



COLORADO

**Department of
Regulatory Agencies**

Division of Insurance

Reinsurance Proposal

HB19-1168

Please note that numbers in this slide deck are estimates.

Reinsurance Program

Why establish a reinsurance program?

- Over the **last four years**, the average cumulative **premium increase** in the individual market has amounted to approximately **82%**.
- Provides relief to Coloradans in the individual market.
- Will benefit sole proprietors, entrepreneurs, families, service employees, and mom and pop small business owners.



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Reinsurance Program

What is this reinsurance program?

- The program is designed to reduce costs through a Medicare Referenced-Based pricing system.
- The reinsurance program will then pay a percentage of claims, also known as the “coinsurance rate,” beginning at the “attachment point” and will continue to pay up to the “reinsurance cap.”
- Combined, this reduces the impact of high-cost claims on the insurance pool and reduces Coloradans’ premiums in the individual market as a result.



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Why Medicare Referenced-Based Pricing?

- Objective, **TRANSPARENT**, standardized benchmark
- Adjustments are made for variables such as:
 - Geographical location;
 - Complexity of the treatment or procedure;
 - For hospitals that treat a disproportionate share of uninsured patients or patients covered by Medicaid.
- CMS sets rates based on the recommendation of a committee made up of 29 physicians.



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Amount of Savings*

Service Type	Total Current Spend	Median Price (Potential Savings**)	200% Medicare (Potential Savings***)	150% Medicare (Potential Savings**)
Inpatient Services (Top 12 By Volume/Price)	\$284 Million	\$36 Million	\$86 Million	\$136 Million
Outpatient Services (Top 10 By Volume/Price)	\$59 Million	\$13 Million	\$36 Million	\$42 Million
Total (IP/OP) (rounded to nearest million)	\$343 Million	\$49 Million	\$122 Million	\$178 Million

*Slide reflects savings for the entire commercial market for the top 12 inpatient services and top 10 outpatient services. The slide is only intended to show the potential of a Medicare referenced-based pricing system – not to reflect the potential savings from the reinsurance program.

****Median Price Potential Savings** reflects potential annual statewide savings if all IP/OP payments analyzed that were above the statewide median were paid at the statewide median price. Assumes prices below statewide median remain the same.

*****150% and 200% Medicare Potential Savings** reflects potential annual statewide savings if all IP/OP payments analyzed were normalized to either 150% or 200% Medicare payments.



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Savings leads to 1332 Waiver

**Amount of
\$avings**

**Decreases
premium\$**

**1332
Waiver**

Savings from
Medicare
Referenced-Based
Pricing

Apply to the Federal
Government to
receive APTC pass-
through funding



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1332 Waiver requirements

Four Criteria

1. Coverage must be at least as comprehensive as would be provided without the waiver.
2. Coverage must be at least as affordable as it would be without the waiver.
3. Coverage must be provided to a comparable number of Coloradans as would be provided without the waiver.
4. The changes under the waiver cannot increase the federal deficit.

If the waiver is not approved, the program will not be implemented.



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Why focus on provider costs?

Costs to the system

- Colorado hospitals' margins grew \$417 million in 2009 to \$1.2 billion in 2017.
- Between 2009 and 2017, overall costs grew 58.7% while patient volume (adjusted discharges) only grew 14.2%.

Summit County

- Outpatient (as a percentage of Medicare) - over 500%
- Emergency (as a percentage of Medicare) - nearly 850%
- Inpatient (as a percentage of Medicare) - nearly 250%



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Why focus on provider costs?

