



2015 Colorado Health Insurance Rates

SEPTEMBER 22, 2014

Marketplace Competition Makes For Modest Increases

The 2015 insurance rates released today by the Colorado Division of Insurance (DOI) provide the first year-to-year comparison of the cost of insurance under the Affordable Care Act.

The numbers also provide early evidence that the division's plan to combine insurance rating areas on the

Background

Every year, insurance carriers in Colorado submit to the state the policies they want to sell. If the state approves, it publishes the policies and rates in late summer. Those final rates are the subject of this paper.

Western Slope and Eastern Plains has had some effect in bringing down costs. Last year, the mountain resort communities had the highest premium prices in the country.

Some initial takeaways:

- **Slight increases:** The average statewide price for policies rose slightly, climbing 1.18 percent for a combination of all policies – both small group and

the individual market, and on and off the state's online marketplace, Connect for Health Colorado. However, plan prices vary widely, ranging from an increase of more than 50 percent to a decrease of nearly 38 percent.

- **Different trends in individual and small group markets:** Consumers in the individual market saw smaller average price increases if they bought through Connect for Health Colorado. However, small group prices increased more for policies in the online marketplace than policies purchased outside the marketplace.

- **Competitive prices online:** In most cases, consumers will not be able to find better prices if they shop off the online marketplace, based on a look at sample prices for a 40-year-old non-smoker.

- **Against the national trend:** Colorado stands out nationally for its modest price increases. While much of the national data is still early, two studies show Colorado appears to have lower increases.

Table 1. Weighted Average of Increase in Rates from 2014 to 2015, by Region. Includes Both On- and Off-Marketplace Plans.

Region	Individual	Small Group
Statewide	0.71%	2.54%
Boulder	0.42%	2.60%
Colorado Springs	-0.20%	1.33%
Denver	0.84%	2.77%
Fort Collins	5.26%	3.19%
Grand Junction	-3.55%	-0.36%
Greeley	4.57%	3.32%
Pueblo	-4.90%	0.25%
East	-5.01%	5.65%
West	-7.44%	1.12%

- **Stable market:** The state's private insurance market has not changed much. Twenty carriers will offer policies in 2015, compared with 18 in 2014. Colorado HealthOP is offering the lowest price in most cases.

- **Not as many new plans as it seems:** The number of plans offered by those 20 carriers rose to 1,072, from 791 in 2014, but that is mostly because of technical changes in how they file with the state. Last year, companies could vary prices within a single plan based on the provider network. This year, they must treat variances in the provider network as separate plans.

• Trends Across Regions and Markets

New this year, the DOI published a weighted average of changes in premium prices across Colorado's nine rating regions (See Table 1). The average is weighted by the number of customers each carrier has in Colorado. Average price changes varied by region, with the largest increases on the individual market in Fort Collins (5.26 percent) and Greeley (4.57 percent). Pueblo, the Eastern Plains and Western Slope saw the largest decreases.

These numbers, prepared by Wakely Consulting Group,

lend evidence to the idea that the online marketplace will create price competition among insurance companies, at least on the individual market. However, businesses in the small group market found better average price changes outside the online marketplace. (See Table 2.) The small business online marketplace has not grown as fast as the individual market. Of the 600 small group plans available in Colorado for 2015, only 120 are being sold through the online marketplace.

A word of caution: Even with the weighted averages supplied by DOI, an apples-to-apples comparison of changes from 2014 to 2015 should be viewed with caution. The design of insurance plans can change. The price might stay the same, but the provider network could shrink, offering consumers fewer choices for the same price.

• *Co-op Makes Its Presence Felt*

The Colorado HealthOP offers the lowest-price plan in every metal tier and every market in which it participates, with three exceptions, based on sample rates for a 40-year-old non-smoker. Rocky Mountain HMO came in below the Co-op's price for an individual silver plan in Rocky Mountain's home market, Grand Junction. And Kaiser offered slightly lower-cost gold plans in the small group markets in Fort Collins and Greeley. The cooperative launched in 2012 with the help of a \$70 million low-interest federal loan under the ACA. Colorado Health OP is still a new player, and the question is whether its pricing is sustainable after it repays the loan.

Table 2. Weighted Average of Increase in Rates from 2014 to 2015, On and Off Connect for Health Colorado Marketplace.

Market	Individual	Small Group
On Marketplace	0.20%	5.95%
Off Marketplace	2.40%	1.90%

• *Lower Prices, Lower Tax Credits?*

Some consumers in every region of the state will see their out-of-pocket costs for premiums rise because of an interesting effect of the tax credits through the ACA.

The ACA provides income-based tax credits to people making below 400 percent of the federal poverty level. The size of the credit is calibrated to the cost of the second-cheapest silver plan sold on the exchange for each insurance rating area. So when the cost of the second-cheapest silver plan drops, so do the tax credits for everyone in the area. Seven of Colorado's nine regions saw price drops in the second-lowest cost silver plan.

