

Politics and Health Care Prices Push Up Premiums

2018 INSURANCE RATES ANALYSIS

APRIL 2018

For at least five years, residents of rural Colorado have suffered the most from large price increases for health insurance on the individual market. In 2018, it became a statewide problem.

Prices jumped an average of 32.2 percent for coverage in 2018, according to the Colorado Division of Insurance (DOI), which regulates the market.

The small group market also saw higher increases than it has in recent years. But the 5.3 percent average increase was still much less dramatic than the individual market's increase.

The jump comes on the heels of two previous years of steep price increases. Individual market prices have risen nearly 80 percent since 2014, when the Affordable Care Act (ACA) first made it possible to track price data (see Figure 1).

Insurance companies and experts cite three trends to explain the increases:

- **A chaotic individual market.** Customers tend to come and go quickly in the individual market, sometimes dropping coverage after they receive treatment for expensive health conditions.
- **The price of health care.** The continued high price for medical care — especially specialty prescription drugs — is costly for insurance companies and their customers.
- **Political uncertainty.** Attempts by President Donald Trump and Congress to repeal the ACA made insurance companies fear a collapse of the individual market.

Figure 1. Index of Insurance Prices Since 2014

2014 = 100. This index, similar to a stock market index, shows individual market prices have increased 76 percent since 2014.

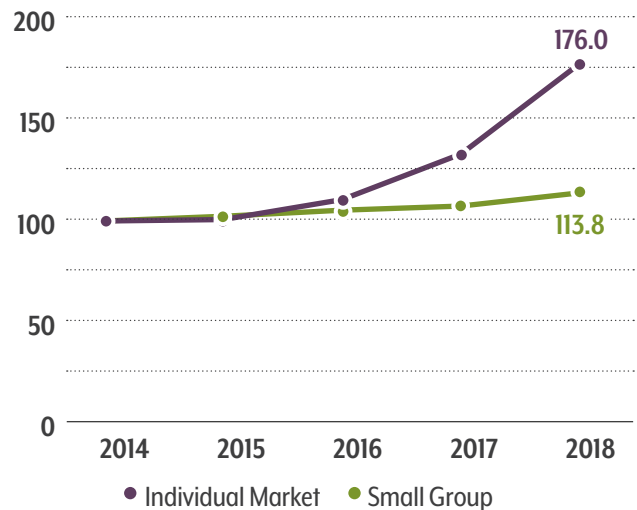
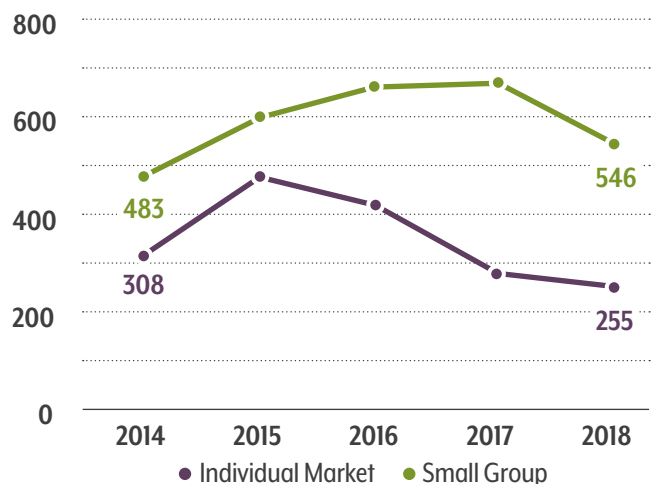


Figure 2. Number of Plans Offered Since 2014



At least part of the price increase is a result of a presidential decision. Trump halted federal payments to insurance companies for cost-sharing reductions (CSRs), which lower out-of-pocket costs for companies' lowest-income customers. The ACA requires insurers to provide CSRs. Colorado's individual market prices rose an average six percentage points as a result of ending CSR payments.

In addition, insurers worried about a repeal of the individual mandate, which would remove an incentive for healthy people to remain in the market. Last year, Congress repealed the mandate's fine as part of its tax bill.

Carriers Pulling Back

Colorado had at least one insurer offering individual market coverage in each county.

Anthem is the only carrier to sell plans in all 64 counties. Cigna departed seven counties. Friday Health Plans expanded into six Denver-area counties, plus Archuleta and La Plata. And Freedom Life Insurance, which sold off exchange plans statewide in 2017, pulled back to 10 Denver-area counties.

But those carriers offered fewer individual market plans in 2018. Statewide, insurers offered 255 plans on the individual market — 20 fewer than 2017. The small group market contracted for the first time since 2014, with about 120 fewer plans available in 2018 (see Figure 2).