Fiscally Responsible

- Other state reinsurance programs have assessed the business community or asked taxpayers to fund the reinsurance program.
- We are attempting to build fiscally responsible, sustainable relief to fix our broken health care system.
- Fair rate to providers



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CHA Analysis

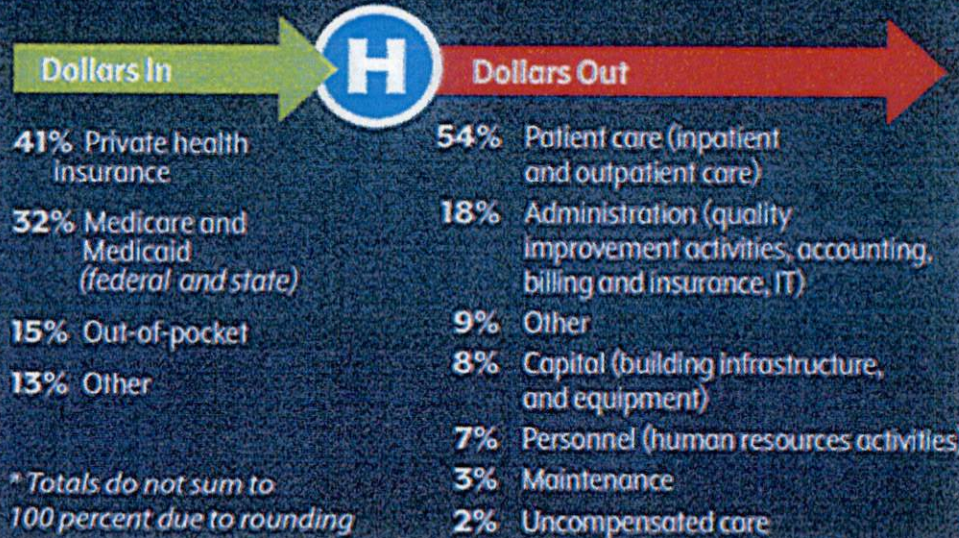
Where Do Hospital Dollars Go?

About \$18 billion flows through Colorado's hospitals in a year.

The largest source of money comes from private health insurance carriers (41 percent). Medicare and Medicaid account for 32 percent, and patient out-of-pocket spending accounts for another 15 percent of hospital revenue.⁴

More than half of hospital spending is devoted to patient care. Administrative and capital costs account for another 18 percent and 8 percent, respectively.⁵

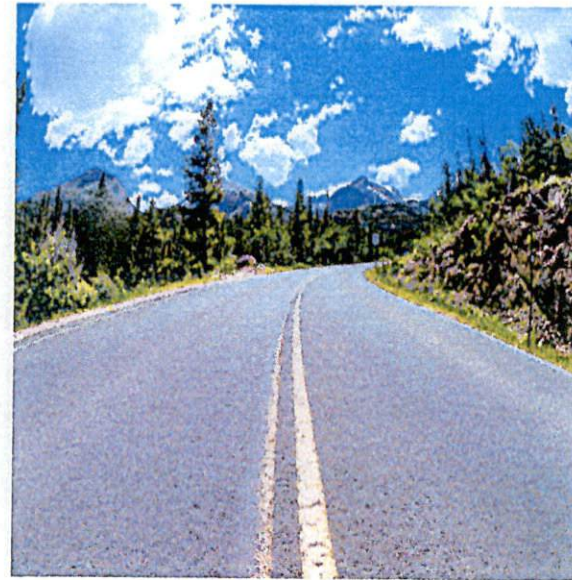
Where do dollars come from, and what are they spent on?



Protections in the legislation

Exclusions from the bill

- Rural hospitals that cannot sustain the financial impact from the cost savings measure
- Primary care providers
- Behavioral health providers



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Saving People Money on Health Care - Estimate

Potential savings for Coloradans from reinsurance program?*

<u>Member Ages</u>	<u>Metal Level</u>	<u>Mesa County Rating Area</u>	<u>East Rating Area</u>	<u>West Rating Area</u>
Married couple both 60 years old	Both enroll in a gold plan	-\$11,219	-\$5,635	-\$10,977
Married couple both 30 years old	Both enroll in a silver plan	-\$3,505	-\$1,786	-\$3,329
Family of four (45, 45, 20 and 16)	All in enroll in a silver plan	-\$7,856	-\$4,411	-\$8,047
55 year old	Silver plan	-\$3,713	-\$2,085	-\$3,804

*These are estimates based off of a 20% premium reduction in the East Rating Area and an approximate 30% premium reduction in Mesa County Rating Area and the West Rating Area.



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Questions?



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