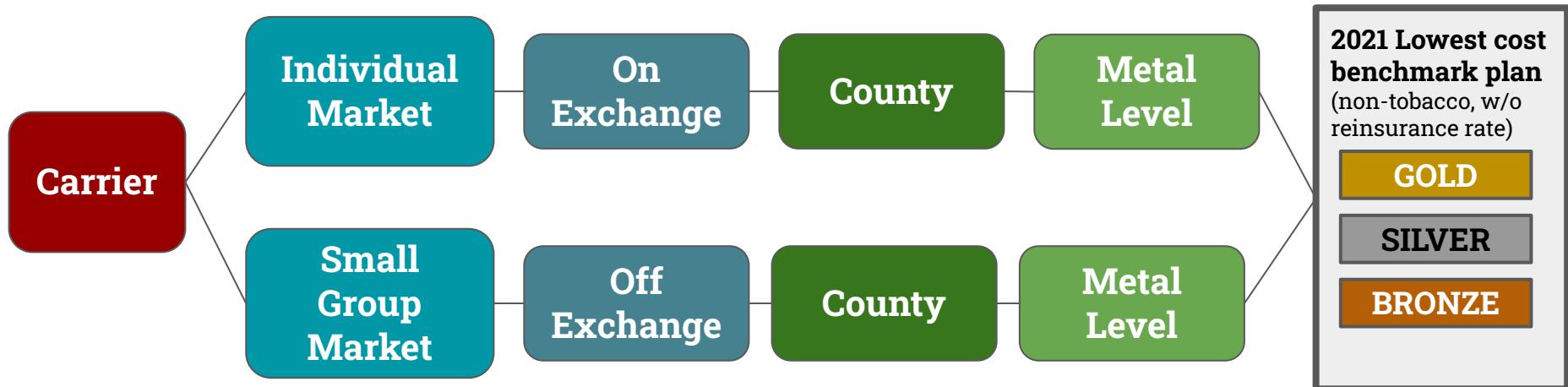


Our Proposed Methodology

- Determine 2021 Benchmark Plan Premiums
- Make appropriate plan level adjustments for the benefit year
- Identify premium rate reduction target

The lowest cost 2021 plan will be the benchmark plan

To identify the lowest premium, we will separate 2021 plans by:



Lowest Cost 2021 Plan: Considerations

Carrier

We plan to use NAIC CoCode to distinguish a "carrier"

Market

We plan to calculate rate reductions separately in the individual and small group markets. We will review SG rates quarterly

On /Off Exchange

IND: We expect to only consider the lowest cost plan On-Exchange

SG: We expect to only consider lowest cost plan Off-Exchange

County

Premiums targets are county specific. If the lowest cost plan was in a partial county in 2021, we would consider this plan to be the lowest cost plan for the entire county

Metal Level

We will look at the lowest cost plan, in the county, for each metal level. Even though the Standardized Plan is in the Expanded range, we *don't* expect to consider Bronze & Expanded Bronze as separate metal levels

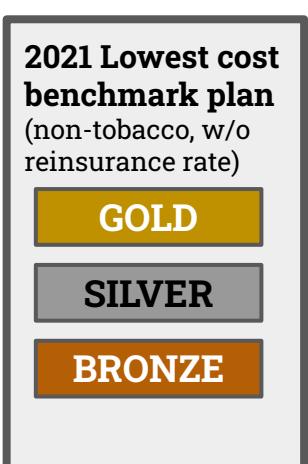
Lowest Cost Plan: Small Group Consideration

Small Group Market:
Timing and Quarterly Trend

- We expect to only set one premium rate reduction requirement for the full calendar year, **based on Q4 2021 rates**.
- Carriers will meet reduction requirements as long as their Standardized Plan is below the Q4 2021 rate in all quarters
- Quarterly rate filings (if applicable) will also be compared against this same target



Lowest Cost 2021 Plan: Adjustments



Adjusted For

- 1. Changes in AV
- 2. Induced demand*
- 3. CSR loading
(on-Exchange only)
- 4. Benefit Changes
- 5. Medical inflation
Trend

Other potential adjustments

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

*The Division sent out a data request on 12/10 requesting information on carriers Induced Demand Factors for 2021



