Re: Comments as part of the stakeholder process on the public option (HB19 – 1004)

Dear Director Bimestefer and Commissioner Conway,

I write today to provide feedback as part of the stakeholder process on the proposal for implementing a competitive state option for more affordable health care coverage in Colorado. The Colorado Association of Health Plans (CAHP) is a state association of health insurers that offers coverage to over three million Coloradans. CAHP’s mission is promoting high quality, affordable, evidence-based health care in Colorado.

CAHP supports the goals outlined in HB19-1004: decrease health care costs for Coloradoans; increase competition, and; improve access to high-quality, affordable and efficient health care. The following letter offers a number of policy suggestions and market-based solutions to achieve those goals. Additionally, we have concerns that preliminary stakeholder discussions are trending in a direction that will result in a non-competitive marketplace, limiting choice for consumers, and de-stabilizing the small and large group health insurance markets. These outcomes are directly contrary to the goals of HB19-1004. A “public option” cannot truly reduce the price of health insurance without addressing the underlying costs of care. Further regulating premiums or simply introducing a “public” plan that does not abide by the same cost structure as commercial plans will limit choice by eliminating competition. Health insurance premiums can only be significantly lowered in one of two ways: lowering unit costs for health care services and prescription drugs and/or restructuring benefits. As such, a public-private partnership that leverages current market-based infrastructure is needed to foster competition while increasing value and decreasing costs.

We are committed to working with you to find solutions to the high cost of health insurance in Colorado and delivering affordable, high quality health coverage to every Coloradoan. Therefore, we would like to put forth market-based solutions that would help to achieve the goals outlined in HB19 – 1004.

Goal 1: Decreasing health care costs in Colorado

- **Incentivize innovative payment models**
  Carriers are already pursuing value-based payment design which balance cost and quality and encourage plans and providers to collaborate on targeted, effective solutions to improve outcomes and drive down health care costs. Numerous private and public payers have implemented value-based payment models which can increase the use of high-value services and lower consumer out-of-pocket costs.

  Stakeholders, including carriers, have come together to address provider shortages in rural communities and in specific practice areas utilizing innovative payment models to address costs. Any plan to address health care costs could borrow from innovative payment models that are being utilized and have shown effectiveness. These types of solutions also build on what is currently working in the marketplace. For example:
o In Colorado, carriers have implemented alternative payment models and invested millions of dollars in physician practice transformation. For example, carriers have been key partners for the Colorado Beacon Community, Comprehensive Primary Care and Comprehensive Primary Care +, the Colorado Multi-payer Collaborative, and the State Innovation Model.

o The Colorado Multi-payer Patient-Centered Medical Home Pilot showcased that innovation in payment models can work, resulting in reduced use of the emergency department by approximately 9.3 percent over three years, equating to a reduction in emergency department costs by $3.50 per member per month, a drop of 11.8 percent. For patients with two or more conditions, the reduction was $6.61 per member per month, or 14.5 percent.¹

Additionally, Colorado should aim to incentivize care in the most cost-effective environments that achieve the highest quality outcomes. CAHP supports initiatives that reward hospitals and providers for strong patient outcomes at reasonable prices (often referred to as centers of excellence).

• **Address the sky-rocketing costs of care**
Health insurance premiums are high because the cost for services and pharmaceuticals are high. To reduce the cost drivers in health care we suggest considering a variety of tools that could help the entire health insurance market become more competitive.

For example, consideration of a hospital or provider medical loss ratio/patient care ratio could be an avenue to ensure that there is accountability for the prices charged for services. A reasonable standard could be created and applied that generates savings but still allows hospitals and provider groups to make a reasonable margin. An MLR standard/patient care ratio would create transparency around hospital costs and give consumers additional assurances that their premium dollar pays for the care they received. Also, expanding opportunities for local market initiatives could also bring down the high costs of care in non-competitive markets.

**Goal 2: Increasing competition in the Colorado insurance market**

• **Focus on the individual market**
The individual, small and large group markets have different challenges and therefore need tailored solutions. By focusing on the individual market where the greatest affordability and access issues exist, there is greater potential to achieve the stated goal of access to high quality health care. Affordability and access issues need to be addressed at the individual market level first and foremost, specifically at narrow populations for whom private coverage is unaffordable (i.e. those uninsured or significantly underinsured).

• **Leverage public/private partnerships within existing infrastructure to build on what works**
We strongly believe that leveraging the current health care system is preferable to building new infrastructure to increase competition in the health insurance marketplace. Our members are experts at working across the public and private sectors to design benefits, create high quality provider networks at cost-effective rates, negotiate lower prices with doctors and hospitals, get the best possible price for prescription drugs, cover the most effective technology to help prevent illness, and help people get better when they are sick. We should look at how we can build efficiencies and expertise within the existing health care infrastructure utilizing the plans as a foundation.

