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COLORADO
Health Insurance
Affordability Enterprise

STUDY OF ENHANCED SUPPORT PAYMENT OPTIONS FOR THE INDIVIDUAL MARKET IN COLORADO IN 2022

Prepared for the Colorado Health Insurance Affordability Enterprise

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1. EXECUTIVE SUMMARY

Access to affordable health insurance coverage is a vital component to attracting a broad base of enrollees and maintaining the stability of the Colorado health insurance markets. The Affordable Care Act (ACA) makes available advance premium tax credits (APTC) and cost sharing reduction (CSR) subsidies to households with incomes between 138% and 400% of the federal poverty level (FPL); however, many of those households still struggle to afford the resulting premiums and cost sharing in some cases. For households with incomes greater than 400% FPL, the ACA does not offer any financial assistance. On March 13, 2021 President Biden signed into law the American Rescue Plan Act (ARPA) which will, among many other things, provide access to significantly expanded premium subsidies in the Individual ACA market in 2021 and 2022. This includes but is not limited to increases in premium subsidies for households with incomes below 400% FPL, including households with incomes below 150% FPL paying no premium for the second lowest cost silver plan (SLCSP), and extending premium subsidies to household with incomes above 400% FPL that do not have access to other minimum essential coverage meeting the definition of affordable.

Given one of the policy objectives associated with introducing a State-sponsored Enhanced Support Payment program is to reduce the number of uninsured through making coverage more affordable, we reviewed and summarized the make-up of the current uninsured population in Colorado. This analysis showed that over half of the non-elderly uninsured population in Colorado is comprised of individuals with household incomes over 400% FPL (29%) or between 200% and 299% FPL (24%). Many of those with household incomes over 400% FPL will become newly eligible for ATPCs under ARPA, as the law sets the Maximum Annual Premium for the SLCSP plan at 8.5% of household income.

This report presents the results of a study commissioned by the Colorado Health Insurance Affordability Enterprise (the HIAE), focused on the possibility of Colorado providing additional financial relief for consumers through either a State premium wrap or a State cost sharing enhancement (collectively State-sponsored Enhanced Support Payments), provided in addition to and coordinated with the premium and cost-sharing subsidies currently provided under the ACA or ARPA, as applicable per the respective modeling scenario. These State-sponsored Enhanced Support Payments would be provided to households that enroll in coverage through Connect for Health Colorado (C4HC), Colorado's official health insurance Marketplace where individuals and families can easily shop for and buy coverage.

In order to meet the State's policy objective of making coverage more affordable for Coloradans that purchase health insurance coverage in the Individual ACA market, a number of State-sponsored Enhanced Support Payment options were identified to model. It is worth noting that our analyses were completed in two phases. In January and early February of 2021, prior to the passage of ARPA, we were asked to model seven No ARPA scenarios that focused on a State premium wrap, designed to reduce premiums for various targeted cohorts of individuals and families. Then in late February and early March 2021 as it became more probable that ARPA was likely to be enacted into law, we were asked to model additional State-sponsored Enhanced Support Payment options. Once ARPA did become law, the scenarios without ARPA were no longer considered, however they were included in this report as they may be useful to inform future HIAE payment support decisions (i.e., since the enhanced APTCs under ARPA are only in effect for 2021-2022).

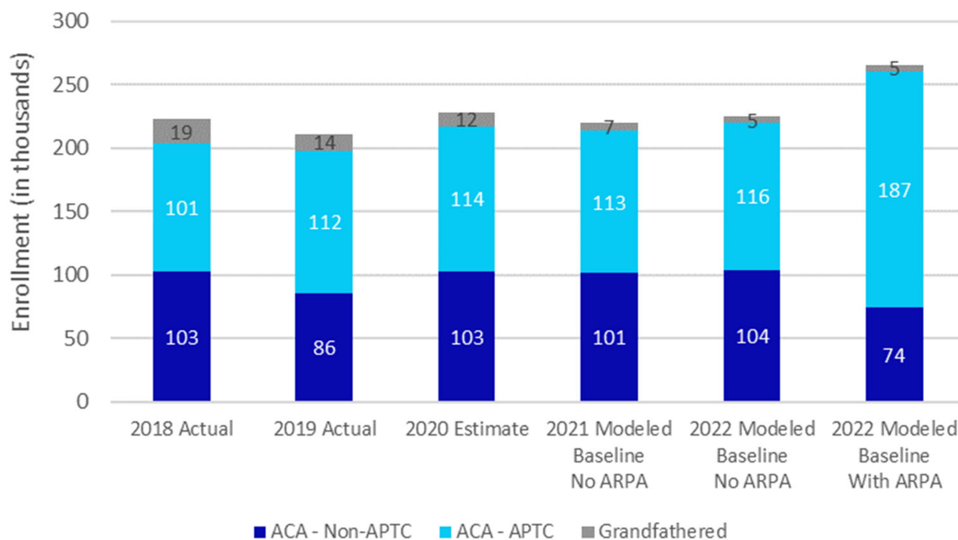
To perform our analyses, we utilized Oliver Wyman's Healthcare Reform Microsimulation Model (HRM Model), a leading-edge tool for analyzing the impact of various policy changes on health insurance markets. We relied on a number of data sources that are described in detail in the report, including a

data call issued to health insurance carriers offering coverage in Colorado's Individual ACA market for plan years 2019 and 2020. This data allowed us to calibrate the HRM Model such that it replicates the purchasing behavior of Coloradans and replicates the number of individuals that are known to have enrolled in each market in the recent past, including the capture of variation in price sensitivity by age, income, and health status.

In order to assess the expected cost and projected increase in enrollment if State-sponsored Enhanced Support Payments were introduced in the Individual ACA market, baseline projections for 2022 absent any State-sponsored Enhanced Support Payments were required. In developing the projected 2022 baseline membership, we assumed that CSRs will continue to not be funded by the federal government and that carriers continue to include a load in the premium rates for silver plans offered through the Exchange as a result, and that Colorado's state reinsurance program will continue. We first modeled the expected enrollment by estimating 2022 premium levels using 2021 premium levels, information from carrier rate filings, and other known changes between 2021 and 2022, excluding the enhanced premium subsidies made available under ARPA (i.e., the "No ARPA" scenario). We also modeled the expected enrollment in 2022 when replacing the applicable percentages outlined in the ACA with those outlined in ARPA (i.e., the "With ARPA" scenario).

Chart 1.1 presents actual enrollment in Colorado's Individual ACA market in 2018 through 2020,[1] and the projected baseline enrollment in 2021 and 2022, split between members in households receiving APTCs and households not receiving APTCs; enrollment in grandfathered plans is also shown separately. The 2022 baselines assume no change in the reinsurance program relative to 2021 beyond updates to the reinsurance parameters (i.e., in line with trend such that the impact of the program on premium rates is unchanged).

Chart 1.1
Baseline Individual ACA Market Enrollment by Year



[1] 2020 enrollment is considered an estimate at this time as the final reports typically relied on for the actual enrollment have not been finalized or released as of the writing of this report.

Table 1.1 summarizes the general structure for each of the twelve State-sponsored Enhanced Support Payment options that were modeled.

Table 1.1
State Subsidy Scenarios Modeled

Subsidy Scenario	ARPA Subsidies	Subsidy Structure	Eligible Population	2022 Target State Spending
NA138-200	No	Fixed dollar subsidy per premium paying member	Households with incomes between 138 - 200% FPL	$20 Million
NA138-300	No	Fixed dollar subsidy per premium paying member	Households incomes between 138 - 300% FPL	$20 Million
NA138-400	No	Fixed dollar subsidy per premium paying member	Households with incomes between 138 - 400% FPL	$20 Million
NA200-250	No	Fixed dollar subsidy per premium paying member	Households with incomes between 200 - 250% FPL	$20 Million
NA250-300	No	Fixed dollar subsidy per premium paying member	Households with incomes between 250 - 300% FPL	$20 Million
NA200-300	No	Fixed dollar subsidy per premium paying member	Households with incomes between 200 - 300% FPL	$20 Million
NA300-400	No	Fixed dollar subsidy per premium paying member	Households with incomes between 300 - 400% FPL	$20 Million
WA-P150-200	Yes	Fixed dollar subsidy per premium paying member	Households with incomes between 150 - 200% FPL	$19 Million
WA-P200-250	Yes	Fixed dollar subsidy per premium paying member	Households with incomes between 200 - 250% FPL	$19 Million
WA-CS0-150	Yes	Cost sharing enhancement equal to a 98% CSR plan	Households with incomes below 150% FPL that are eligible for APTCs	N/A[1]
WA-CS150-200	Yes	Cost sharing enhancement equal to a 94% CSR plan	Households with incomes between 150 - 200% FPL	N/A[1]
WA-CS200-250	Yes	Cost sharing enhancement equal to an 87% CSR plan	Households with incomes between 200 - 250% FPL	N/A[1]

[1]Given the State's decision to target enhanced actuarial values consistent with current CSR plan options and to make plans available to income cohorts that aligned with current CSR eligibility levels under the ACA, a spending target was not established and instead the expected cost to the State was an output of the modeling.