All nine insurers on the individual market boosted their prices by at least 27 percent in 2018 — a contrast to

previous years when some carriers stood out for keeping their prices low (see Table 1).

Kaiser Foundation Health Plan remained the low-cost leader in most regions (see Table 3), even though its rates increased as much or more than most other carriers.

Sharing the Pain

This year's price increases were striking not only for their size, but for how uniform they were across most of Colorado's counties (see Map 1 and Table 2).

The highest increases since 2014 have been in rural Colorado, especially the Western Slope. But this year, urban counties such as El Paso, Denver and Arapahoe had slightly higher increases than most mountain counties.

Prowers and Crowley counties in southeastern Colorado had the lowest average increases, at 24.8 percent, while the northeastern counties of Washington and Logan had the highest, at 53.7 percent and 51.2 percent, respectively.

A Minority of Policies

Most Coloradans are not affected by the proposed rate increases because they get their insurance from a large employer or a government program, such as Medicare or Medicaid. People shopping in the individual market buy their coverage directly from an insurance company or through the state's online marketplace, Connect for Health Colorado. Roughly eight percent of Coloradans are

Table 1. Yearly Price Increases on the Individual Market, Medical Plans

Company	2015 (increase from 2014)	2016 (increase from 2015)	2017 (increase from 2016)	2018 (increase from 2017)
Anthem (HMO Colorado)	-5.3%	8.2%	25.8%	32.3%
Anthem (Rocky Mtn Hosp. & Med)	New	7.4%	20.6%	33.5%
Bright	Not in market	Not in market	New	30.7%
Cigna	6.1%	New plans	9.5%	42.0%
Friday Health Plans (formerly Colorado Choice)	2.1%	9.4%	42.9%	37.6%
Denver Health	17.5%	12.7%	-0.5%	26.2%
Freedom	New	-7.5%	9.1%	27.1%
Kaiser	7%	4%	18%	34.6%
Rocky Mountain HMO	3.1%	30.1%	34.9%	27.1%

Source: Colorado Division of Insurance

Map 1. Weighted Average Increase of Individual Market Premiums by County, 2017 to 2018