For example, carriers already provide numerous tools to increase the availability of price information for health care services and promote its use in consumer decision-making to drive down costs. This expertise is fundamental to any

well-functioning plan. Most insurance providers make price transparency tools available to their enrollees to help them choose cost-effective health care providers and services. Our members use messaging on plan portals, outreach through employers, digital communications, including email, social media, and text messaging, and postal mail to make their enrollees aware of available price transparency tools.

The coverage platforms that the commercial group markets provide are working, are stable, and are serving the vast majority of Colorado’s population. Cost of care remains a very important, yet separate issue, and solutions offered should not destabilize platforms in any way that could jeopardize coverage and therefore care for millions of Coloradoans.

- **Create a standardized plan and allow all carriers to compete**
  To increase competition in the market, we would support a standardized plan by which all insurers can choose to compete on services and price. As an example, a standardized plan could be created via an expansion of catastrophic plans or through a federal waiver to allow more flexibility in terms of benefit design to lower prices for consumers. Again, benefit design is one of the most significant ways to reduce premiums. Such plans would be particularly attractive for the people in the individual market who are struggling to afford insurance without federal subsidies. It would also provide these consumers with more choice in how they pay for their health care. Making it easier for more Coloradans to purchase coverage in the individual market would have the added benefit of making coverage more affordable for everyone by creating a more stable risk pool.

  We strongly caution against the creation of any plan that does not apply the same rules and regulations that are currently applicable to commercial carriers. Rather than increasing competition, it will reduce competition in the Colorado market and drive costs up. A plan that is created outside of the current regulatory framework could have market wide impacts on health insurance membership and risk pool dynamics.

**Goal 3: Improve access to high-quality, affordable and efficient health care**

We think it is important to recognize that the industry closely partnered with stakeholders and the administration on significant pieces of legislation in 2019 that, once implemented, will have positive impacts on premiums for consumers and will help to address access to health insurance. It is important to underline that the market needs to time to adjust to these new rules in order to measure the impact before introducing additional changes that could potentially destabilize working markets. For example:

- **Reinsurance program**
  We are confident that the reinsurance program will address some of the key affordability issues in the individual market. In fact, the Division of Insurance released preliminary rates showing an average decrease of 18.2% from the previous year for individual market premiums.\(^2\) Estimates suggest that the decrease in premiums will also increase enrollment in the individual market by 2.9% in 2020.\(^3\) We should continue to build on the momentum that this program is already showing will have benefits for consumers.

- **Out-of-network legislation**
  CAHP believes that the out-of-network legislation will address some significant drivers of cost in the current system. While it is hard to estimate the full impact on cost, we will know by January 1, 2021 how much this legislation has impacted premiums for consumers.\(^4\)

---

\(^2\) [https://drive.google.com/file/d/1qKmhVilmQrHRA9pypR7vuVaDOLd_vlaU/view](https://drive.google.com/file/d/1qKmhVilmQrHRA9pypR7vuVaDOLd_vlaU/view)

\(^3\) [https://drive.google.com/file/d/1_QTfHnQvakJWeupH7AScekJe3A_jNo5H/view](https://drive.google.com/file/d/1_QTfHnQvakJWeupH7AScekJe3A_jNo5H/view)

\(^4\) [https://leg.colorado.gov/sites/default/files/2019a_1174_signed.pdf](https://leg.colorado.gov/sites/default/files/2019a_1174_signed.pdf)
• **Defining affordability**

We believe that affordability in healthcare means identifying solutions to lower the unit cost of health care, incentivize care that improves health and outcomes for patients, and increases patient access to information about their care to help them make informed decisions. We also believe that any policy on affordability must also address the provider and facility costs to drive long-term affordability across the broader system.

By implementing these market-based solutions, we believe that Coloradoans will have greater access to high quality, affordable, and efficient health care wherever they reside in the state.

CAHP is fully committed to working with the administration, our client employers, and other Colorado stakeholders to achieve the goals of HB19 - 1004. But we fundamentally believe that without addressing the underlying costs of health care there will be no way to achieve these goals. To do that in any meaningful way, we must lower unit costs for health care services and prescription drugs and/or create flexibility for benefit design.

We are eager to work together to make coverage more affordable and are optimistic that you will seriously consider the concepts outlined above.

Sincerely,

Amanda Massey
Executive Director
Colorado Association of Health Plans