Attachment H

COLORADO
Department of
Regulatory Agencies
Division of Insurance

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2015 Health Insurance Plans & Rates - Division of Insurance Rate Review FAQ

1) Q. What is the role of the Colorado Division of Insurance in reviewing health insurance plans and rates?

A. As part of its role in implementing the Affordable Care Act (ACA), the Colorado Division of Insurance (DOI) reviews individual and small group health insurance plans to be sold in the Colorado market. DOI looks at proposed premiums and any changes to the plans, to determine what is and is not justified. DOI also ensures that the plans comply with the ACA and Colorado health insurance laws and regulations.

DOI helps ensure a competitive marketplace for health insurance companies in Colorado, which provides consumers with a wide variety of choices. For more than 40 years, DOI has reviewed rate and benefit changes requested by health insurance companies.

2) Q. When will the 2015 health plans be on the market?

A. Open enrollment begins on November 15. If consumers want to get coverage by January 1, they must enroll by December 15. Coverage cannot begin sooner than January 1. The open enrollment period lasts until February 15.

Coverage purchased before the 15th of the month (December, January, February), becomes effective the first of the next month. For example, coverage purchased on December 10, will go into effect on January 1. Coverage purchased after the 15th of the month, will become effective the month after the next month. For example, coverage purchased on December 20 becomes effective on February 1.

3) Q. How many choices are available to consumers in 2015?

A. Colorado has a competitive marketplace and consumers will have many health plans to choose from. The DOI has reviewed and approved 1,072 ACA-compliant health plans from 20 carriers, including 3 new companies - Freedom Life, National Foundation Life and UnitedHealthcare Life. Of these, 472 plans are for individuals (176 on-exchange; 296 off-exchange), while 600 plans are for small employers through the small group market (120 on-exchange, 480 off-exchange).

4) Q. How do the premiums for 2015 plans compare to the 2014 plans?

A. The average increase for premiums statewide ACA-compliant plans is only 1.18 percent. For individual plans, the statewide average is an even smaller increase, 0.71 percent, while for the small group plans, the average increase will be 2.53 percent.

These are statewide *averages*, which mean they include larger increases and decreases, as well as all of the variability across all of the plans for the state. Premiums will vary based on where one lives, age, tobacco usage and plan type (bronze, silver, gold, platinum). Variation also exists between insurance carriers.

Consumers will need to look at the specific details for the plans available in their area.

5) **Q. Did you see any changes in the Mountain areas based on the new geographic rating areas?**

A. Geographic rating areas are used by insurance carriers to price premiums. In Colorado, for 2014, health insurance carriers used 11 geographic rating areas as set by DOI. For 2015, DOI consolidated the higher health costs regions into larger rating areas, reducing the number of areas from 11 to nine.

For 2015, areas 10 and 11, which include the mountain areas, were combined and called area 9, or the West area. However the West area does not include Mesa County, which is area 5, the Grand Junction area. Areas eight and nine were combined and called area eight, or the East area (comprising eastern and southern parts of the state). Individual plans for the West area will see an average premium decrease of 7.44 percent. In the East rating area, individual premiums will average a 5.01 percent decrease. As is the case with the statewide numbers, these are averages. Consumers in these areas will need to look at the specific details for the plans available in their area. The geographic rating areas are only one variable in determining premiums, and the rates in East and West areas are the product of many things, not just the area.

For 2015, some carriers have worked with healthcare providers in the mountain areas to lower the rates they charge, leading to lower-priced plans in some counties in those areas. Two carriers in particular that did such work are Anthem and Colorado Health-Op. However, such plans will not be available throughout all counties in a region, as not all providers and hospitals were able to negotiate with carriers.

It's important to note that just as carriers providing individual health insurance in Colorado do not have to offer it in all areas of the state, carriers offering individual coverage in a geographic rating area are not required to offer it to all counties in an area. Thus not everyone in a rating area will have access to all the plans offered in that area.

6) **Q. Will these rates be what consumers will actually pay for 2015 health plans?**

A. Yes, but these do not take into account consumers' eligibility for federal tax credits that help to reduce the cost of premiums. These tax credits, called Advance Premium Tax Credits or APTC, are only available if coverage is purchased through Connect for Health Colorado, the state's health insurance exchange. Eligibility for the APTC is based on household income.

As of August 31, 2014, 84,700 Coloradans qualified for federal tax credits or other financial assistance by purchasing insurance through Connect for Health Colorado. Consumers can visit www.connectforhealthco.com or call 1-800-752-6749 for more information about APTC.

7. **Q. Will changing premiums impact the tax credits?**

A. Yes. Because the calculation of the APTC is tied to premiums for the second-lowest silver plan available to a consumer, a change in the premium of that plan will impact the APTC. However, while the calculation is connected to that silver plan, consumers who qualify for an APTC can use the credit to shop for any bronze, silver, gold, or platinum plan available in their area through Connect for Health Colorado.

The tax credit amount is determined by subtracting the expected household contribution to medical premiums (based on household income) from the cost of the second-lowest silver plan (also called a benchmark cost) available. The expected contribution is determined on a sliding scale, established by the federal government.

