Dec. 22, 2021

Commissioner Michael Conway
Colorado Division of Insurance
Consumer Services, Life and Health Section
1560 Broadway, Suite 850
Denver, Colorado 80202

Commissioner Conway:

On behalf of Colorado Hospital Association (CHA) and its 100-plus member hospitals and health systems statewide, I am writing to provide comment on the Division's Colorado Option Rate Target Methodology- DRAFT.

Age Bands:
Section 1334 of the Patient Protection and Affordable Care Act established a 3:1 age rating limit on health insurance premiums. As drafted, the current rate target methodology uses the current baseline that accounts for the age rating. Applying the multiplier to those numbers would result in higher variation on the age band. CHA recommends reformatting the baseline and readjusting for the age band at each level to ensure compliance with federal law. Calculations should be done at each age band for each stage.

Rationale for Selecting Lowest Price Plan:
CHA strongly supports lowering health care costs for Coloradans. However, the Association has significant concerns with the decision to base savings on the existing lowest cost plan. As noted on the Dec. 15 stakeholder call, health insurance plans across Colorado have significant variation in price. In situations where the lowest cost plan is available, there are favorable market factors or a significant decrease in benefit level that enable these plans to provide a low premium option. If the base were to be set based on the lowest cost plan, it could lead to a devastating situation where higher cost plans are statutorily required to cut an impossible level of costs, subsequently reducing choices available to Coloradans. CHA suggests basing this estimate on the average cost plan.

Actuarial Impact of Recent Benefit Additions:
As stated in its previous comment letters, CHA deeply believes that adding coverage for benefits improves access to care. The Association remains concerned that both the previous and current draft regulations do not account for the actuarial values of the recent requirements that substantially change the value of benefits offered in 2023 relative to the 2021 Essential Health Benefits (EHB) package. These changes will have a direct impact on what consumers must bear in out-of-pocket premium expense with additional downstream impacts on providers responsible for collecting cost sharing from patients when services are received.

As a reminder, Colorado recently received approval from the federal government to update its EHB package beginning in 2023. This will materially change the level of benefits offered in 2023 relative to the 2021 EHB package. Added benefits include acupuncture, gender affirming care, mental health wellness exams, and changes to drug coverage. The Division's actuaries estimated the total cost of these benefit changes at 0.16% of premium; however, other independent actuaries' analyses of the same benefits yielded remarkably different results—impacts of 0.28% to 1.45%—potentially a nine-fold difference in impact to premiums. Additionally, recent legislation (House Bill [HB] 20-1158) requires coverage of additional infertility and reproductive services. This was not included in the state's recent EHB package but will be required to be built into premiums in plan year 2023. Actuarial estimates of the cost of this benefit are 0.6% to 1.0% in annual premium increase.

Essential to the framework of HB 21-1232 is the concept that independent adjustments to the underlying value of the standardized benefit plan—such as new benefit mandates—would not undercut the potential for carriers and providers to successfully achieve the premium reduction targets specified in the legislation. As such, the bill requires the commissioner to account for "any actuarial differences between the standardized plan and the health benefit plans [carriers] offered in the 2021 calendar year." The law further requires that the Standardized Benefit Plan be "actuarially sound and allow a carrier to continue to meet the financial requirements of [state law]."

It remains deeply concerning to CHA that analyses, even using rigid actuarial industry standards, have yielded impact differences that could be as little as 0.88% or as great as 2.45%. It was stated on the Dec. 15 stakeholder call that Division of Insurance has no indication that their estimates are "better or worse than anybody else's"; however, these significant mathematical differences continue to remain unaccounted for. It is critical that there be additional levels of transparency to ensure appropriate and sound actuarial value targets for the Standardized Benefit Plan.

In general, CHA continues to encourage the Division to invest additional time into refining this draft methodology, analysis informing its requirements, and stakeholder engagement to ensure operational success.

Regards,

/S/ Megan Axelrod
Megan Axelrod
Manager of Regulatory Policy