In selecting the State-sponsored Enhanced Support Payment options to model, consideration was given to modeling options that provide additional cost relief for households at lower income levels, supplementing premium or cost sharing subsidies already provided by the federal government. Several items were highlighted for consideration when comparing a State premium wrap and a State cost sharing enhancement, including but not limited to:

- Subsidies that reduce premiums were selected for the initial modeling because they provide a benefit to all households that have incomes at levels that make them eligible, whereas subsidies that reduce cost sharing enhancements are typically viewed as most valuable to those individuals with health conditions that could lead to claims but less valuable to individuals in good health with low or no expected claims, though all enrollees face some risk of an unexpected and expensive health problem.
- Cost sharing enhancements have a different set of advantages, particularly for people who may not have the savings to cover an unexpected and expensive health problem. Because there are greater disparities in family wealth than family income, some advocates argue that reduced cost sharing is an important focus for health equity.
- The enhanced federal premium subsidies introduced by ARPA strengthen the case for states to address cost sharing enhancements to improve overall net affordability for consumers. Offering State cost sharing enhancements alongside the enhanced premium subsidies made available under ARPA reduces two access barriers simultaneously, making premiums more affordable and making it easier to use coverage once enrolled.

Table 1.2 provides the results for each of the seven No ARPA scenarios modeled, and the results for each of the five With ARPA scenarios that were modeled are presented in Table 1.3 (State premium wrap) and Table 1.4 (State cost sharing enhancement). The results for each scenario represent a point estimate based on our best estimate assumptions. However, we note that actual results will vary from these estimates, and the variance could be significant. This is particularly true when modeling premium changes of the magnitude that will be present under ARPA where there is no historical experience available that can be used to determine the price elasticity of various income cohorts when presented with such extreme changes in price.

There are several additional key assumptions that underlie the modeling that was performed. These are described in detail in the report but consist primarily of the following: the individual mandate penalty will remain at $0, not all uninsured individuals evaluate coverage each year, no significant changes in market dynamics will occur (e.g., no changes to current law or the competitive landscape beyond ARPA where included in the scenario, no significant carrier entries or exits), and no significant changes in employers' decisions to offer coverage to their employees in 2022 are assumed as a result of ARPA, relative to current offer rates.

Table 1.2
State Premium Wrap Scenarios – No ARPA

	NA138-200	NA138-300	NA138-400	NA200-250	NA250-300	NA200-300	NA300-400
Estimated 2022 Baseline Enrollees (Target Cohort)	37,043	80,851	108,315	22,818	20,990	43,807	27,464
Estimated New Enrollees	1,450	273	710	6,267	4,066	1,992	2,453
Estimated Enrollment Change (Target Cohort)	3.9%	0.3%	0.7%	27.5%	19.4%	4.5%	8.9%
Estimated Total Enrollment **Baseline = 217,457**	218,907	217,730	218,167	223,724	221,523	219,449	219,910
Modeled State Premium Wrap PMPM	$42	$21	$16	$72	$74	$41	$61
Average State Premium Wrap PMPM	$41	$20	$15	$57	$66	$36	$54
Avg. Member Paid Premium PMPM **Without** State Premium Wrap (Target Cohort)	$100	$117	$156	$116	$149	$132	$272
Avg. Member Paid Premium PMPM **With** State Premium Wrap (Target Cohort)	$58	$97	$142	$67	$90	$98	$221
Estimated Reduction in Member Paid Premium	-42%	-17%	-9%	-42%	-40%	-25%	-19%
Estimated State Cost ($ millions)	$19.1	$19.3	$19.5	$20.0	$19.8	$19.7	$19.3

In the scenarios that were modeled, the number of new enrollees expected to take up coverage due to the presence of a State premium wrap in the absence of ARPA ranges from 273 to 6,267, with the highest take up in scenarios focused on the 200% to 250% FPL and 250% to 300% FPL cohorts.[2] This is not surprising given that roughly 25% of all uninsured individuals in the State are estimated to have incomes in this range, and the State premium wrap per member per month (PMPM) is highest in these scenarios. In general, larger State premium wrap amounts are able to be offered in those scenarios with fewer current enrollees as a smaller portion of the $20M targeted State budget would be spent on making coverage more affordable for those already in the Individual ACA market.

Table 1.3 provides the modeling results for each of the three With ARPA scenarios focused on providing a State cost sharing enhancement. For each scenario, the cost sharing for households in the applicable income range would be reduced from levels associated with the CSR plan that the household would be eligible to enroll in under the ACA to the level shown in the first row of Table 1.3. As an example, for scenario WA-CS0-150, the cost sharing requirements for all households with incomes of 150% FPL or less would be reduced from those under the 94 CSR plan (the plan the household would be eligible to enroll in under the ACA) to that of a plan with a 98% actuarial value (i.e., one where the enrollee cost sharing is, on average, equal to 2% of allowed claims), assuming they enroll in a silver CSR plan.

[2] It is important to note that the size of the income ranges is not the same for all seven scenarios modeled.

Table 1.3
State Cost Sharing Enhancement Scenarios – With ARPA

Target Cohort[1]	**WA-CS0-150**	**WA-CS150-200**	**WA-CS200-250**
Cost Sharing Enhancement Modeled	Increase from 94% to 98%	Increase from 87% to 94%	Increase from 73% to 87%
Estimated 2022 Baseline Enrollees (Targeted Cohort) – No ARPA	20,953	29,013	22,208
Estimated 2022 Baseline Enrollees (Targeted Cohort) – With ARPA	25,486	36,893	33,267
Estimated New Enrollees (Targeted Cohort) – With ARPA and Cost Sharing Enhancement	921	14,074	13,662
Estimated Total Enrollees (Targeted Cohort) – With ARPA and Cost Sharing Enhancement	26,407	50,967	46,929
Estimated Enrollment Change (Targeted Cohort)	3.6%	38.1%	41.1%
Estimated 2022 Total Market Enrollment with ARPA and Cost Sharing Enhancement (**Baseline with ARPA = 260,624)**	261,568	274,543	274,603
Estimated 2022 Enrollment in CSR plan (Targeted Cohort)	19,829	50,293	38,718
Estimated 2022 Average Cost of Cost Sharing Enhancement per CSR Enrollee per Month	$27	$42	$57
Estimated 2022 State Cost ($ millions)	$6.3M	$25.5M	$26.4M

[1] The targeted cohorts include all ACA enrollees within the specified FPL range, including those not expected to enroll in a CSR plan

Baseline enrollment expected in 2022 is also presented in Table 1.3 for the income cohorts targeted, both with and without ARPA, and shows that the generosity of the enhanced premium subsidies under ARPA alone are expected to draw an additional 5,000 to 11,000 enrollees into the market, depending upon the income cohort. In addition, another 14,000 enrollees are expected to enroll as a result of the modeled State cost sharing enhancement provided to households with incomes between 150% to 200% FPL (scenario WA-CS150-200) or incomes between 200% to 250% FPL (scenario WA-CS200-250). The total enrollment expected in the Individual ACA market under these two scenarios is essentially identical (274,543 vs. 274,603) with estimated annual costs to the State of $25.5M and $26.4M, respectively. The estimated annual cost to the State to provide the proposed cost sharing enhancement to enrollees with incomes of 150% FPL or less is much lower at $6.3M, largely due to a lower volume of projected enrollment relative to the other scenarios modeled, and a lower portion of member cost sharing being covered by the State (i.e., an increase of 4% in actuarial value from 94% to 98%, vs. 7% and 14% changes in actuarial value under the scenarios focused on the 150% to 200% FPL and 200% to 250% FPL cohorts, respectively).[3]

In addition to the With ARPA scenarios focused on State cost sharing enhancements, two With ARPA scenarios focused on a State premium wrap were modeled and the results are shown in Table 1.4. These scenarios were intended to target a cost to the State of roughly $19M and target income ranges of 150% to 200% FPL and 200% to 250% FPL, however the Maximum Monthly Premium for households with incomes between 150% and 200% FPL are reduced so significantly under ARPA alone that the targeted $19M cannot be fully spent; in fact only about $14 PMPM on average can be spent before reducing the household premium to $0 for all current enrollees and expected new enrollees in this income range

[3] Those in this income range eligible to enroll in subsidized Individual ACA coverage consist of US citizens with incomes between 138% and 150% FPL due to Colorado's expansion of Medicaid eligibility and legal residents not eligible for Medicaid with incomes below 150% FPL.

