

Rates on a Roller Coaster

A Look at Colorado's 2016 Individual and Small Group Insurance Premiums

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Insurance rates in Colorado's individual and small group markets will rise in 2016, in some cases steeply. The state's weighted average price increase will be seven percent next year compared with a 1.2 percent hike in 2015.

Western Slope residents, however, will see the most dramatic increases. Rates for people buying health insurance on the individual market will jump by 25.8 percent.

The rate increases, approved October 23 by the Colorado Division of Insurance (DOI), come after a year when many carriers cut their rates. The substantial 2016 increases make it clear that insurance rates are on a roller coaster as carriers struggle to adapt to market reforms brought about by the Affordable Care Act (ACA).

As the insurance carriers get more experience with covering the newly insured, including actual data on their use of health services, the rate changes will most likely stabilize.

The rates also arrive in the wake of the October 16 announcement that the Colorado Health OP would be forced to shut down. That leaves 82,785 members —

Table 1. Weighted Average of Increase in Rates from 2015 to 2016, by Market, Type of Plan and Plans Sold On or Off the Exchange, Connect for Health Colorado.

	Individual	Small Group
Statewide	9.8%	3.2%
On Exchange	12.1%	2.4%
Off Exchange	7.8%	3.2%
All Platinum Plans	24.9%	-4.6%
All Gold Plans	5.4%	1.4%
All Silver Plans	10.4%	5.1%
All Bronze Plans	11.0%	1.7%
All Catastrophic	5.5%	NA

Source: Colorado Division of Insurance

79,877 with individual policies and 2,908 with small group policies — needing to shop for new insurance policies.

Because the Health OP had the lowest prices in most markets, it may be hard for their enrollees to find plans that match their current rates. (See sidebar on Page 4.)

7%
Average increase in Colorado individual and small group premiums

Background

Every year, insurance carriers in Colorado submit to the state the policies they want to sell. If the state approves, it publishes the rates in the fall. The state compiles a weighted average for each region and the state based on each carrier's market share.

Who's Covered by These Rates?

Roughly 15 percent of Coloradans are enrolled in health insurance covered by the DOI's rate-setting authority.

But the vast majority of insured Coloradans are not affected. Those

include the approximately 1.8 million Coloradans covered by a public insurance program like Medicaid or Medicare. They also include the nearly 2 million people covered through a large employer.

Some initial takeaways:

- **The individual market is driving the increase.** The people who buy their insurance directly from a broker, an insurance company, or through Connect for Health Colorado, the state-based marketplace, will see an average price hike of 9.8 percent. About 334,000 Coloradans were in this market in 2014, according to the DOI. This market dealt with the biggest regulatory changes from the ACA, so it's no surprise that its costs are going up.

- **The small group market is seeing smaller hikes.** The average price increase is just 3.2 percent in the small group market, which encompasses workers in businesses with fewer than 50 employees. About 214,000 Coloradans were in this market in 2014, according to the DOI.

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 an employer or the government and buy coverage directly from insurers.

Small Group Market: Employers with fewer than 50 workers.

- **Prices are heading higher nationally, too.** Colorado's increases mirror a nationwide trend toward higher prices in the third year of ACA implementation. The increases are reigniting a conversation about whether insurance is becoming more affordable, a primary ACA goal.

- **Location matters when it comes to health insurance.** Price hikes will be uneven across the state's nine ratings regions. Boulder County will have the smallest increase — 5.8 percent in the individual market. Residents living in a large swath of western Colorado will see by far the largest average increase in the individual market at 25.8 percent.

- **There's still competition, even with Colorado Health OP's departure.** Colorado enjoys more competition than many other states. Twenty companies are selling individual or small group plans, the same number as 2015. Those companies are offering a total of 1,073 plans, just one less than in 2015.

- **Premiums are only part of the price of insurance.** Consumers tend to shop based on the premium price,

Rates Rise Across U.S.

Colorado's price increases fit with the national trend of rising prices, but not every state is in the same boat.

