



# COLORADO OPTION HEALTH PLAN

## WHAT COLORADO MEDICAL SOCIETY MEMBERS NEED TO KNOW

The proposed Standardized Health Benefit Plan Colorado Option – HB21-1232 (Colorado Option) would create a health insurance option meant to increase equitable access to and availability of health insurance in the Colorado individual and small group markets.

## DETERMINING OUR POSITION

Colorado Medical Society is continuing to engage in the stakeholder process and advocate for physician interests. Our process includes a survey of Colorado's physicians, listening sessions, CMS committee analysis, collaboration with the other physician organizations that comprise the Colorado House of Medicine, a formal recommendation to the CMS Board by the Council on Legislation, and, finally, Board action.



## THE BILL PROPOSES TWO DISTINCT PHASES

### PHASE 1

Carriers that offer plans in Colorado would be encouraged to offer a standardized plan established by the Colorado Division of Insurance (DOI) beginning in 2023. The standardized plan would have premium reduction goals compared to 2021 premium rates: 10% in 2023 and 20% in 2024. For 2025 and beyond, premium increases would be limited to inflation plus 1%.

### PHASE 2

If the premium reduction targets are not met in 2023 and 2024 according to independent actuarial analysis as determined by the insurance commissioner, then a quasi-governmental entity (the Colorado Option Authority) will offer the Colorado Option beginning in 2025. All providers, including physicians and facilities, would be required to participate in the Colorado Option (with a limited exemption process). The Authority would implement a provider reimbursement fee schedule designed to achieve at least a 20% premium reduction in 2025 compared to 2021 premium rates and hold future premium increases to inflation plus 1%.



## IMPACT ON PHYSICIANS

### PHASE 1

- Strict utilization management, more administrative requirements, and contract rate reductions as carriers try to meet premium reduction goals.
- Potential adverse consequences for value-based payments and other quality improvement models.
- Reduced or stagnant investment in physician practice organization, optimization, and integration.
- Practice viability concerns may drive the acquisition of private practices, increasing consolidation and decreasing competition in the marketplace.

### PHASE 2

- More patients in the individual and small group market may be insured.
- Mandatory participation by all physicians (with a prohibition on balance billing), enforced through loss of licensure. Exemptions may be possible through demonstration that fee schedule reduces ability to care for Medicaid, CHP+ or uninsured patients.
- Unclear what “reasonable” fee schedule will be, leading to uncertainty. Physicians may see reimbursement decreases due to fee schedule’s significant premium reduction goals.
- Decreased reimbursement could negatively impact practice viability, further driving consolidation.
- Potential shortfalls from the state-set rates could increase productivity requirements and administrative burdens.
- Potential impacts on alternative payment models and value-based payment reform.



## IMPACT ON PATIENTS & THE HEALTH CARE SYSTEM

### PHASE 1

- Private insurers being encouraged to offer the standardized plan might increase consumers’ choices of health benefit plan.
- Plans would include first-dollar, pre-deductible coverage for high-value services and defined cost-sharing.
- If carriers meet their targets, premiums for the standardized plan would be lower than prior commercial plan rates. Cost shifting to other products would be prohibited.
- Physicians’ clinical decision-making autonomy could be compromised in the drive to cut costs, negatively impacting health care access, quality, and safety.
- Providers are not required to participate, potentially prompting network inadequacies.
- Some health plans may adapt their models. Others may decline to participate, calculating that investing resources for potentially only two years of participation is unwise. Alternately, others may seek to drive profits in Phase 1 with the understanding that they will depart the market in 2025.

### PHASE 2

- Premiums for the Colorado Option would be lower than prior commercial plan rates, benefiting consumers and employers.
- Given the competitive advantage that mandatory participation and rate setting would provide to the state, private carriers would likely be driven out of the market, thereby decreasing competition and choice.
- Similar to the physician impacts above, other health care providers may choose or be forced to leave the state, which may cause quality, workforce and access issues.



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MEDICAL SOCIETY