(both new enrollees modeled to take up coverage as a result of the enhanced premium subsidies under ARPA alone and the additional new enrollees expected to take up coverage as a result of the enhanced premium subsidies under ARPA plus the additional State premium wrap). Therefore, reducing the premium to $0 for all households in this income range is only expected to require $8.8M of State spending. Table 1.4 also demonstrates that the two State premium wrap scenarios modeled are expected to make available a similar premium wrap on a PMPM basis and attract roughly the same percentage of new enrollees.

Table 1.4
State Premium Wrap Scenarios – With ARPA

	WA-P150-200	WA-P200-250
Estimated 2022 Baseline Enrollees (Targeted Cohort) – No ARPA	29,013	22,208
Estimated 2022 Baseline Enrollees (Targeted Cohort) – With ARPA	36,893	33,267
Estimated New Enrollees (Targeted Cohort) – With ARPA and State Premium Wrap	15,227	13,524
Estimated 2022 Enrollees (Targeted Cohort) – With ARPA and State Premium Wrap	52,120	46,792
Enrollment Change (Targeted Cohort)	41.3%	40.7%
Estimated Total Market Enrollment with ARPA and State Premium Wrap **(Baseline with ARP = 260,624)**	275,855	274,399
Proposed State Premium Wrap PMPM	$50	$47
Avg. Effective State Premium Wrap PMPM	$14	$33
2022 Avg. Member Paid Premium PMPM **Without** ARPA or State Premium Wrap (Targeted Cohort)	$117	$96
2022 Avg. Member Paid Premium PMPM **With** ARPA but **Without** State Premium Wrap (Targeted Cohort)	$16	$38
2022 Avg. Member Paid Premium PMPM **With** ARPA and State Premium Wrap (Target Cohort)	$0	$31
Estimated Reduction in Avg. Member Paid Premium Due to State Premium Wrap	100%	18%
Estimated 2022 State Cost ($ millions)	$8.8M	$18.8M

[1] The 2022 Average Member Paid Premium PMPM **With** ARPA and State Premium Wrap is not equal to the 2022 Average Member Paid Premium **With** ARPA but **Without** State Premium Wrap less the Average Effective State Premium Wrap PMPM due to changes in the mix of enrollment under the baseline and scenario.

Several policy and operational considerations informed the process for developing the State-sponsored Enhanced Support Payment options to model, and provided context to the Board in its deliberations of recommendations to the Insurance Commissioner on key policy and budgeting issues. Within the income-based framework, the Board specifically evaluated opportunities to direct the State-sponsored Enhanced Support Payments to address health equity, including targeting the non-white population and Coloradans living in rural areas.

The Board ultimately chose to recommend a State cost sharing enhancement as a complement to the enhanced premium subsidies made available under ARPA and other federal financial assistance. The

Board saw value in enhancing CSRs to encourage more Coloradans to enroll in health insurance and to help people actually use the insurance they purchase.[4] The Board's decision was influenced by a variety of factors. Although the Board initially recommended to study premium wraps, when ARPA passed in March 2021 the Board took note of the fact that the enhanced premium subsidies under ARPA are significantly more robust than the initially proposed State premium wraps. As a result, the Board altered its evaluation when it revisited its earlier choice and considered five new With ARPA State-sponsored Enhanced Support Payment scenarios, including options focused on a State cost sharing enhancement.

Under the State cost sharing enhancement recommended by the Board, the Division of Insurance (the Division) would make carrier-specific fixed PMPM payments to carriers offering coverage through C4HC to compensate them for their anticipated cost difference between the cost of the 94% AV plan variant and the cost of the 87% AV plan variant that would have otherwise been paid for households with incomes between 150% and 200% FPL. It will be important for the Division to thoroughly review the assumptions that underlie each carrier's calculation of their anticipated cost difference between the two plan options as part of their annual rate filing(s) to ensure the fixed PMPM payments are actuarially supported.

It is important to note that while raising the AV level will benefit households with incomes that fall in the specified level targeted it will also create a subsidy cliff for those with incomes just over the high end of the targeted range; however, the Board was mindful of the reality that such subsidy cliffs already exist throughout the ACA subsidy structure. Smoothing income-based cliffs may be an important opportunity for future state and federal action.

[4] https://drive.google.com/drive/folders/1wg1vmrBf_CrQQ1W0tTMGmtDcXu6RytxW

2. INTRODUCTION

Access to affordable health insurance coverage is a vital component to attracting a broad base of individuals and maintaining the stability of the Colorado health insurance markets. Given Colorado has elected to expand Medicaid, the Affordable Care Act (ACA) provides advance premium tax credits (APTCs) for households in Colorado with incomes between 138% and 400% of the federal poverty level (FPL), and requires carriers to offer plans with reduced cost sharing and out-of-pocket maximums for individuals and families that are eligible for an APTC and have household incomes at or below 250% FPL.[5]

Even so, many households still struggle to afford the resulting premiums and cost sharing. This is evidenced by the fact that in 2019, roughly 144,000 non-elderly Coloradans were eligible for APTCs but remained uninsured.[6] Additionally, the ACA does not provide any financial relief to households with incomes above 400% FPL.[7] Further, even though households with incomes below 400% FPL are technically eligible for APTCs, not all households actually receive a subsidy, in particular those at younger ages and incomes closer to 400% FPL; those who do receive APTCs still struggle to afford the resulting premiums in many cases.

As a result, the State of Colorado (the State) engaged Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman), with policy support from Manatt Health Strategies (Manatt), to assist the Colorado Health Insurance Affordability Enterprise (HIAE) in exploring policy options aimed at further increasing the affordability of health coverage in the Individual ACA market in Colorado in calendar year 2022 for consumers who are currently eligible for federal financial assistance. These State-sponsored Enhanced Support Payment options would be provided to eligible households that enroll in Individual ACA coverage through Connect for Health Colorado (C4HC), Colorado's official health insurance Marketplace where individuals and families can easily shop for and buy coverage.

Preliminary modeling was performed prior to passage of the American Rescue Plan Act (ARPA), and therefore considered premium and cost sharing subsidies available under the ACA. Additional modeling was completed after the passage of ARPA, taking into consideration the enhanced premium subsidies that will be available for calendar year 2022 under said law. This report presents the results of a study focused on the possibility of Colorado providing additional financial relief for consumers through either a State premium wrap or State cost sharing enhancement (collectively State-Sponsored Enhanced Support Payments) that is offered in addition to and coordinates with those subsidies provided under the ACA or ARPA, as applicable per the respective modeling scenario.

In addition, this report includes:

- An overview of the current Individual ACA market in Colorado,

[5] APTCs and reduced cost sharing are only made available to households that do not have access to other minimum essential coverage that meets the affordability definition. Further, lawfully present immigrants with household incomes below these levels who are not otherwise eligible for Medicaid are eligible for APTCs and reduced cost sharing if they meet all other eligibility requirements. Funding of cost sharing reductions through payments to carriers were discontinued after October 2017, however carriers are still required to offer these reduced levels of cost sharing to consumers.

[6] https://www.coloradohealthinstitute.org/research/eligible-not-enrolled-2019

[7] Recent passage of the American Rescue Plan Act temporarily expands the availability of APTCs to households with incomes above 400% FPL for calendar years 2021 and 2022.

- An overview of the premium subsidies available under both the ACA and ARPA,
- Sensitivity testing around the State's potential cost for the State-sponsored Enhanced Support Payment modeled given the significant uncertainty that exists when modeling premium changes of the magnitude that will be present under ARPA, particularly where there is no historical experience available that can be used to determine the price elasticity of various income cohorts when presented with such extreme changes in price, and
- A discussion of policy considerations the State may be faced with when selecting and implementing one or more of the State-sponsored Enhanced Support Payment options being considered

It is important to note that Oliver Wyman is not engaged in the practice of law and this report, which may include commentary on legal issues and regulations, does not constitute, nor is it a substitute for, legal advice. Accordingly, Oliver Wyman recommends that the HIAE secure the advice of competent legal counsel with respect to any legal matters related to this report or otherwise.

