



**COLORADO**

**Department of  
Regulatory Agencies**

Division of Insurance

Marguerite Salazar  
Commissioner of Insurance

August 1, 2016

The Honorable Representatives Millie Hamner and Bob Rankin,  
And Senators Kerry Donovan and Ellen Roberts  
And Colleagues  
Colorado General Assembly  
200 East Colfax Avenue  
Denver, CO 80203

Dear Colleagues:

As required by House Bill 16-1336, the Division of Insurance hereby submits its study to “determine the impacts and viability of establishing a single geographic area” for setting health insurance premiums.

Recognizing the burden that high health insurance premiums put on the citizens, particularly in our mountain and eastern plains areas, my underlying goal with the study was to find a way to make health insurance more affordable in those high cost areas. What the study shows is that to make health insurance more affordable in those areas, we must get control of the underlying health care service costs. The study shows a differential of 36% (\$1,459) in the annual cost of care (services) for persons insured in the lowest cost area of Boulder and the high cost area of our mountain communities. Moreover, there is evidence that the differential between high and low cost areas is growing as, for the first five months of 2015<sup>1</sup>, the difference was 40% (\$1,752).

Because health insurance premiums are directly calculated, in large part, from the anticipated cost of services incurred by covered persons, establishing a single geographic area will not solve the problem. Rather it would be treating a symptom rather than finding a cure. I am very concerned that moving to a single geographic rating area could end up harming the very citizens such a proposal is trying to help. Simply, without addressing the underlying health care service costs, we cannot hope to bring down health insurance premium rates.

While it is impossible to predict exactly what would happen under a single geographic area requirement, it could certainly have unintended consequences. Carriers could withdraw from the high cost service areas, leaving those areas with even less (if any) competition and

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<sup>1</sup> When the study was instituted, the All Payor Claims Database contained five (5) months of data for 2015.



options. In the worst case scenario, carriers may choose to leave Colorado entirely. The carriers might also create separate plans for only the high-cost areas, with higher premiums, or include a provider network factor in their rates in order to charge higher premiums in high-cost areas. Fewer carriers, in a region or in the state as a whole, could exacerbate the situation and with even higher premiums, we could harm the very citizens the proposal was meant to assist.

While not recommending that we move to establish a single geographic rating area factor, I am recommending that we focus our energy on ways to control the underlying health care service costs in order to bring relief to the increasing pressure consumers feel from rising health insurance rates. To that end, the Governor's office has directed us to assemble a small group of key stakeholders to meet and come up with a set of recommendations to take this study to the next step. We will be doing this immediately and plan to have recommendations established before the end of the calendar year.

I'm looking forward to working with this group, and you, to find solutions to these issues - both high cost health care service and health care premiums. We must find solutions which address the underlying problem of high health care service costs, and differentials between parts of the state. As the Hippocratic oath reminds - first, do no harm - and there is a real possibility that the competitive market reaction of a move to a single geographic rating area could harm western and rural areas, and leave the entire state with fewer options.

Sincerely,



Marguerite Salaza  
Commissioner of Insurance