The design of the tax credits might catch some consumers by surprise. Take Pueblo, for example. In 2014, the Colorado Health OP offered the second-lowest cost plan, at \$337.94 a month for a 40-year-old non-smoker. In 2015, the co-op lowered its prices, and now the second-lowest cost silver plan for the same person will be \$281.26.

Table 3. Second-Lowest Cost Silver Plan* By Region, 2015, Monthly Premium for a 40-Year Old

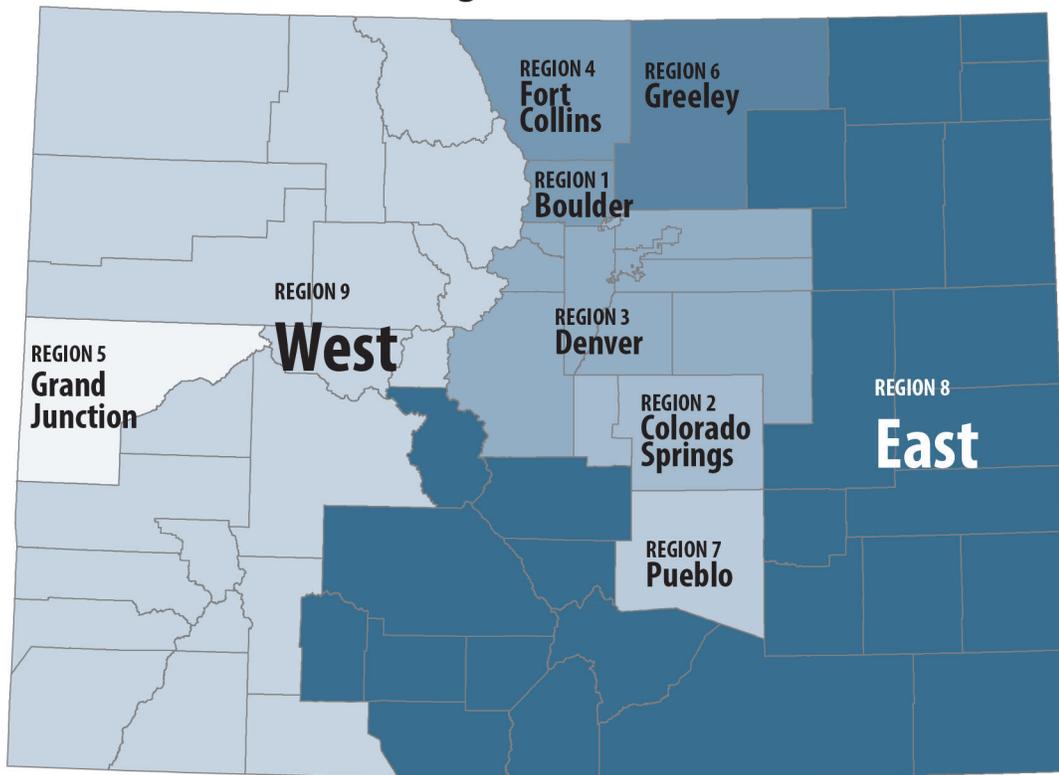
Region	Individual 2015	Individual 2014	Percent Change	Small Group 2015	Small Group 2014	Percent Change
Boulder	\$262.42	\$265.96	-0.01%	\$295.88	\$320.40	-7.7%
Colorado Springs	\$232.77	\$264.08	-11.9%	\$290.20	\$322.96	-10.1%
Denver	\$240.39	\$250.38	-4.0%	\$295.88	\$328.87	-10.3%
Fort Collins	\$264.26	\$299.68	-11.8%	\$295.88	\$361.67	-18.2%
Grand Junction	\$316.52	\$359.08	-11.9%	\$366.82	\$352.23	+4.1%
Greeley	\$264.26	\$289.69	-8.8%	\$295.88	\$349.43	-15.3%
Pueblo	\$281.26	\$337.94	-16.8%	\$346.18	\$354.28	-2.3%
East (Southeast)**	\$270.37	\$303.54	-10.9%	\$326.48	\$339.92	-4.0%
Northeast**	--	\$357.07	--	--	\$401.10	--
West**	\$358.06	\$403.06	-11.2%	\$414.15	\$381.46	+8.6%
Resort**	--	\$384.08	--	--	\$556.40	--

* The second-lowest cost silver plan is used to determine the federal subsidy for income-qualified customers.

** For 2015, the Southeast and Northeast regions have been combined into a new East region, and the West region has expanded to include the Resort region.