A Kaiser Family Foundation study of prices for the second-lowest cost silver plan in 13 cities found an average increase of 4.4 percent. Prices ranged widely, though, from a 28.7 percent increase in Minneapolis to a 10.4 decrease in Seattle.¹

Insurance commissions in other states have approved a similar wide range in 2016 rates. The average increase in Michigan is 6.5 percent. Nevada is seeing an 8.7 percent increase for plans sold on the marketplace. Florida's average increase is 9.5 percent.

In Oregon, rate increases range from a low of 8.3 percent to a high of 37.8 percent. Tennessee has an even wider range — between 0.4 percent and 36.3 percent, depending on the carrier.

The large range of increases, and even a few price cuts, indicate how carriers are trying to find a balance between luring new customers with low rates and staying solvent while covering a population that had higher health needs than anticipated.

¹ Kaiser Family Foundation. (2015.) Analysis of 2016 Premium Changes in the Affordable Care Act's Health Insurance Marketplaces. (Retrieved October 15, 2015 from <http://kff.org/health-reform/fact-sheet/analysis-of-2016-premium-changes-in-the-affordable-care-acts-health-insurance-marketplaces/>)

but policies with the cheapest premiums usually have higher co-pays and deductibles. All must be considered when shopping for insurance.

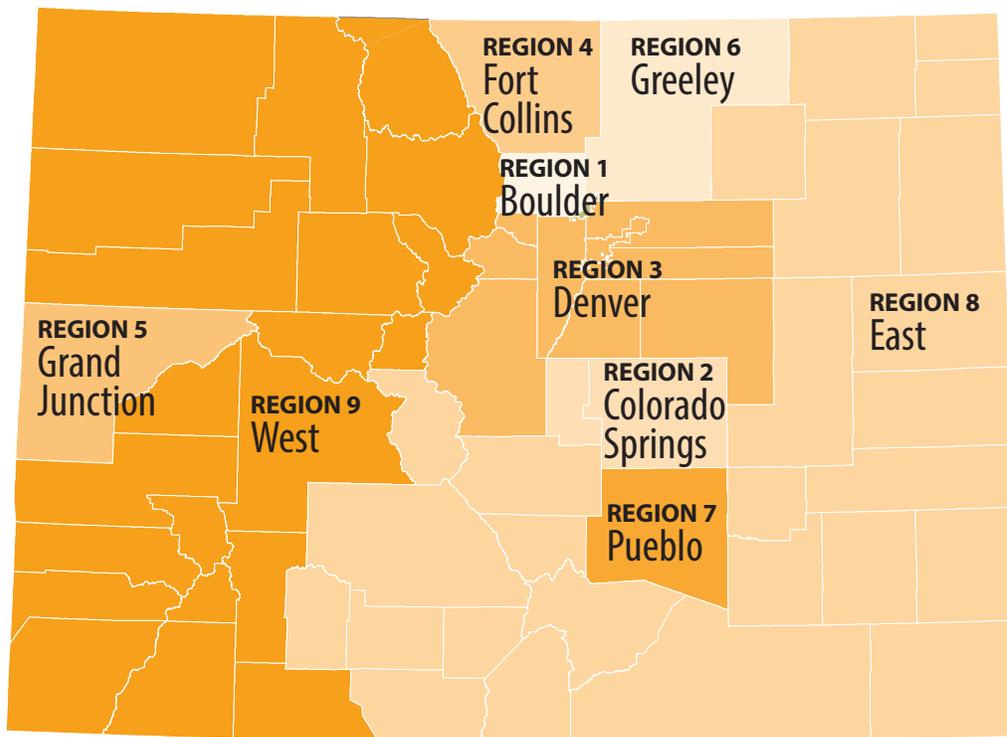
Open enrollment for 2016 begins November 1 and ends January 31, 2016.

Individual Market Up, Small Group Steady

A few types of plans in particular are showing substantial increases, driving up the average prices across the state.

- Prices on Connect for Health Colorado, the state's

Map 1. Colorado Division of Insurance Rating Regions



insurance exchange, are up 12.1 percent, compared with 7.8 percent for policies sold off the exchange.