This report is intended to be read and used as a whole and not in parts. Separation or alteration of any section or page from the main body of this report is expressly forbidden and invalidates this report.

3. DATA SOURCES AND OLIVER WYMAN'S HEALTHCARE REFORM MICROSIMULATION MODEL

In this section we provide an overview of Oliver Wyman's Healthcare Reform Microsimulation Model (HRM Model) and a discussion of the various data sources that we relied on for our analyses. The HRM Model is a leading-edge tool for analyzing the impact of various healthcare reforms and proposed legislation or regulatory changes. Economic modeling that captures the flow of individuals across various markets based on their economic purchasing decisions is integrated with actuarial modeling designed to assess the impact various reforms are anticipated to have on the health insurance markets.

Built on the economic principles of utility maximization and a revealed preference approach, the model can be calibrated such that it replicates the number of individuals and make-up of the specific geography and market(s) for which it is used based on actual premium, claims, plan selection, and enrollee information, including demographic and socioeconomic information at granular levels. This is achieved by adjusting the various parameters of the HRM Model's utility function until the model projects enrollment that is consistent with the key characteristics of the actual market enrollment for each year (e.g., by age range, household income range, etc.). Inherent in this calibration is the capture of variation in price sensitivity by age, income, and health status, which is powerful when assessing how consumer behavior is expected to change in reaction to changes in premium and/or cost sharing requirements.

Several key assumptions underlie the HRM Model. These include but are not limited to the following:

- Purchasing decisions are modeled as a function of age, income, health status, premiums (net of any subsidies), and out of pockets costs
- Decisions are made at the household insurance unit (HIU) level
- Information is assumed to be made available in real-time and understood by the HIU
- Marketing by C4HC is consistent from year to year
- A HIU's decision to enroll in Individual ACA coverage is based on the Bronze, Silver, or Gold plan available in each Rating Area that provides the greatest economic value
    - Both on-Exchange and off-Exchange plans, if available in the market, are made available to each HIU, with APTCs applied to the on-Exchange plans where appropriate based on the HIU's income and access to employer-sponsored coverage that meets the definition of affordability
- Individuals behave rationally (i.e., they make decisions that maximize their economic utility)
    - The model does allow for some "irrational" behavior, including the principle of "inertia" in peoples' decision making (e.g., HIUs are unlikely to make significant changes in their situation for relatively small changes in economic utility)
- Not all uninsured individuals shop for coverage each year; the percentage that do shop is determined through the calibration process based on historical experience (i.e., solving for a given cohort's propensity to evaluate coverage by adjusting the assumption such that the model projects enrollment that is consistent with the key characteristics of actual market enrollment)
- Not all insured individuals consider coverage at other metal levels or in other lines of business each year; the percentage that do shop is determined through the calibration process based on historical experience

A description of the State subsidy scenarios that were modeled using the HRM Model, and a summary of the modeling results, are presented in subsequent sections of this report. The results reflect point estimates of the expected cost and enrollment associated with State-sponsored Enhanced Support Payments in 2022, and the point estimates represent our best estimate based on the information made available for the analysis. There is significant uncertainty with respect to future enrollment and premiums in the health insurance markets, and actual experience will differ from that which is being modeled in this analysis. This is particularly important to note for those scenarios where the enhanced premium subsidies made available under ARPA are assumed to be in place, given the magnitude of the premium subsidies that will be present and the lack of historical experience that can be used to determine the price elasticity under such extreme changes in price.

In completing our analysis, we reviewed information from a variety of sources. The primary basis for developing the Colorado population that underlies the HRM Model is data from the American Community Survey (ACS). The ACS data provides detailed information for each individual in a surveyed household unit, including demographic, socioeconomic, geographic, and employment information. The data also provides information regarding health insurance coverage type(s) held by each individual within the household unit. The ACS data was supplemented and synthesized with several other data sources, including but not limited to information from a carrier data call that was conducted and enrollment information from C4HC.

In December of 2021, the Colorado Division of Insurance (the Division) issued a data call to health insurance carriers offering coverage in Colorado's Individual ACA market for the 2019 and 2020 plan years in order to collect detailed information for that market that could aid in calibrating the HRM Model to the Colorado Individual ACA market. The data that was requested included detailed premium, claims, and enrollment information from January 2019 through October 2020. To further supplement this data, we received membership information from C4HC for the Individual ACA market, by income range for those eligible for APTCs, as of March 2021. While the C4HC information does not provide a complete picture of the entire Colorado Individual ACA market as it only represents those individuals electing to purchase coverage through C4HC, it does provide a complete and updated view of the subsidized portion of the market.

These data were further augmented with information from a number of other sources, including but not limited to:

- 2018 and 2019 statutory financial statements submitted by carriers in Colorado's health insurance markets
- 2019 medical loss ratio (MLR) data
- 2018, 2019, and 2020 Marketplace enrollment public use files and effectuated enrollment reports
- 2019 and 2020 Open Enrollment snapshot reports
- U.S. Census Bureau data
- 2018 and 2019 summary reports on risk adjustment transfers
- Characteristics of the uninsured population in Colorado from the Kaiser Family Foundation
- National CPI and CMS Personal Health Care Price Index projections
- 2019, 2020, and 2021 rate filing information (e.g., Unified Rate Review Template data)
- 2019, 2020, and 2021 premium rates from the Robert Wood Johnson Foundation
- 2021 premium rates from the carrier Rate Table Templates

These additional data sources were utilized to determine the overall average annual enrollment volumes in the Individual ACA market for each of 2019 and 2020 to augment and validate the carrier data that was provided (e.g., average premiums PMPM).

Health status was assigned to various sub-populations within the HRM Model based on a statistical analysis of self-reported health status data by coverage type, obtained from the Current Population Survey (CPS). The CPS data provides the starting assumptions for the population morbidity, because the data includes a self-reported health status indicator as well as fields classifying income, age, gender, geography, coverage type, and other categories. Respondents to the survey classify their health into one of five categories: excellent, very good, good, fair, and poor. The model reflects these classifications numerically by assigning a morbidity load to each category.

Information from the Agency for Health Care Research and Quality's Medical Expenditure Panel Survey (MEPS) data was used to simulate the availability of coverage in Colorado's employer-based market. MEPS identifies key statistics for the employer-based market for every state by group size, including employer offer rates, employee take-up rates, and self-funding rates among employers. Individuals in the ACS data identified as working for private employers were categorized into employer group size segments (e.g., small employer groups) based on the distribution of employees by group size according to MEPS. Additionally, the MEPS data was used to determine the number of individuals enrolled in self-funded plans to estimate the total size of the employer-based market. MEPS data was further used to inform our estimates of employer offer rates and self-funding rates.

The HRM Model assumes a "steady" state population beyond 2021. This means the overall distribution by income, health status, employer size, and family composition of the population being modeled is not expected to change significantly. This also means the HRM Model output assumes there will be no significant carrier entries or exits, and there will be no significant legislative changes at the State or federal level that would impact the insurance markets (except in those scenarios modeled that include the temporary impact of ARPA).

Average claim costs were calibrated and adjusted on an overall basis using information provided in the carrier data call, statutory financial statements, and from other public data sources. For 2021 and 2022, claim costs within the HRM Model were trended forward assuming an average annual claims trend rate equal to 7.0%. This assumption was informed by our review of information from carrier rate filings for 2021 that were made available to us by the Division. Actual lowest-cost premium rates for Colorado's Individual ACA market in 2019, 2020, and 2021 were utilized within the HRM Model; premium rates for 2022 were projected by increasing 2021 premium rates by 7.0%.[8]

Member cost sharing and incurred claims were calculated by the HRM Model, with the assumed annual limitation on cost sharing indexed for inflation each year according to federal regulations using the most recent projections based on National Health Expenditure Data (NHED), as published by the Centers for Medicare and Medicaid Services (CMS).

[8] Please note that in scenarios that reflect ARPA being enacted the 2022 premium rates were further adjusted as described later in this report.

