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Nearly half of buyers picked the Colorado Option for '25

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Nearly half of Coloradans buying health insurance on the individual market selected a Colorado Option plan for 2025, setting a new enrollment record for the plans' third year.

The Colorado Division of Insurance announced Thursday that 47% of the more than 282,000 people who bought individual-market plans for the current year chose an Option plan. Last year, about 34% of buyers did so.

Despite the name, the plans aren't a true public option, run by the government. Instead, state law requires insurance companies selling on the individual market in Colorado to offer plans with a standard design that doesn't charge out-of-pocket costs for some types of routine care.

They also require insurers to either lower premiums by a specified amount — in 2025, 15% from 2021 levels, after adjusting for inflation — or to show that they did their best to lower premiums by negotiating lower rates with hospitals.

Most 2025 plans didn't hit the 15% goal but achieved some savings through negotiations, Colorado Insurance Commissioner Michael Conway said Wednesday.

"The Colorado Option continues to excel, and people continue to choose it at record levels," he said.

The state could require hospitals to accept lower rates, with a minimum rate of 65% more than Medicare would pay for the same service, if insurers didn't lower premiums enough or negotiate lower rates. It can't force a rate cut of more than 20% in any given year, although hospitals and insurers could negotiate lower payment levels.

So far the parties have reached agreements and the state hasn't mandated cuts.

This year Colorado Option premiums increased 4.6%, while premiums for non-Option plans went up 6.1%. In all but five counties, an Option plan was one of the two cheapest offerings for people buying on the silver level, according to the Division of Insurance.

Two research papers reaching starkly different conclusions about the Colorado Option circulated before Thursday's announcement.

One, commissioned by a group funded by the insurance industry, Partnership for America's Health Care Future, found that only about 2% of Option plans met the goal of reducing premiums by 10% in 2024.

Option plans were cheaper than non-Option plans in about half of counties, however, ranging from a 0.05% savings in the Denver area to almost 10% on the Western Slope. They were more expensive than other plans on the Eastern Plains and in the San Luis Valley.

"The CO Option plans brought minimal premium savings across the state, especially in the urban regions with the highest number of enrollments," authors Kyi-Sin Than and Shurui Zhang wrote.

The paper also noted that the average number of plans available in Colorado counties decreased from 53 to 33 after Option plans went on the market. The decrease coincided with Friday Health Plans and Bright Health shutting down nationwide. Oscar Health also left Colorado, Arkansas and California during that time.

Conway called the paper "misleading," and said it failed to note that Utah-based Select Health joined the individual marketplace in Colorado after Option plans went on the market.

"You're going to see fluctuations in the number of plans. It's not because of the Option," he said.

The number of plans available on the individual marketplace in Colorado decreased by six this year, but 97% of people enrolling had more than one insurance company selling in their county, according to the Division of Insurance.

A different analysis, paid for by the Commonwealth Fund, which studies health policy, pointed to the Colorado Option as a possible model for other states.

That study estimated that monthly premiums on the second-lowest-cost silver plans — the ones used to set subsidies —were about $100 lower in Colorado than in states that also have a reinsurance program, but don't have a public option. (Reinsurance essentially backstops insurers so that they won't lose as much on unusually expensive customers.)

Colorado did see a small decrease in premiums compared with other states in the years immediately before the Option plans went on sale, probably because of savings from its then-new reinsurance program, said Roslyn Murray, one of the authors and an assistant professor of health services, policy and practice at Brown University.

Although the paper can't prove the Option caused the lower premiums, the authors controlled for other factors that could drive the difference, she said.

"We feel rather confident about the impact on premiums," she said.