

Colorado faces 28% spike in costs

Congress running out time to stop increases in plans bought on state's individual marketplace

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Congress could still act to reduce a 28% spike in premiums on Colorado's individual health-insurance marketplace next year, but time is running short as open enrollment nears.

The largest factor behind the anticipated surge in premiums is that higher federal subsidies put in place during the pandemic will expire Dec. 31, said Adam Fox, deputy director of the Colorado Consumer Health Initiative.

About 321,000 people received subsidies to buy insurance on Colorado's marketplace last year.

When those subsidies end, customers will have to pay more for their health coverage, and insurance companies are betting that healthier people will balk, leaving a group that's sicker on average and includes fewer people to spread out the cost of care, he said.

People who receive health coverage through their employers are in separate pools, so the end of the subsidies won't affect them directly. Most plans increase their premiums every year to cover rising costs of health care and medications.

Republicans, who control both houses of Congress, didn't include an extension of the subsidies in their recently passed bill to make other tax cuts permanent, which also touched on health insurance, food assistance, green energy and border security.

Colorado's Democratic members of Congress have said they'll push for a separate bill to extend the enhanced subsidies, but House and Senate leadership haven't shown interest in taking one up.

The Colorado Division of Insurance reported that companies selling on the individual marketplace submitted requests to increase their rates by an average of 28.4% next year, with larger increases on the Eastern Plains and Western Slope.

That put Colorado at the higher end for potential increases, compared to other states that have released data. A sample of 105 insurers from 19 other states found proposed increases ranging from less than 5% to more than 30%, according to KFF, a nonprofit that studies health care markets.

How much of that increase people have to shoulder will depend on their incomes. The enhanced subsidies lowered the share of income that a household had to pay toward insurance coverage, to the point that people just above the cutoff to be eligible for Medicaid paid nothing. That will change in January.

Higher earners also will take a hit. When the Affordable Care Act passed, no one earning more than four times the federal poverty line would receive any subsidies. The enhanced subsidies meant that a family of four earning more than \$128,600, the cutoff for this year, could receive tax credits to bring their insurance costs down to no more than 8.5% of their incomes.

If Congress acted this summer to extend the enhanced subsidies, the state would work with insurers to adjust their premiums and lower costs for consumers, said Katie O'Donnell, director of communications and public engagement for the Colorado Department of Regulatory Agencies, which includes the Division of Insurance.

The state finalizes insurance rates in October and open enrollment begins Nov. 1, giving lawmakers a relatively narrow window to make changes.

Even if the enhanced subsidies continued, premiums would still go up, though the increase would be closer to the 5% to 10% Colorado has seen in recent years, Fox said. Smaller changes made by the Trump administration have increased uncertainty for insurance companies, though not nearly as drastically as losing the higher subsidies, he said.

"Insurance markets hate uncertainty, and there are a lot of changes happening to the individual market," he said.

Colorado also will have less money available to limit rate increases through its reinsurance program next year, Fox said.

Reinsurance backstops insurance companies, so they don't pay as much for sick customers who need expensive care. That allows them to keep premiums lower, and means the federal government doesn't have to pay out as much in tax credits to subsidize consumers. The federal government then gives that money back to the states that have reinsurance programs, allowing them to keep lowering premiums.

With the enhanced subsidies gone, the federal government won't be on the hook for as much money, meaning the state will have a smaller pot of funds to limit increases, Fox said.

The rate increases that companies selling on the individual market in Colorado requested are:

- Kaiser Foundation Health Plan of Colorado: 15.3%
- SelectHealth: 19.3%
- Denver Health: 23.4%
- Cigna Health and Life Insurance Company: 29.4%
- Anthem (HMO CO Inc.): 33.6%
- Rocky Mountain HMO (United Healthcare): 36.4%

Older people and those who live in rural areas will see larger increases in premiums on the individual marketplace, though the remaining subsidies will blunt some of the impact.

The cost to insure a 21-year-old in Denver would rise by \$1,057 per month, while the increase would be \$5,186 for a 60-year-old on the Western Slope, according to the Division of Insurance.

The average increases by region would be:

- Colorado Springs: 24.2%
- Denver: 25.4%
- Boulder: 26.7%
- Greeley: 29.0%
- Fort Collins: 29.4%
- Pueblo: 30.4%
- Eastern Plains: 33.4%
- Grand Junction: 38.4%
- Western Slope: 38.8%

The Division of Insurance hasn't released any projections of how many people might drop their coverage altogether, or switch to an option with lower monthly premiums but higher out-of-pocket costs if they get sick. Either move could leave individuals with larger medical bills and health care providers with greater uncompensated care costs.

Insurance companies don't always get the increases they ask for, but typically the requested rates are close to the approved ones, Fox said.

The division examines the insurers' estimates of how much it will likely cost them to cover customers in the coming year, to ensure they collect enough premiums to remain financially stable, but don't make excessive profits.

Given all of the changes coming this year, the division will have a tougher time making the case that insurers don't need significant increases, he said.

"The upheaval is hard to combat," he said.