Federal APTCs for eligible Individual ACA market enrollees were assumed to change each year based on premium changes associated with the second lowest cost silver plan available in each Rating Area and changes in the Applicable Percentage Tables. The Applicable Percentage Tables absent ARPA, while known for 2019 through 2021, were estimated for 2022. In those scenarios where ARPA is assumed to be in place, the applicable percentages outlined in that law were applied when determining APTCs for 2022.

Additional key assumptions that were incorporated into the HRM Model include the following:

- Cost sharing reduction (CSR) subsidies will continue to be unfunded by the federal government and carriers will continue to load premiums for their silver plans by an amount equal to the lost CSR payments,
- The state-based reinsurance program will continue in 2022 with no changes beyond parameter updates (i.e., in line with trend),
- The individual mandate penalty will remain at $0,
- Carrier plan and network offerings will be similar to those available to consumers in 2021,
- Carrier pricing assumptions, such as for trend, will be similar to those used in 2021,
- There will be no significant carrier entries or exits,
- There will be no additional significant legislative changes at either the State or federal level beyond ARPA, including legislation that would potentially make the enhanced premium subsidies available under ARPA permanent, and
- Given the temporary nature of the enhanced premium subsidies made available under ARPA:
  - Modeling reflects coverage take up rates that may be expected in the Individual ACA market only during 2022[9]
  - No significant changes in employers' decisions to offer coverage to their employees in 2022 are assumed, relative to current offer rates[10]

[9] Take-up rates modeled may differ significantly from other studies that consider the potential longer term impact of ARPA if it were to become a permanent program

[10] If significant changes were to occur our estimates of the State's cost would likely be understated, potentially by a substantial margin

4. BACKGROUND AND KEY MODELING CONSIDERATIONS

4.1. Federal Premium and Cost Sharing Subsidies

As previously noted, the ACA provides premium subsidies to households in Colorado with household incomes between 138% and 400% FPL, and requires carriers to offer reduced cost sharing and out-of-pocket maximums for individuals and families that are eligible for APTCs and have household incomes at or below 250% FPL. In order for eligible households to access these subsidies, they must enroll in a plan through the Exchange; further, they must enroll in silver level coverage in order to receive the benefit of CSR subsidies.

The level of premium subsidies that an eligible household receives is based on a sliding scale, with greater amounts available to those with lower household incomes. In determining the APTC that an eligible individual or family will receive, household incomes at or below 400% FPL are first assigned an Applicable Percentage of household income which, when multiplied times the annual household income, represents the Maximum Annual Premium the household is required to pay if enrolled in the silver level plan with the second lowest cost premium among all silver level plans available to the household, commonly referred to as the second lowest cost silver premium (SLCSP) plan. Within a given state, note that the Maximum Annual Premium does not vary based on the age(s) of the individual or family members, or by Rating Area, only household income and family size.

The APTC is then calculated as the difference between the premium attributable to essential health benefits (EHBs) associated with the SLCSP plan specific to the age(s) of the individual or family members, and the Maximum Annual Premium. Therefore, while older individuals or families will have the same Maximum Annual Premium as a younger individual or family with the same household income, the older individual or family will be eligible for a larger APTC due to having a higher premium associated with the SLCSP plan. If a household that is eligible for APTCs wishes to enroll in a plan other than the SLCSP plan, they may apply their APTC toward reducing the premium of the plan they enroll in, capped such that the resulting premium rate attributable to EHBs can be no less than $0.

The Applicable Percentages that would have applied in the absence of ARPA are updated and published by the IRS each year but have not yet been published for 2022. Therefore, as previously noted, we estimated these amounts.

On March 13, 2021 President Biden signed into law ARPA which, among many other things, provides temporary access to significantly expanded premium subsidies in the Individual ACA market in 2021 and 2022. Some of the key provisions of ARPA relevant to the Individual ACA market include but are not limited to:

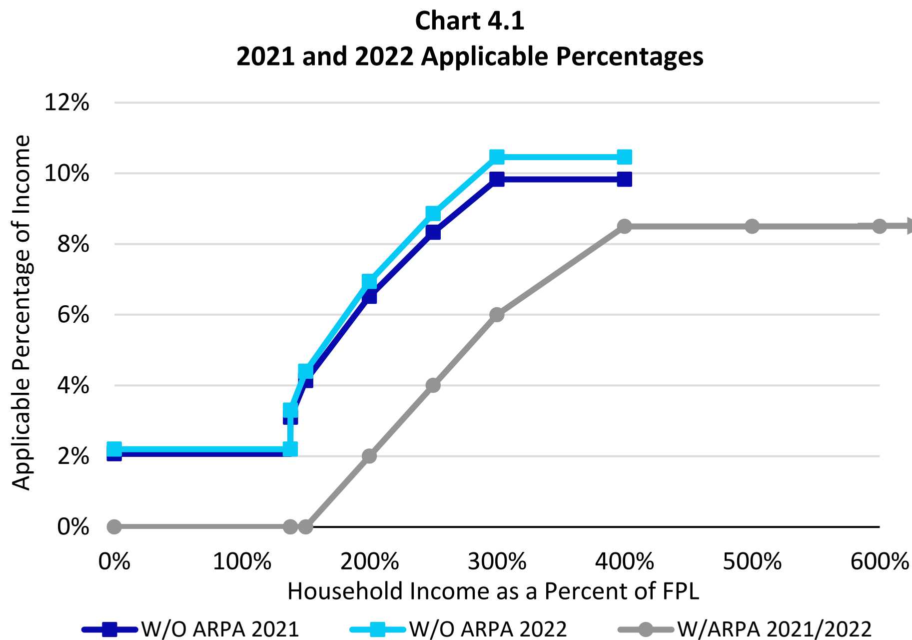
- Increasing premium subsidies for households with incomes below 400% FPL in 2021 and 2022, with those whose income is 150% FPL or less paying no premiums for the SLCSP plan,
- Extending premium subsidies to households with incomes above 400% FPL that do not currently qualify for APTCs and do not have access to other minimum essential coverage meeting the definition of affordable, by setting the Maximum Annual Premium for the SLCSP plan to 8.5% of household income, temporarily eliminating the “subsidy cliff” for many of these households,
- Extending subsidy eligibility in 2021 to those who have received, or have been approved to receive unemployment compensation by treating their income for the year as no higher than 138% FPL,

thus providing maximal premium subsidies, including access to benefit plans at the 94 CSR level with no premium required,[11]

- Preventing taxpayers from having to repay excess premium tax credits through their federal tax returns for 2020, and
- Subsidizing COBRA premiums through September 2021.

Chart 4.1 demonstrates graphically the Applicable Percentages for calendar years 2021 and 2022, both without and with ARPA in place.

Chart 4.1
2021 and 2022 Applicable Percentages



To help provide an understanding of the maximum monthly premium that households at different income levels must pay for the SLCSP plan, Table 4.1 presents the household income that would be earned by a household at different family sizes and FPL levels in 2021, for reference, while Table 4.2 presents the maximum monthly premium households of size one and size four would be required to pay for the SLCSP plan in 2021 and 2022, both without and with ARPA. [12] Incomes above 400% FPL are not shown in Table 4.2 as their maximum monthly premium absent ARPA would be equal to the full premium rate for the SLCSP plan applicable to the household, and therefore vary based on both the

[11] Our calendar year 2022 modeling does not consider the impact of any individuals that may enter the market in 2021 as a result of this benefit and renew coverage in 2022, that would not otherwise be expected to enroll in coverage in 2022 (i.e., absent this benefit in 2021).