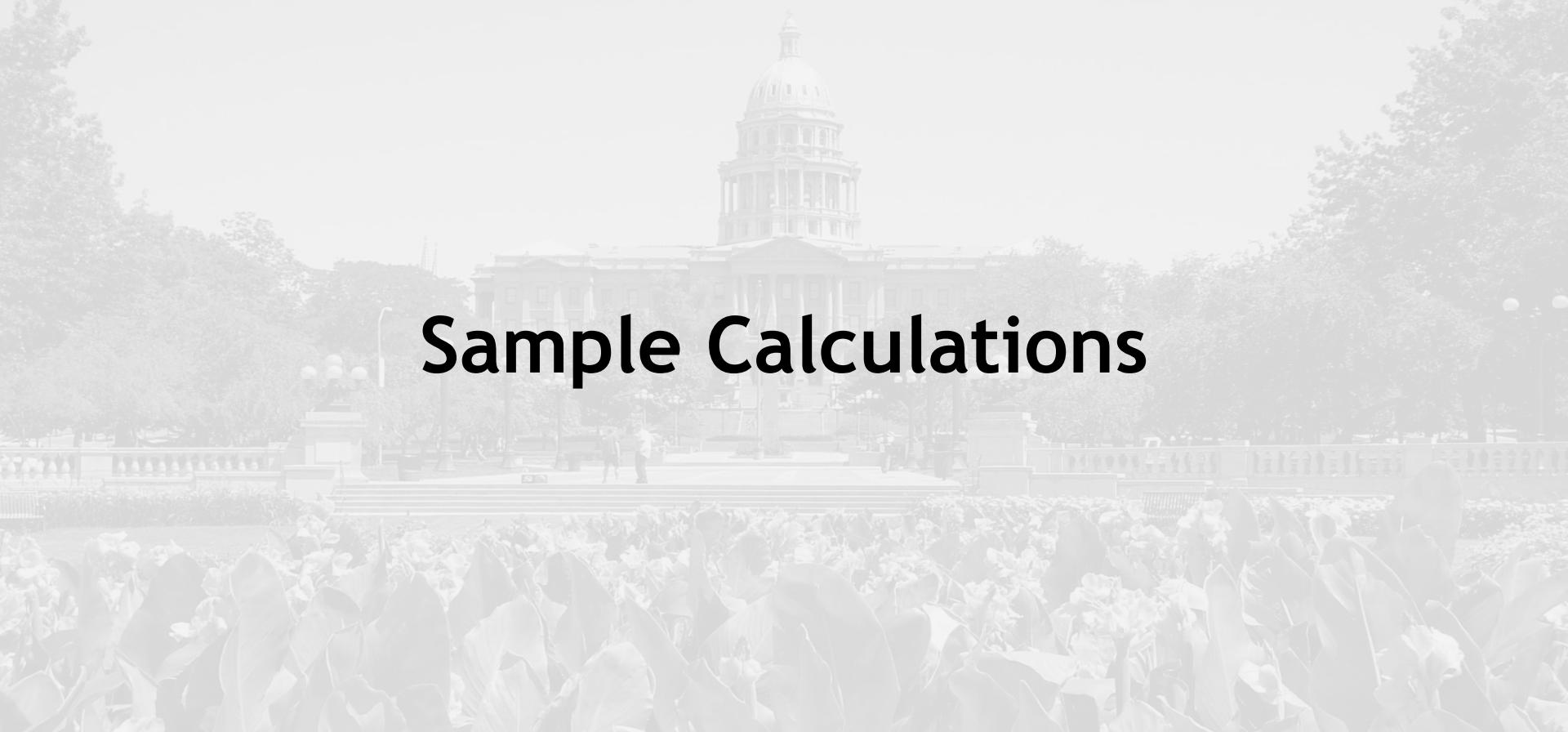
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New Carriers and Service Area Changes

- Carriers new to the Colorado market or existing issuers entering a new county after 2021 will not have a 2021 benchmark plan premium in order to determine compliance of their Standardized plan premiums.
- Per 10-16-1305(2), the Standardized plan premiums will be considered compliant if they are at or below the average target rate for that county and metal level as determined by the adjustments described.



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Sample Calculations



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Public Comment



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Next Steps

- **By December 22nd**, provide additional feedback on proposed methodology to the Division at dora_ins_co_option@state.co.us
- **By December 22nd**, carriers should respond to the Division's data request on 2021 Induced Demand Factors
- **By early January 2022**, the Division will update the proposed methodology and release a draft emergency regulation for external review
- **January 13, 2022**, we will hold a stakeholder meeting to discuss the draft emergency regulation



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How to Engage:

- [Website](#)
- Email:

dora_ins_co_option@state.co.us

Upcoming Meetings:

- January 13th from 12:00 PM - 1:30 PM: Proposed Premium Rate Reduction Methodology



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