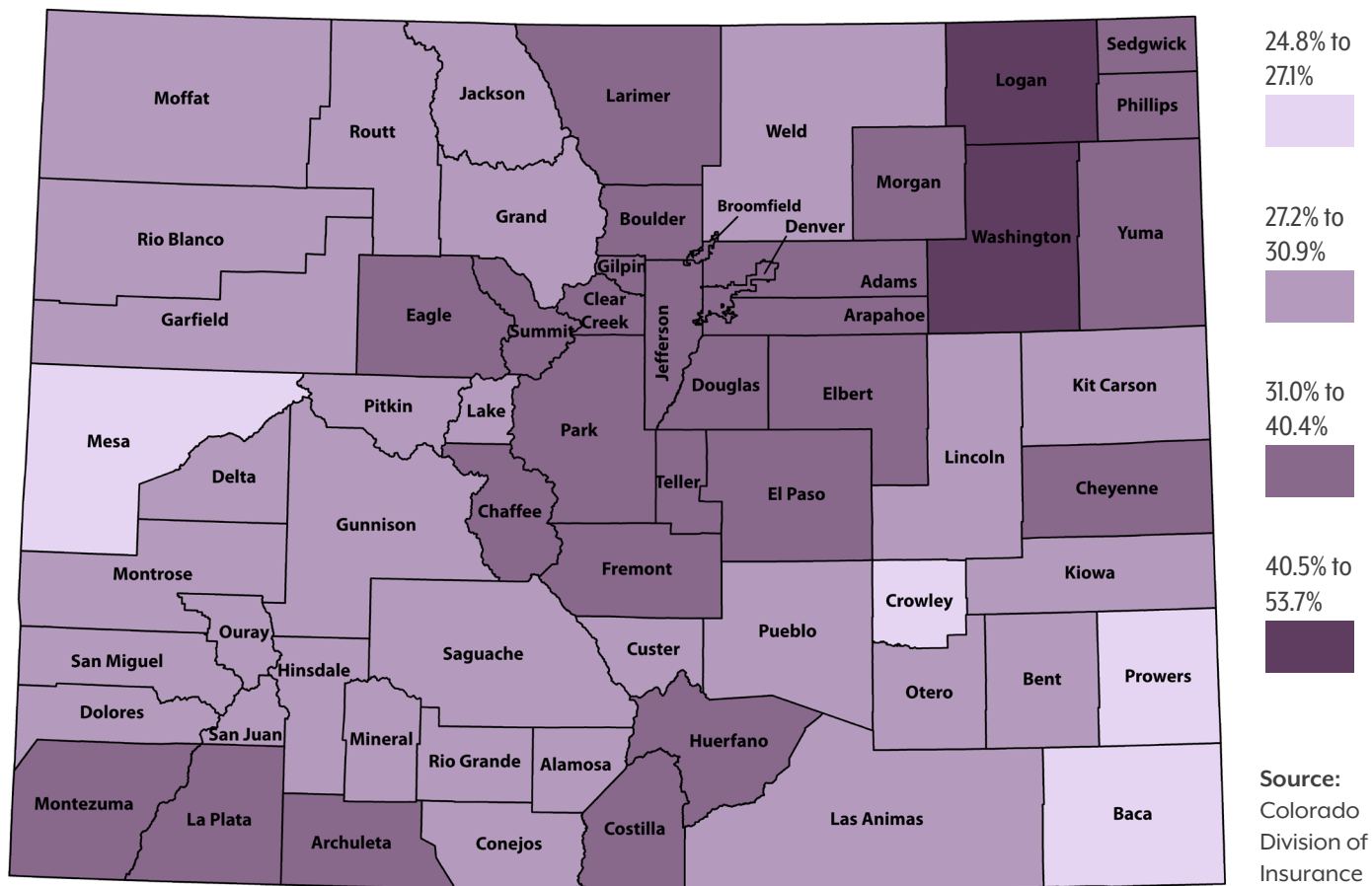


Table 2. Weighted Average of Increase in Rates from 2017 to 2018, by Region. Includes Both On- and Off-Marketplace Plans.

Region	Individual	Small Group
Statewide	32%	5%
1 Boulder	32%	9%
2 Colorado Springs*	32%	8%
3 Denver area**	33%	3%
4 Larimer County	32%	6%
5 Mesa County	25%	10%
6 Weld County	29%	3%
7 Pueblo County	29%	7%
8 Eastern Plains	34%	13%
9 Western Slope	30%	17%

* Colorado Springs includes El Paso and Teller counties.

** Denver area includes Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties.

Source: Colorado Division of Insurance

Table 3. Lowest-Cost Silver Plan for a 40-Year-Old Nonsmoker

On- and off-exchange unless noted. Not all plans may be available in every county in a region.

Region	Monthly premium	Carrier
1 Boulder	\$397	Kaiser
2 Colorado Springs	\$387	Kaiser
3 Denver area	\$362	Kaiser
4 Larimer County	\$437	Kaiser
5 Mesa County	\$561*	HMO Colorado
6 Weld County	\$437	Kaiser
7 Pueblo County	\$423	Kaiser
8 Eastern Plains	\$423	Kaiser
9 Western Slope	\$516	Kaiser

* Off exchange

Source: Colorado Division of Insurance

Table 4: ACA Tax Credits Have Dramatic Effect on Consumer Costs in 2018

Rating Area	WITHOUT TAX CREDITS				WITH TAX CREDITS			
	Enrollees Ineligible for Credits	2017 Premium	2018 Premium*	% Change over 2017	Enrollees Eligible for Credits	2017 Monthly Premium	2018 Monthly Premium*	Percent Change over 2017
1 Boulder	3,824	\$349	\$489	40%	7,071	\$165	\$117	-29%
2 Colorado Springs†	2,253	\$350	\$489	40%	5,663	\$159	\$112	-29%
3 Denver area††	19,591	\$333	\$472	41%	42,470	\$153	\$114	-26%
4 Larimer County	2,319	\$388	\$540	39%	7,495	\$152	\$121	-20%
5 Mesa County	220	\$545	\$715	31%	1,051	\$127	\$111	-13%
6 Weld County	1,235	\$380	\$522	37%	3,685	\$154	\$105	-32%
7 Pueblo County	330	\$419	\$574	37%	1,678	\$159	\$142	-11%
8 Eastern Plains	578	\$468	\$694	48%	2,276	\$154	\$135	-12%
9 Western Slope	2,173	\$559	\$769	38%	14,715	\$127	\$139	10%
Total	32,523	\$362	\$508	40%	86,104	\$150	\$120	-20%

* Assumes auto-enrollment. Some consumers could find cheaper prices by switching plans.

Source: Colorado Division of Insurance

covered through the individual market, although it is used more commonly in some rural Western Slope counties.

Roughly half of Coloradans get health insurance through an employer — their own or a family member's.

The prices of those employer-sponsored plans are negotiated by businesses and insurance companies, and are not affected by the rates the DOI approved for individual market plans.

Tax Credits Help Dramatically

The ACA offers tax credits for people who buy coverage on state-based exchanges and whose income is less than four times the poverty level.

Tax credits are based on the price of the second-lowest silver plan in each region. This year's large price increases also boosted the value of the tax credits. Many of those who qualified saw their monthly costs drop substantially, according to DOI data (see Table 4).



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