[12] Per statute, prior year FPL guidelines are used to determine premium subsidies for a given benefit year since FPL guidelines for a given benefit year are not made available until after the open enrollment period. Therefore, 2020 FPL guidelines are used to determine eligibility for APTCs and CSRs for the 2021 plan year, and 2021 FPL guidelines are used to determine eligibility for APTCs and CSRs for the 2022 plan year.

age(s) of the family members and Rating Area. Please see Appendix A for expanded examples that include incomes above 400% FPL for Rating Area 3 and Rating Area 8.[13]

Table 4.1
Household Income by 2021 FPL Levels and Family Size

Family Size	138%	150%	200%	250%	300%	350%	400%	500%	600%
1	$17,774	$19,320	$25,760	$32,200	$38,640	$45,080	$51,520	$64,400	$77,280
2	$24,040	$26,130	$34,840	$43,550	$52,260	$60,970	$69,680	$87,100	$104,520
3	$30,305	$32,940	$43,920	$54,900	$65,880	$76,860	$87,840	$109,800	$131,760
4	$36,570	$39,750	$53,000	$66,250	$79,500	$92,750	$106,000	$132,500	$159,000

Table 4.2
Estimated 2021 and 2022 Maximum Monthly Premium for SLCSP Plan

Family Size	Year	ARPA	100%	138%	150%	200%	250%	300%	350%	400%
1	2021	No	$22	$45	$66	$139	$221	$314	$366	$418
1	2021	Yes	$0	$0	$0	$43	$106	$191	$270	$362
1	2022	No	$24	$49	$71	$149	$238	$337	$393	$449
1	2022	Yes	$0	$0	$0	$43	$107	$193	$272	$365
4	2021	No	$45	$93	$136	$285	$455	$644	$751	$858
4	2021	Yes	$0	$0	$0	$87	$218	$393	$554	$742
4	2022	No	$49	$101	$146	$306	$489	$693	$808	$924
4	2022	Yes	$0	$0	$0	$88	$221	$398	$560	$751

Under the federal premium subsidy structure, absent ARPA, there may be significant differences in the premium rate paid by an individual or family with a household income at or slightly below 400% FPL versus a household with an income just above 400% FPL. This phenomenon is commonly referred to as the "subsidy cliff." For example, a family of four with an annual household income of $104,538 (which is equal to approximately 399% FPL in 2021) would pay a maximum monthly premium rate of $856 for the SLCSP plan in the example above. However, if the monthly gross premium rate for the SLCSP for a similar family of four with an annual household income of $105,062 (approximately 401% FPL) was $1,600, that family would pay the full monthly premium, significantly more than $856 as they would not be eligible for premium subsidies.

In addition, individuals and families eligible for an APTC with household incomes at or below 250% FPL are also eligible for CSR subsidies, as long as they enroll in a silver plan through the Exchange. The cost sharing subsidies work to reduce the level of deductibles, coinsurance, and/or copayments relative to the levels underlying the silver plan they enroll in; maximum out-of-pocket limits are also reduced.

[13] Note that for these examples the SLCSP plan was determined for the Rating Area; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the SLCSP plan for certain households may differ

The level to which cost sharing is reduced depends on household income. Silver level coverage is defined as coverage with an actuarial value of 0.70.[14] This means that, on average, the plan will cover 70% of a member's medical expenses with the member covering the remaining 30% through deductibles, coinsurance, and copayments. The actual split between the portion covered by the plan and the member for a given individual will vary based on the level of an individual's actual claims. Households that qualify for CSRs are provided reduced cost sharing through plans with an actuarial value that varies by household income as shown in Table 4.3.

Table 4.3
Actuarial Value of Reduced Cost Sharing Plans

Household Income	Actuarial Value	Average Member Cost Share
100 – 150% FPL	0.94	6%
151 – 200% FPL	0.87	13%
200 – 250% FPL	0.73	27%

4.2. Market Overview

Prior to modeling the potential State cost and impact on enrollment of various State-sponsored Enhanced Support Payment options, it is important to understand the current market composition and dynamics as that information helped inform the scenarios to model and the income cohorts to target. For years rural Coloradans that purchased coverage in the Individual ACA market, particularly those that reside in the western part of the state and don't receive APTCs, have paid some of the highest premiums in the nation. To help address this issue, the Colorado legislature passed House Bill 19-1168 which allowed the Commissioner of Insurance to apply for a federal State Innovation Waiver under Section 1332 to implement a State-based reinsurance program. The reinsurance program that was introduced in 2020 was designed to pay a larger percentage of claims, and therefore reduced rates more, in areas of the state where premiums were the highest.

Based on information collected from a carrier data call and C4HC open enrollment reports, Table 4.4 shows the change in the average gross premium per member per month (PMPM) in the Individual market over the period of 2018 to 2020.

Table 4.4
Average Individual Market Premium PMPM

Year	ACA APTC	ACA Non-APTC	Non-ACA Grandfathered
2018	$641	$481	N/A[1]
2019	$661	$500	$584
2020	$504	$403	$629
'20/'19 Change	-24%	-19%	8%

[1]2018 non-ACA data was not requested from the carriers

[14] Through federal regulation, a *de minimis* range has been established such that a plan with an actuarial value falling in the range of 0.66 – 0.72 is considered to meet the requirements of silver level coverage.

The average Individual ACA premiums PMPM decreased significantly from 2019 to 2020 with the introduction of the reinsurance program. It is important to note that since these represent average premium amounts they also reflect changes in demographic and geographic mix from year to year.

Table 4.5 shows how the average premium rate for members receiving APTCs broke down each year between the portion paid by the enrollee and the portion covered by APTCs.

Table 4.5
Average PMPM by Premium Source for Households Receiving APTCs

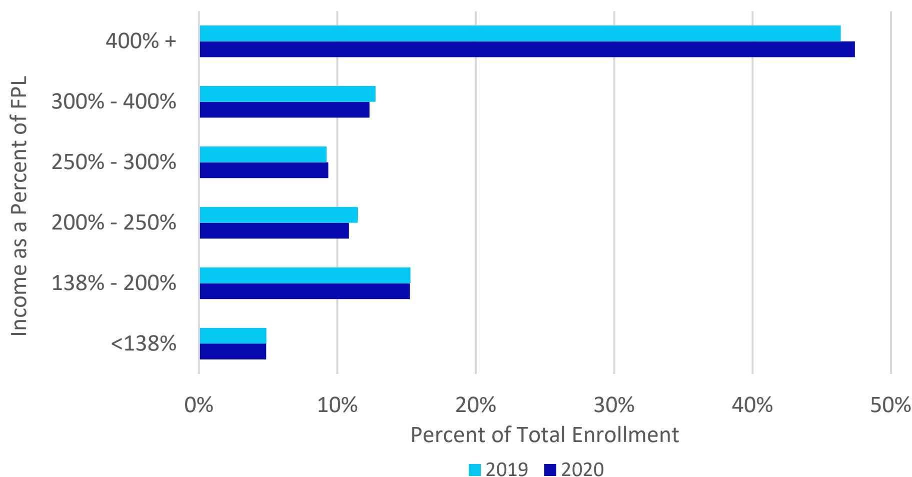
Year	Enrollee Paid	APTC	Total	APTC as a % of Total
2018	$136	$505	$641	79%
2019	$117	$544	$661	82%
2020	$135	$369	$504	73%

Sources: Carrier data call; C4HC open enrollment reports

The average enrollee paid premium increased 15.4% from 2019 to 2020. While these average premium amounts include changes in demographic and geographic mix, the increase may also be impacted in part by enrollees experiencing post-APTC premium increases in their current plans and not selecting less expensive plans available to them. Increases in post-APTC premium rates for enrollees' current plans could be driven by a number of factors, including, but not limited to, changes to benefit plans, introduction of a new SLCSP plan, and lower gross premium rates resulting from the implementation of the State-based reinsurance program that reduces an enrollee's APTC and in turn increases the amount the enrollee must pay for plans with premium rates less than that of the SLCSP plan.

Unlike many other states where the Individual ACA market is comprised largely of individuals eligible for premium subsidies, roughly half of Colorado's Individual ACA market has household incomes over 400% FPL. Chart 4.2 shows that in 2020, when the State-based reinsurance program was introduced, there was a slight increase in the portion of the Individual ACA market comprised of enrollees with incomes greater than 400% FPL.