- Bronze-level plans are increasing by 11 percent. About 41.5 percent of Connect for Health Colorado enrollments were for bronze plans, which had the lowest premiums except for catastrophic plans.
- Silver-level plans, the most popular on the marketplace, are rising by 10.4 percent. About 45.1 percent of Connect for Health Colorado enrollees chose these plans.
- Platinum-level plans will shoot up by an average of 24.9 percent. These plans, with the most expensive premiums, accounted for less than one percent of Connect for Health Colorado enrollments. These plans also attract people with higher health needs, so their prices tend to be unstable year-to-year.

The small group market will see much smaller price increases. For example, the average cost of a bronze-level plan is increasing just 1.7 percent on the small group market.

Overall, rates are rising more for plans purchased through Connect for Health Colorado than for plans purchased

Table 2. Weighted Average of Increase in Rates from 2015 to 2016, by Region. Includes Both On- and Off-Marketplace Plans.

Region	Individual	Small Group
Statewide	9.8%	3.2%
Boulder	5.8%	2.5%
Colorado Springs	10.0%	5.8%
Denver	6.2%	3.1%
Fort Collins	10.0%	4.6%
Grand Junction	9.4%	3.8%
Greeley	9.1%	2.8%
Pueblo	6.2%	2.1%
Eastern Plains	9.0%	3.7%
Western Slope	25.8%	-0.8%

Source: Colorado Division of Insurance

directly from brokers or insurance companies.

This price differential adds another challenge as the marketplace heads into the next open enrollment period seeking to increase its enrollment from the current level of about 152,000 enrollees in order to be financially sustainable.

Defunct Carrier Was Consumers' Top Choice, Kept Prices Low in 2015

The Colorado Health OP was by far the most popular choice for people who bought policies through the state-based insurance marketplace. It sold 82,785 policies, including nearly 40 percent of the plans sold through Connect for Health Colorado.

The Health OP proved that Colorado's insurance shoppers were motivated by low prices after making a splash in late 2014 by undercutting the prices of most carriers in the state.

The ACA included seed money to start state-based health insurance cooperatives with the aim of increasing competition and holding down prices. The Health OP had planned to raise prices significantly in 2016.

Colorado's Division of Insurance (DOI) announced on Friday, October 16, that it was decertifying the Health OP, meaning that consumers could no longer buy new plans or renew existing ones.

A growing number of co-ops are going out of business after the federal government said it would pay only 12.6 percent of claims through a "risk corridor" program. The Health OP had been expecting \$16.2 million this year, but instead was to receive about \$2 million.

Insurance Commissioner Marguerite Salazar said the Health OP's "rainy day" fund would be in the negative by \$34 million by year's end.

The loss of the Health OP will not cause prices to rise across the market this year, because carriers can raise their prices only once a year, and that deadline has passed. The closure's long-term effect on Colorado's insurance market remains to be seen.

Carriers and the Affordable Care Act

Insurance carriers in Colorado and across the country are continuing to adjust to the ACA's reforms. Among other mandates, insurance companies can no longer deny coverage or increase prices based on a person's medical history.

The 2016 rate increases are best explained as one step in a multi-year adjustment to the new market. Several carriers, most notably the Colorado Health OP, slashed their rates in 2015 in a bid to win market share.

However, some companies underestimated the expense of covering their new customers, which is leading to sizable rate increases. Before it went out of business, the Health OP had requested an average rate increase of 21.6 percent for 2016. This is a sign that the intense price competition of 2015 cannot be sustained over the long term.

Kaiser is the state's new low-price carrier for gold, silver and bronze plans on the individual market and in every geographic market except Grand Junction, where it does not offer plans.

Kaiser also has most of the cheapest plans on the small group market, although carriers like Humana Health Plan and United Healthcare of Colorado have undercut Kaiser in a few regions.

Carriers that are increasing their rates say their new customers cost more to cover than they anticipated.

Table 3. Weighted Average of Requested Rate Changes By Carriers and Final Rate Changes Approved by DOI, 2016.

