

NOTICE OF NONCOMPLIANCE
Kaiser Foundation Health Plan of Colorado
Individual and Small Group Markets

1. Introduction

A. The number of Colorado Option Plans, across each metal level and by county, that are non-compliant with the premium rate reductions:

Individual Market: Kaiser Foundation Health Plan of Colorado (“KFHP of Colorado”) will not meet the premium reduction targets set forth in C.R.S. Section 10-16-1305(2)(b) for the 2026 benefit year. There are three KFHP Colorado Option plans in the individual market, one in each metal level (Gold, Silver, and Bronze), and the same three plans are available in each county within the state of Colorado. KFHP of Colorado will not meet the premium reduction targets for any plan.

Small Group Market: KFHP of Colorado will not meet the premium reduction targets for the 2026 benefit year. There are three KFHP Colorado Option plans in the small group market, one in each metal level (Gold, Silver, and Bronze), and the same three plans are available in each county within the state of Colorado. KFHP of Colorado will not meet the premium reduction targets for any plan.

B. Summary of the reasons the carrier failed to meet the premium rate reduction requirements on Colorado Option Plans:

KFHP of Colorado is a non-profit health plan within an integrated health care system. As a non-profit, KFHP of Colorado’s mission includes improving the health care of all Coloradans. KFHP of Colorado invested more than \$100 million in community health support, partnerships, programs, and charitable care and coverage to improve the health and equity of all Coloradans in 2021 alone.

KFHP of Colorado’s integrated care approach is unique. It allows us to put the patient at the center of the care model and enables us to provide high-quality, affordable care for our members by, among other things, decreasing unnecessary administrative costs and focusing on preventive care and population health. KFHP of Colorado has excelled at managing rising health care costs and continues to expend considerable effort exploring possible strategies and opportunities to streamline its care delivery system.

KFHP of Colorado will not meet the premium reduction targets set forth in C.R.S. Section 10-16-1305(2)(b) for the 2026 benefit year, because it cannot meet the premium targets **and** ensure compliance with state and federal law requirements for actuarial sound health plans. The premium reduction directives create an inherent conflict with KFHP of Colorado’s obligation to ensure that rates are not excessive, inadequate, or unfairly discriminatory.

First, the premium reduction targets cannot, and do not, take into account all factors that drive the total cost of providing health care. An objective analysis of KFHP of Colorado’s rates must take into account all factors that drive costs. As part of an integrated system, KFHP of Colorado is well

positioned to manage rising health care costs but it cannot control every factor. A myriad of factors drive the cost of health care that are outside of KFHP of Colorado's control, as described in the actuarial analysis, including:

- Rising Prescription Drug Costs: The impact of prescription drug costs is significant and represents a considerable portion of the costs driving premiums.
- Risk Adjustment Costs: It is difficult for carriers that are payers of risk adjustment to meet the premium reduction targets. Risk adjustment is based on the statewide average premium, and all plans are allocated the same risk adjustment multiplier, regardless of the premium of that specific plan.
Accordingly, risk adjustment will only decrease if the premiums of all plans in the market decrease, not just premiums for the Colorado Option plans. (*Actuarial Analysis (IND) p. 2; Actuarial Analysis (SG) p. 2*)
- Small Group Morbidity: KFHP of Colorado and the small group market as a whole have also experienced worsening morbidity over the past few years as the small group ACA market has declined in size. We are expecting continued deterioration of the small group ACA market in the 2026 benefit year. (*Actuarial Analysis (SG) p. 6*)

Second, the premium reduction targets conflict with the state's benefit requirements and are based on a 2021 benchmark that does not represent today's environment.

- Benefit Requirements: Under existing law, the Colorado Option plans have rich benefits, most noticeably in the Bronze plans. The starting point premiums used to develop the premium reduction targets were the lowest premium plan in each metal tier. However, the difference in actuarial value between the leanest and richest plans in a metal tier is not adequate to encompass the pricing differential. (*Actuarial Analysis (IND) p. 6; Actuarial Analysis (SG) p. 7*)
- Utilizing a 2021 Benchmark: The world has changed since the premium reduction targets were created. The targets are based on a 2021 benchmark and 2019 experience, before the COVID-19 pandemic and the unprecedented inflation and labor cost increases we see today.

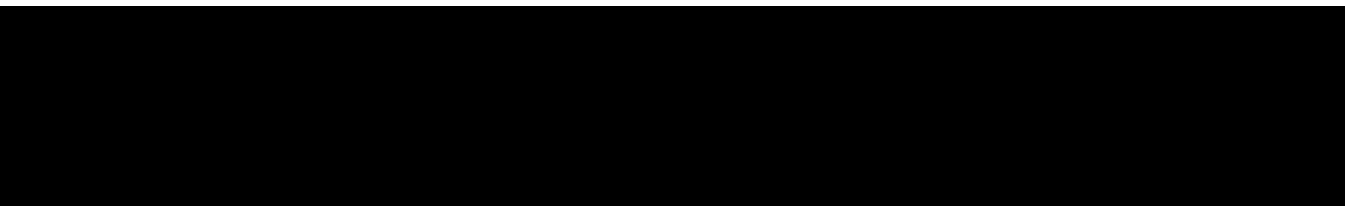
C. Outline of proposed steps that would allow the carrier to come into compliance with the requirements:

KFHP remains committed to efforts to achieve greater health care affordability, connect more Coloradans with improved access to high quality health care, and improve the individual and small

group markets in Colorado. However, we do not see a viable pathway to full compliance with the CO Option premium rate reduction requirements in 2026.

We have put considerable effort toward exploring strategies to lower costs and meet the premium reduction targets. In alignment with our model of care and patient-centered approach, we are continuing to make strides to introduce lower cost options and to determine ways to make accessing care more convenient for our members.

In 2024, to simplify the administration of the CO Option plans, reduce rates, and comply with requirements within regulation 4-2-91, KFHP introduced two new CO Option networks for members enrolled in the standardized benefit plans in the Individual and Small Group markets based around the existing HMO networks. By implementing rate reductions in 2024 and 2025 from hospital partners as required by the Division for plans offered on the CO Option networks, Individual premiums were reduced by 2.5% and Small Group premiums were reduced by 4.2%.



In sum, although we are not able to achieve the Division's affordability targets, we reiterate our commitment to providing high-quality, affordable health care in Colorado, and have made considerable efforts to lower costs and meet premium reduction requirements. We continue to work on strategies to lower health care costs for Coloradans.

2. Hospital/Health-Care Provider Details

Hospital/healthcare Provider Negotiated Rate Template submitted via SFTP.

3. Unredacted Colorado Option Standardized Plan Rate Sheets

Unredacted Colorado Option Standardized Plan Rate Sheets submitted via SFTP.

4. Nonbinding Arbitration Statement

KFHP of Colorado has not engaged in non-binding arbitration with any in-network hospitals or health-care providers for Colorado Option Standardized Plans as allowed under §10-16-1306(1)(b) C.R.S.

KFHP of Colorado consents to participate in the opportunity for negotiations and settlement afforded by Section 12 of Regulation 4-2-92.