Second-lowest silver premium - household contribution = tax credit amount

Example: Premium for second-lowest silver plan goes down from 2014 to 2015

- Individual at 150% of the Federal Poverty Level (FPL)

- 4% of household income expected as contribution to health insurance (for an individual at 150% of the FPL, a 4% contribution is required)
- 2013 annual income of $17,235 (monthly: $1,436.25)
- 2014 annual income of $17,505 (monthly: $1,458.75)

Calculation for APTC for 2014 (using FPL for 2013)
- 4% of $1,436.25 = $57.45 (expected monthly household contribution)
- Second-lowest silver plan premium = $400
- $400 - $57.45 = $342.55

$342.55 was the amount of APTC for 2014 for this person

Calculation for APTC for 2015 (using FPL for 2014)
- 4% of $1,458.75 = $58.35 (expected monthly household contribution)
- Second-lowest silver plan premium = $300 (reduced from 2014)
- $300 - $58.35 = $241.65

$241.65 is the amount of APTC for 2015 for this person

APTCs are only available if insurance is purchased through Connect for Health Colorado. Consumers can visit www.connectforhealthco.com or call 1-800-752-6749 for more information about tax credits.

8) Q. What did DOI's review process include?

A. The review process started in June, when carriers submitted plans to DOI for approval. The review process takes about three months and includes the following steps.

- First, DOI analysts ensure that plan filings are complete, i.e. that all data elements and all necessary supporting documentation has been submitted.
- Next, DOI undertakes an in-depth review, looking at the justification for changes in the premiums and/or benefits. The costs incurred in paying claims are evaluated, as well as the factors that impacted the costs of those claims.
- Additionally, DOI verifies the **actuarial value** of the plans, which indicates what portion of medical expenses a plan will pay versus the out-of-pocket costs for consumers. For example, if a plan has a 70% actuarial value, it should pay about 70% of covered medical expenses, with the remaining 30% to be paid by the consumer. In general, plans with a lower actuarial value have lower monthly premiums. But they require a higher amount of out-of-pocket payments from the consumer. Federal law established four tiers for actuarial value.
  - Bronze - 60%
  - Silver - 70%
  - Gold - 80%
  - Platinum - 90%

There is also a level called "Catastrophic." These plans are only available to those under 30, or who demonstrate a severe financial need. Catastrophic plans have an actuarial value less than a bronze plan (60%). While they are an affordable option for those who qualify, catastrophic plans are not eligible for APTC.

DOI also ensures that the rating practices used by the carrier are in compliance with state and federal regulations. For example, under the ACA, carriers are only allowed to use four factors in determining the premiums: 1) age, 2) family structure, 3) geographic rating area, and 4) tobacco use.

9) **Q. What are multi-state plans?**
A. The Multi-State Plan (MSP) Program was established under the ACA to provide consumers with additional coverage options in the health insurance exchanges. A multi-state plan is one that has been approved by the U.S. Office of Personnel Management (OPM), a federal government agency, to be sold through the exchanges. As they are offered through the exchanges, consumers who purchase such plans qualify for APTC. The OPM is the same agency that administers the health plan for federal government employees.

Under the MSP Program, the OPM contracts with private health insurers in each state to offer high-quality, affordable health insurance options called Multi-State Plans. These plans are subject to the same requirements as other qualified plans offered in the exchange, including the consumer protection laws of the purchaser's state.

10. **Q. Does DOI ever reduce a rate increase requested by a carrier?**
A. Yes. If DOI sees that the data behind the request do not justify the increase, DOI informs the carrier about what change would be justified. This year, out of 16 carriers who submitted individual plans, four had to modify their requested adjustment. For the small group market, two out of 12 carriers had to modify their requests.

11. **Q. What else does DOI look for in these health plans?**
A. DOI also reviews plans to ensure that they meet the requirements of the ACA, such as not having pre-existing condition exclusions, offering guaranteed renewability, and compliance with open enrollment and special enrollment period requirements.

In addition, DOI reviews the plans to make sure they cover **Essential Health Benefits** (EHBs). Essential Health Benefits are specific benefits that new individual and small group plans are required to cover. They fall into 10 basic categories.

1. hospitalization
2. emergency services
3. maternity and newborn care
4. mental health and substance use disorder services
5. prescription drugs
6. laboratory services
7. pediatric services
8. preventive/wellness/disease management services
9. ambulatory services
10. rehabilitative and habilitative services and devices

While these categories are strictly defined in federal law, carriers have flexibility in how they structure the benefits within each category. However, DOI also ensures the plans meet the standards of Colorado law, and cover all state-mandated benefits. For example, Colorado law requires insurance carriers to provide coverage of congenital anomalies, including cleft lip/palate.

In addition to proposed rates and benefits, carriers had to submit information regarding their marketing materials for these plans, along with information about their networks of doctors, hospitals and other providers.

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The Colorado Division of Insurance regulates the insurance industry and assists consumers and other stakeholders with insurance issues.
DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.