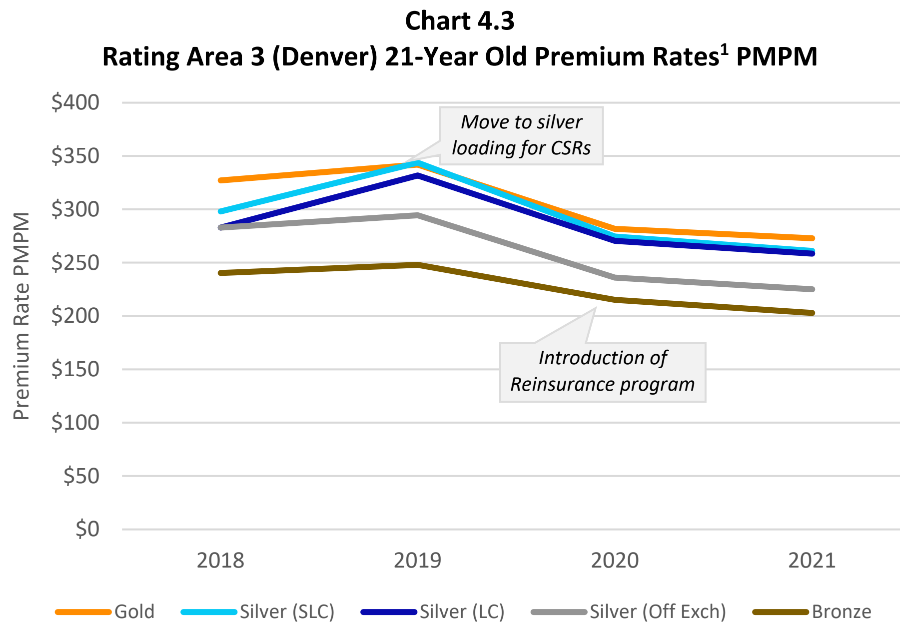
Chart 4.2
Estimated Distribution of Individual ACA Market Enrollment by FPL



Sources: Carrier data call; open enrollment public use files; C4HC enrollment figures

Chart 4.3 demonstrates the impact of the introduction of silver loading in 2019, followed by the decreases in premium rates observed at all metal levels in 2020 as a result of the State-based reinsurance program being introduced. While most states introduced silver loading in 2018, Colorado took a different approach in 2018 and introduced silver loading in 2019. The example shown is for Rating Area 3 (Denver) and it is important to note the reinsurance impact will vary by Rating Area. While the chart is limited to Denver, it demonstrates the volatility in rates that was present in the market prior to 2021, and the relative stability that the reinsurance program brought to the market between 2020 and 2021.

Chart 4.3
Rating Area 3 (Denver) 21-Year Old Premium Rates[1] PMPM



[1]Premiums represent the lowest cost option for the Rating Area for each metal level
Source: Carrier data call; RWJF Premium Data (https://hixcompare.org)

Despite the significant change in rates between 2019 and 2020, the mix of enrollees by metal level remained relatively unchanged. Table 4.6 shows that roughly 37% the Individual ACA enrollees were covered by a silver plan in both 2019 and 2020, and over half of all enrollees were covered by a bronze plan. While 57% of enrollees received APTCs in 2019 and 53% received APTCs in 2020, many of these enrollees, likely those with incomes between 250% and 400% FPL who are not eligible for cost sharing subsidies, did not purchase silver coverage, with most purchasing bronze coverage.[15] This seems to imply that these enrollees prefer the lower premium associated with bronze coverage over the lower cost sharing associated with silver coverage, and indicates the tradeoffs that enrollees must make when deciding between lower premiums and lower cost sharing.

[15] This can be seen by the fact that only 6-7% of total enrollment was in gold plans

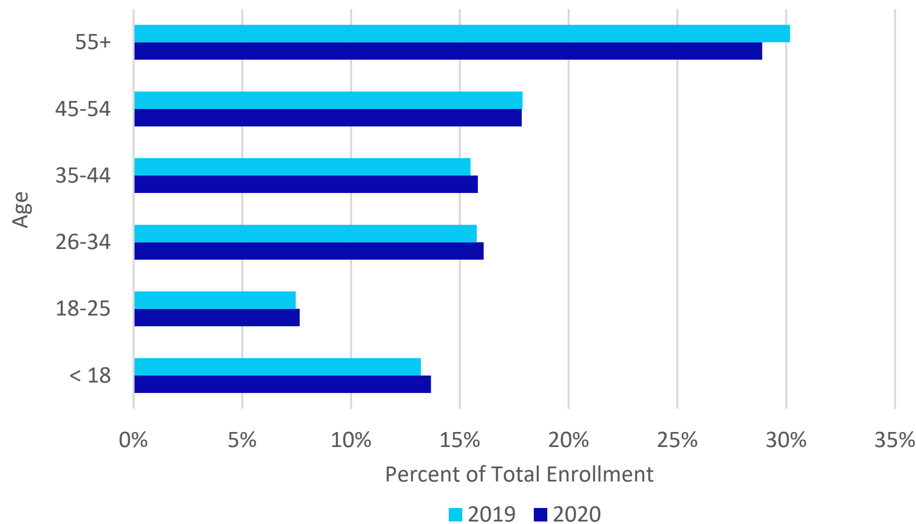
Table 4.6
Distribution of Individual ACA Market Enrollees by Metal Level and CSR Variant

Metal Level	2019	2020
Platinum	0.0%	0.0%
Gold	6.0%	7.0%
Silver	37.3%	37.5%
Base Silver	15.1%	16.4%
73% CSR	5.3%	5.0%
87% CSR	10.6%	10.0%
94% CSR	6.2%	6.1%
Bronze	54.2%	53.2%
Catastrophic	2.5%	2.4%

Source: Carrier data call

Chart 4.4 shows the distribution of enrollees in the Individual ACA market by age. While the distribution remained relatively stable between 2019 and 2020, there was a slight shift from older ages to younger ages. This could be an indication that the reduction in premiums brought about by the introduction of the State-based reinsurance program in 2020 led to younger households viewing coverage as being incrementally more affordable to a greater extent than older individuals did.

Chart 4.4
Distribution of Individual ACA Market Enrollees by Age

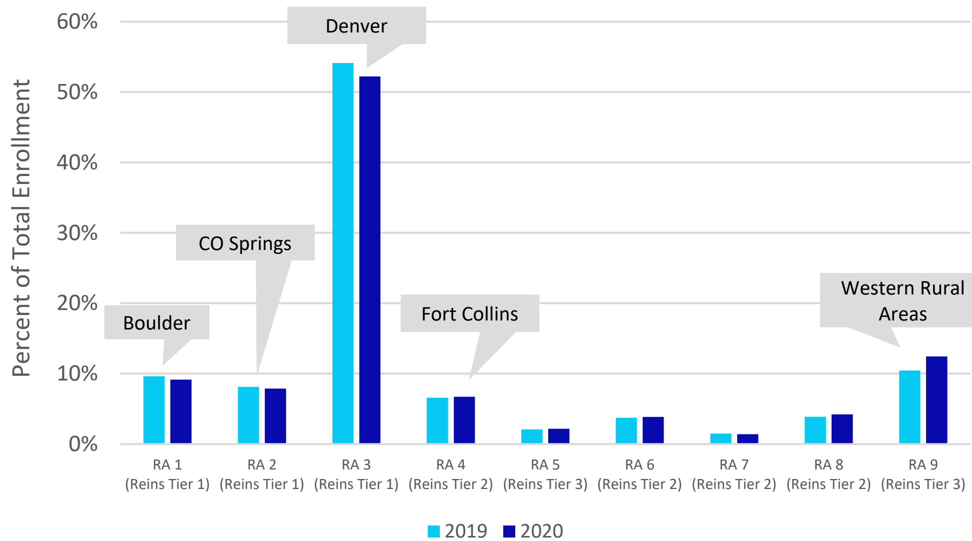


Source: Carrier data call

Chart 4.5 provides the distribution of enrollment in 2019 and 2020 by Rating Area. When the State reinsurance program was introduced in 2020, premium rates in Rating Area 5 and Rating Area 9 (Reinsurance Tier 3) experienced the largest decrease while premium rates in Rating Area 1, Rating Area

2, and Rating Area 3 (Reinsurance Tier 1) experienced the smallest decrease. Therefore, it is not surprising that a small shift in the mix of enrollment by Reinsurance Tier was observed, with Rating Areas in Reinsurance Tier 3 making up a larger percentage of total enrollment in 2020 than in 2019, and Rating Areas in Reinsurance Tier 1 making up a smaller percentage.