Company	Requested	Approved
All Savers Insurance Company	new	new
Cigna	new plans	new plans
Colorado Choice	9.4%	9.4%
Denver Health	12.7%	12.7%
Freedom Life	6.5%	-7.5%
Golden Rule	new	new
HMO Colorado	8.2%	8.2%
Humana Health Plan	14.9%	14.9%
Kaiser	2.0%	4.0%
National Foundation Life	6.5%	-6.0%
Rocky Mountain HMO	34.4%	30.1%
Anthem	7.4%	7.4%
United Healthcare	new	new
United Healthcare Life	-2.3%	-2.3%

Source: Colorado Division of Insurance

But the Colorado Consumer Health Initiative formally challenged the rate increase requests by three carriers — Rocky Mountain Health Plans, Humana and the Colorado Health OP — and pointed out that the next round of enrollees is expected to be healthier. DOI adjusted the rates for Rocky Mountain and other carriers. (See Table 3.)

Increases Vary Around the State

Colorado carriers are allowed to vary their prices across nine insurance rating regions. All of them will see moderate to high increases for individual market policies, although one region stands out.

Boulder will see the smallest increase on the individual market at 5.8 percent, followed by Denver and Pueblo at 6.2 percent. Colorado Springs and Fort Collins will see 10 percent increases.

The Western Slope, however, will see an average individual market increase of 25.8 percent. This follows an attempt by the DOI in 2015 to address mountain resort town rates that were among the nation's highest.

The DOI combined two regions with the intention of bringing prices down in the resort communities. The very steep increases for 2016 premiums mean that strategy is not yet achieving its aim.

Tax Subsidies to Increase

The sting of higher rates will be mitigated for some lower-income consumers who buy coverage through Connect for Health Colorado, because their subsidies will increase.

The ACA calibrates its subsidies based on the second-lowest cost silver plan. In 2015, the Colorado Health OP's low rates reduced the size of the subsidy. Next year, with the Health OP gone and most other carriers increasing their rates, bigger subsidies will be triggered.

The exact size of the subsidy varies by region and by person. Those with annual incomes above 400 percent of the federal poverty level are not eligible. (See Table 4.)

Options for Consumers and Policymakers

Rising rates will cause financial pain for consumers and frustration for policymakers. Each has only a limited set of options.

- **Consumers:** Insurance regulators encourage people to

Table 4. Second-Lowest Cost Silver Carrier On the Individual Market, By Region, 2015, Monthly Premium for a 40-Year Old

Region	Individual 2016	Individual 2015	Percentage Increase
Boulder	\$296.47	\$262.42	13.0%
Colorado Springs	\$259.42	\$232.77	11.5%
Denver	\$278.05	\$240.39	15.7%
Fort Collins	\$338.06	\$264.26	27.9%
Grand Junction	\$373.12	\$316.52	17.9%
Greeley	\$343.76	\$264.26	30.1%
Pueblo	\$326.10	\$281.26	15.9%
East	\$295.25	\$270.37	9.2%
West	\$445.77	\$358.06	24.5%

*The second-lowest cost silver plan is used to determine the federal subsidy for income-qualified customers. Actual tax credits might be lower than reflected in this table because the lowest-cost carrier might have multiple plans.

Source: Colorado Division of Insurance

shop around for the best deal. However, this may mean switching plans and provider networks. Colorado has 20 carriers offering insurance plans in 2016. But people in some regions of the state don't have nearly as many choices. Just eight carriers offer individual plans in the Grand Junction region, for example.

- **Policymakers:** Finding more ways to get young, healthy people into the insurance market will diversify the risk pool and help to push premiums lower. The 19-29 age group still has a higher uninsured rate, 12.9 percent, than most other age groups, according to the Colorado Health Access Survey. The ACA's increasing tax penalties for not having health insurance are expected to prod more people to get covered. In the end, though, medical costs drive the increase in the cost of coverage, and until policymakers find ways to bring down the cost of medical care, insurance prices will remain high.

Conclusion

Many Colorado insurance customers are feeling whiplash from the large rate increases for 2016, which come on the heels of sizable cuts in 2015.

This volatility is a sign that carriers are still figuring out how to adjust to insurance market reforms ushered in by the ACA.

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