

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 18-0374.01 Christy Chase x2008

HOUSE BILL 18-1311

HOUSE SPONSORSHIP

Rankin and Hamner,

SENATE SPONSORSHIP

(None),

House Committees

Health, Insurance, & Environment
Finance
Appropriations

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE METHOD FOR SETTING RATES FOR INDIVIDUAL
102 HEALTH INSURANCE PLANS OFFERED IN THE STATE.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

Under current law, health insurers are permitted to consider the geographic location of the policyholder when establishing health insurance rates for individual and group insurance plans.

For an individual health plan issued, amended, or renewed on or after January 1, 2019, the bill prohibits a health insurer from considering the geographic location of the policyholder when establishing rates for the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

plan, thereby creating a single geographic rating area consisting of the entire state for purposes of all individual health benefit plans.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 hereby finds and declares that:

4 (a) Currently, premiums for health insurance across the nine
5 health insurance geographic rating regions in Colorado, as well as the
6 number of insurance carriers available and the number and variety of
7 plans offered in the different regions, vary significantly;

8 (b) Premiums in rural areas, especially in the eastern plains and
9 the western slope areas of the state, are considerably higher than
10 premiums in metropolitan areas, and the number of carriers and the
11 diversity of plans they offer are very limited in those areas;

12 (c) Because of the financial burden high-cost health insurance
13 places on individuals in rural areas of the state, a considerable number of
14 these cost-burdened individuals may not purchase health insurance in
15 2018, exacerbating the problems of few carriers, few plan options, and
16 high costs of health insurance in rural areas of the state, as well as
17 increasing the number of uninsured individuals in those areas;

18 (d) Current state law prohibits insurance carriers from establishing
19 rates for health insurance plans or policies that are excessive, inadequate,
20 or unfairly discriminatory;

21 (e) The commissioner of insurance is required to review insurance
22 carrier proposed rates each year to determine whether the proposed rates
23 are excessive, inadequate, or unfairly discriminatory based on the
24 following standards:

25 (I) Rates are excessive if they are likely to produce a long run

1 profit that is unreasonably high for the insurance provided or if expenses
2 are unreasonably high in relation to the services rendered;

3 (II) Rates are not inadequate unless clearly insufficient to sustain
4 projected losses and expenses or the use of the rates, if continued, will
5 tend to create a monopoly in the market;

6 (III) Rates are unfairly discriminatory if, after allowing for
7 practical limitations, price differentials fail to reflect equitably the
8 differences in expected losses and expenses;

9 (f) Using these standards, premium rates for health insurance
10 plans issued in rural areas of the state, when compared to the front range
11 or more heavily populated areas of the state, appear to be excessive and
12 unfairly discriminatory;

13 (g) Because of the inequities in health insurance premium rates
14 based on geographic location, it is important to establish a single
15 geographic rating area, consisting of the entire state, in order to more
16 equitably spread the costs of health insurance throughout all regions of
17 the state and reduce the excessive and unfairly discriminatory burden
18 borne by residents of the eastern plains and the western slope areas of the
19 state.

20 **SECTION 2.** In Colorado Revised Statutes, 10-16-102, **amend**
21 (9)(b)(II) as follows:

22 **10-16-102. Definitions.** As used in this article 16, unless the
23 context otherwise requires:

24 (9) (b) "Case characteristics" are limited to the following
25 demographic characteristics, as further defined and determined by the
26 commissioner by rule:

27 (II) Geographic location of the policyholder; EXCEPT THAT, FOR

1 PURPOSES OF DETERMINING PREMIUM RATES FOR INDIVIDUALS COVERED
2 UNDER AN INDIVIDUAL HEALTH BENEFIT PLAN, A CARRIER SHALL NOT
3 CONSIDER THE GEOGRAPHIC LOCATION OF THE POLICYHOLDER AND SHALL
4 CONSIDER THE ENTIRE STATE AS THE GEOGRAPHIC RATING AREA FOR
5 RATING ALL INDIVIDUAL HEALTH BENEFIT PLANS.

6 **SECTION 3.** In Colorado Revised Statutes, 10-16-107, **amend**
7 (5)(a)(I)(B); and **repeal** (5)(b)(III) as follows:

8 **10-16-107. Rate filing regulation - benefits ratio - rules.**

9 (5) (a) (I) With respect to the premium rates charged by a carrier offering
10 an individual or small employer health benefit plan, the carrier shall
11 develop its premium rates based on, and vary the premium rates with
12 respect to, the particular plan or coverage only by the following case
13 characteristics:

14 (B) Geographic rating area, established in accordance with federal
15 law; EXCEPT THAT, FOR AN INDIVIDUAL HEALTH BENEFIT PLAN, THE
16 CARRIER SHALL NOT CONSIDER THE GEOGRAPHIC LOCATION OF THE
17 POLICYHOLDER AND SHALL CONSIDER THE ENTIRE STATE AS THE
18 GEOGRAPHIC RATING AREA;

19 (b) The carrier shall not adjust the premium charged with respect
20 to any particular individual or small employer health benefit plan more
21 frequently than annually; except that the carrier may change the premium
22 rates to reflect:

23 ~~(III) With respect to an individual health benefit plan, changes in~~
24 ~~geographic rating area of the policyholder, as provided in~~
25 ~~sub-subparagraph (B) of subparagraph (I) of paragraph (a) of this~~
26 ~~subsection (5);~~

27 **SECTION 4. Applicability.** This act applies to individual health

1 benefit plans issued, amended, or renewed on or after January 1, 2019.

2 **SECTION 5. Safety clause.** The general assembly hereby finds,

3 determines, and declares that this act is necessary for the immediate

4 preservation of the public peace, health, and safety.