

COLORADO REINSURANCE PROGRAM ANALYSIS
PREPARED FOR
COLORADO DEPARTMENT OF REGULATORY AGENCIES (DORA)
ADDENDUM- PROGRAM COSTS WITHOUT REFERENCE-BASED PRICING

March 2019

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This addendum revisits the options presented in the March 2019 report and provides results without repricing claims to a percent of Medicare. This additional information is provided, not only in order to compare to the prior analysis, but to provide the State of Colorado with options when establishing their reinsurance program.

These results have been developed using the same methodology as described in the March report, with the exception that claims between the attachment point and the cap are being paid “as-is” and are not being repriced to a percent of Medicare.

These estimates are provided specifically for a program without repricing and are applicable to the 2020 calendar year.

High Level Results of Reinsurance Program without Repricing, Three Tiers				
	Option 1	Option 2	Option 3	Option 4
Attachment Point	\$25,000	\$50,000	\$20,000	\$50,000
Coinsurance, Three Tiers	40%/50%/70%	75%/80%/100%	40%/50%/60%	70%/90%/100%
Reinsurance Cap	\$1,000,000	\$500,000	\$300,000	\$800,000
Repriced to % of Medicare	not repriced	not repriced	not repriced	not repriced
Impact to Statewide Premium	-22.6%	-22.8%	-21.9%	-23.4%
Impact to Individual Market Enrollment	7.5%	6.6%	7.4%	6.8%
Change in Individual Market Enrollment	+12,851	+11,210	+12,526	+11,638
Total Cost of Program	\$278M	\$236M	\$269M	\$246M
Pass Through Funding, Less 5% Margin	\$110M	\$117M	\$108M	\$119M
% of Program Covered by Pass-Through	39.5%	49.7%	40.0%	48.4%
Cost to State	\$168M	\$119M	\$161M	\$127M

**All Changes are relative to projected 2020 Baseline*

The total cost of the program varies, based on the attachment point and cap selected. The cost to the state [Total Cost of Program less Pass-Through funding] is between \$119Million and \$168Million, depending on the options chosen. This is a best-estimate, and results could vary, as described in section 2.3 of the March 2019 report.

The following table shows the results with an adjustment to coinsurance to accommodate the three tiers. The three tiers, outlined in HB19-1168, State Innovation Waiver Reinsurance Program, specify the following:

- For Rating Areas 1, 2, & 3: Reduce claim costs by between 15% and 20%
- For Rating Areas 4, 6, 7, & 8: Reduce claim costs by between 20% and 25%
- For Rating Areas 5 & 9: Reduce claim costs by between 30% and 35%

To accomplish this end, the coinsurance will need to be altered, and the results change slightly. See the table for altered coinsurance parameters that produce the specified level of savings.

Three Tier Results without Repricing				
	Option 1	Option 2	Option 3	Option 4
Attachment Point	\$25,000	\$50,000	\$20,000	\$50,000
Reinsurance Cap	\$1,000,000	\$500,000	\$300,000	\$800,000
Repriced to % of Medicare	none	none	none	none
Adjusted Coinsurance for three tier compliance				
Area 1,2,3 Coinsurance	40%	75%	40%	70%
Area 1, Impact to Claims	-18.4%	-20.6%	-18.0%	-20.5%
Area 2, Impact to Claims	-16.1%	-17.5%	-17.0%	-16.8%
Area 3, Impact to Claims	-18.1%	-20.3%	-18.0%	-20.0%
Area 1,2,3 Combined Impact to Claims	-17.9%	-20.0%	-17.9%	-19.7%
Area 4,6,7,8 Coinsurance	50%	80%	50%	90%
Area 4, Impact to Claims	-23.9%	-24.2%	-24.9%	-26.9%
Area 6, Impact to Claims	-27.9%	-24.2%	-28.7%	-26.2%
Area 7, Impact to Claims	-23.0%	-22.9%	-23.2%	-25.7%
Area 8, Impact to Claims	-21.9%	-17.5%	-24.5%	-19.1%
Area 4,6,7,8 Combined Impact to Claims	-23.9%	-21.8%	-25.4%	-24.0%
Area 5,9 Coinsurance	70%	100%	60%	100%
Area 5, Impact to Claims	-27.2%	-25.4%	-25.8%	-25.5%
Area 9, Impact to Claims	-35.5%	-32.7%	-30.2%	-34.4%
Area 5,9 Combined Impact to Claims	-33.9%	-31.3%	-29.4%	-32.7%
Adjusted Results for three tier compliance				
Impact to Statewide Premium	-22.6%	-22.8%	-21.9%	-23.4%
Impact to Statewide Enrollment	7.5%	6.6%	7.4%	6.8%
Change in Enrollment	+12,851	+11,210	+12,526	+11,638
Total Cost of Program	\$277,798,068	\$236,213,761	\$269,132,712	\$246,418,094
Pass Through Funding, Less 5% Margin	\$109,760,582	\$117,453,518	\$107,782,988	\$119,208,714
% of Program Covered by Pass-Through	39.5%	49.7%	40.0%	48.4%
Cost to State	\$168,037,486	\$118,760,243	\$161,349,724	\$127,209,379

The three tiers of coinsurance are consistent with what was provided in the March 2019 report. There is one instances where the coinsurance levels are not compliant with the requirements of the bill: Option 3, Area 5 and 9. The coinsurance for Areas 5 and 9 would have to be raised to 70% to comply with the requirements.