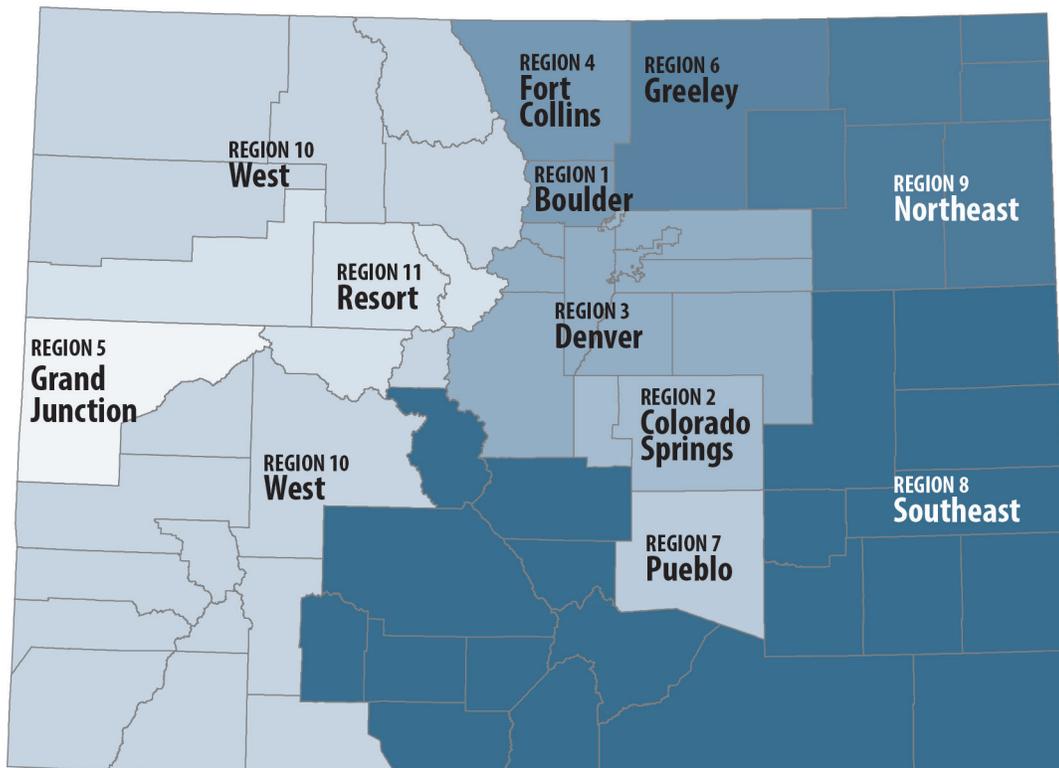
Source: Colorado Division of Insurance

2015: New Nine-Region Plan



- The Colorado Division of Insurance redesigned its rating areas for 2015, condensing 11 regions into nine. The change is intended to bring down costs in the counties of Summit, Eagle, Pitkin and Garfield, which had the country's highest insurance prices last year.
- Geographic ratings are one of the few factors insurance companies can use to vary their prices. The others are age, tobacco use and family size.

2014: Old 11-Region System



Mountain Town Prices Drop With New Regions

Following outcry from residents of the main ski resort counties – Summit, Eagle, Pitkin and Garfield – about high insurance costs, the DOI consolidated Colorado’s insurance rating regions, combining the resort counties with the rest of the Western Slope, minus Mesa County. (See Map 1.) The result? The average price on the individual market declined by 7.44 percent – the most significant drop of any region in the state. Because of the Colorado HealthOP, the lowest-cost option was dramatically cheaper in every metal tier.

Still, because of the reconfiguring of the region and the weighting of the averages, it is likely that some individual consumers will see smaller price drops or even price increases.

The DOI also consolidated the Eastern Plains from two regions to one. The result there has been a 5.01 percent decrease in individual market prices.

Prices on the small group market increased in both regions, although on the Western Slope, the small group increase was lower than the state average.

• *The National Context*

Coloradans appear to be enjoying modest insurance rate increases – or even rate cuts – while average national costs are going up. It’s still early to say for sure, but two national studies based on preliminary rate filings single out Colorado as one of the states with the largest price cuts.

PricewaterhouseCoopers looked at preliminary rate filings in 33 states and the District of Columbia – both on and off the exchanges – and found an average proposed rate increase of 7 percent. Oregon, Michigan, Maine and Colorado had the lowest increases. PwC found an average increase of 2.4 percent in Colorado, which differs from the number the DOI calculated because the PwC methodology was different, and PwC’s numbers were based on preliminary rate filings from June.

The Kaiser Family Foundation looked at plans sold on the ACA exchanges in 15 cities, including Denver, using preliminary rate filing numbers. It found the price of the second-lowest-cost silver plan (the benchmark for tax credits) dropped 0.8 percent. Denver had the largest drop of all 15 cities, at 15.6 percent. The large drop in Denver was entirely due to a new, cheaper plan undercutting the price of the formerly second-lowest cost silver plan.

Metal Tiers

The Affordable Care Act places insurance policies into four tiers, based on the amount of medical costs paid by the plan. Here’s what they mean:

Bronze: 60% of costs paid

Silver: 70% of costs paid

Gold: 80% of costs paid

Platinum: 90% of costs paid

Definitions

Individual Market: People who don’t get health insurance through their employer or the government and buy coverage directly from insurers.

Small Group Market: Employers with fewer than 50 workers.

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The Colorado Health Institute is a trusted source of independent and objective health information, data and analysis for the state’s health care leaders. The Colorado Health Institute is funded by the Caring for Colorado Foundation, Rose Community Foundation, The Colorado Trust and the Colorado Health Foundation.

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