Chart 4.5
Distribution of Individual ACA Market Enrollees by Rating Area

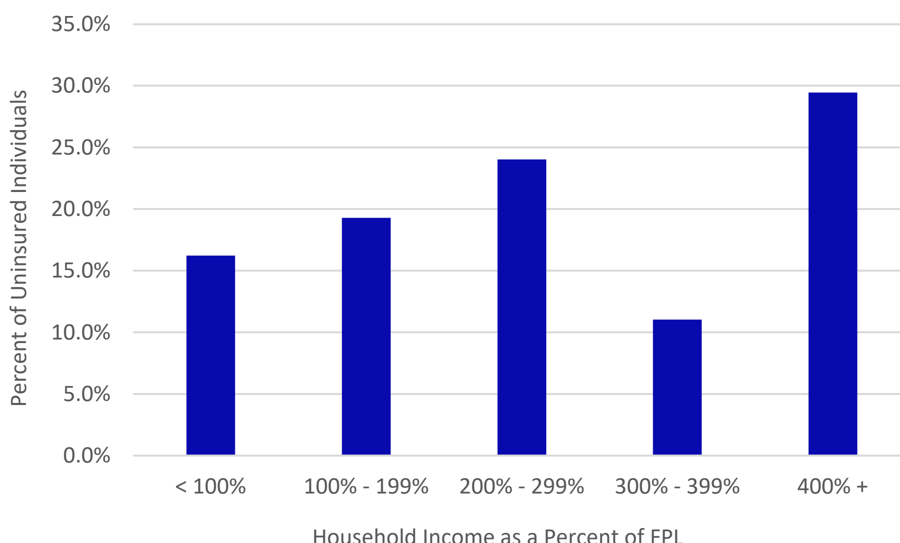


Source: Carrier data call

Finally, we present the composition of Colorado's uninsured population in 2019 by income cohort. Chart 4.6 provides the percentage of the estimated uninsured population represented by each income cohort shown. Over half of the uninsured individuals have incomes either over 400% FPL (29%) or between 200% and 299% FPL (24%). Many of those with incomes over 400% FPL will become newly eligible for ATPCs under ARPA, capping their Maximum Premium Amount at no more than 8.5% of their income. CMS estimates that roughly 81,900 Coloradans will become newly eligible for premium subsidies under ARPA, many of which are currently uinsured.[16] Those with incomes at or below 150% FPL will be eligible for coverage in the SLCSP plan with no premium under ARPA, and CMS estimates that there are roughly 6,300 uninsured Coloradans in this category.[17]

[16] https://www.hhs.gov/about/news/2021/03/12/fact-sheet-american-rescue-plan-reduces-health-care-costs-expands-access-insurance-coverage.html
[17] ibid

Chart 4.6
Distribution of Colorado Uninsured Population by Household Income



Source: Colorado Health Access Survey

4.3. 2022 Baseline Projections

In order to assess the expected State cost and projected increase in enrollment if various State-sponsored Enhanced Support Payments were introduced in Colorado's Individual ACA market in 2022, a baseline projection absent any State-sponsored Enhanced Support Payment Options was first required. Using the calibrated version of Oliver Wyman's HRM Model as described in Section 3, we modeled the expected enrollment in 2022 assuming the 2022 premium levels calculated as previously described, without the enhanced premium subsidies made available under ARPA (i.e., the "No ARPA" scenario).

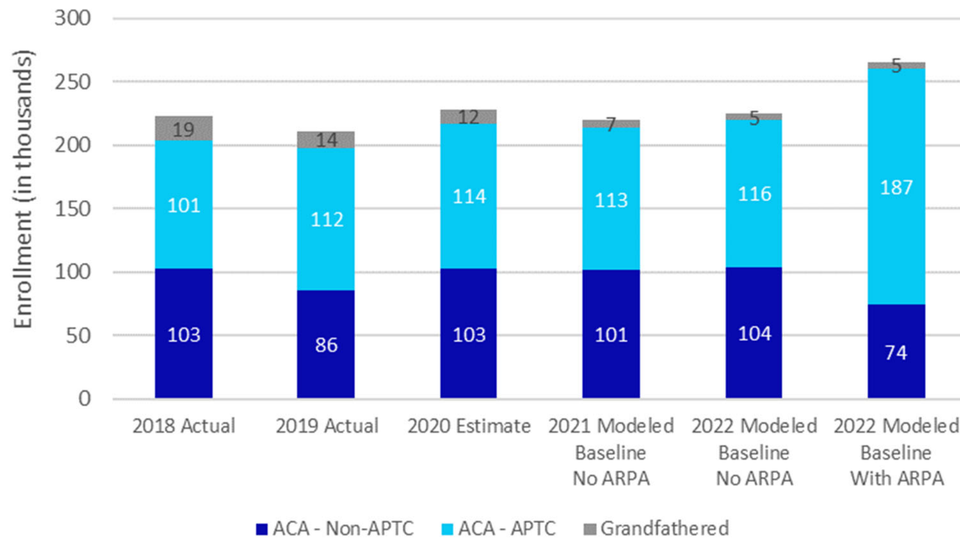
We also modeled the expected enrollment in 2022 when replacing the applicable percentages outlined in the ACA with those outlined in ARPA, and further adjusting the 2022 premium levels to reflect the improved morbidity expected due to the increased enrollment under ARPA (i.e., the "With ARPA" scenario). It is worth noting that the morbidity adjustment applied to the 2022 premium levels in this case was not an input assumption, but rather it was solved for in an iterative manner such that the overall target loss ratio for the market when including the additional members modeled to take up coverage under ARPA was the same as in the No ARPA scenario.

In developing the projected 2022 baseline membership for both the No ARPA and With ARPA scenarios, we assumed that CSRs will continue to not be funded by the federal government, and that carriers will continue to include a load in the premium rates for silver plans offered through the Exchange as a result. Given the focus of our analysis was on 2022, we only modeled the 2021 baseline without ARPA.

Chart 4.7 presents actual enrollment in Colorado's Individual market in 2018 through 2020, and the projected baseline enrollment in 2021 and 2022, split between members in households receiving APTCs

and households not receiving ATPCs; enrollment in grandfathered plans is also shown separately.[18] As previously noted, the 2022 baseline assumes no change in the reinsurance program relative to 2021 beyond updates to the reinsurance parameters (i.e., in line with trend such that the impact of the program on gross premium rates is unchanged).

Chart 4.7
Baseline Individual Market Enrollment by Year



Takeaways from Chart 4.7 include but are not limited to:

- Overall Individual ACA enrollment increased almost 10% from 2019 to 2020, assumed to be largely due to introduction of the reinsurance program
- While ACA non-APTC membership increased roughly 20% from 2019 to 2020, and a majority of this growth is assumed to be due to the introduction of the reinsurance program, some of the growth was likely due to enrollees no longer receiving APTCs as the premium rate for the SLCSP plan for their age and Rating Area decreased below the Maximum Annual Premium amount required by the ACA due to the presence of the reinsurance program; this can be further supported by the fact that the distribution of the Individual ACA enrollment by income did not change significantly from 2019 to 2020 as can be seen in Chart 4.2 (i.e., the percentage of enrollees with incomes over 400% FPL only increased from 46% to 47%)
- Individual ACA enrollment in 2022 in the With ARPA scenario is projected to be almost 19% higher than in the No ARPA scenario, demonstrating expected market reaction to the enhanced premium subsidies introduced by ARPA, along with improved premium rates for non-subsidized households as a result of expected morbidity improvement in the market
- With ARPA, roughly 72% of the Individual ACA market enrollment is expected to receive an APTC in 2022 while without ARPA only 53% of the enrollment would be expected to receive an APTC

[18] 2020 enrollment is considered an estimate at this time as the final reports typically relied on for the actual enrollment have not been finalized or released as of the writing of this report.

- This is in large part driven by more Coloradans entering the Individual ACA market in 2022 as a result of the enhanced premium subsidies that will available under ARPA as well as many current enrollees with household incomes above 400% becoming eligible for premium subsidies and enrolling through C4HC

Tables 4.7 and 4.8 provide a comparison of the projected 2022 enrollment by age and income, respectively, in the No ARPA and With ARPA scenarios.

Table 4.7
Distribution of 2022 Individual ACA Market Enrollees by Age

	No ARPA Baseline		**With ARPA Baseline**	
Age	Enrollment	Distribution	Enrollment	Distribution
< 27	48,517	22%	57,941	22%
27-34	24,502	11%	35,064	13%
35-39	17,163	8%	22,822	9%
40-44	17,541	8%	21,862	8%
45-49	18,140	8%	20,608	8%
50-54	20,595	9%	23,314	9%
55-59	28,927	13%	31,496	12%
60-64	44,368	20%	47,516	18%
Total	**219,754**		**260,624**	

Table 4.8
Distribution of 2022 Individual ACA Market Enrollees by Income

	No ARPA Baseline		**With ARPA Baseline**	
Income	Enrollment	Distribution	Enrollment	Distribution
< 150%	20,953	10%	25,486	12%
150 - 200%	29,013	13%	36,893	17%
200 - 250%	22,208	10%	33,267	15%
250 – 400%	47,669	22%	54,748	25%
400%+	99,912	45%	110,230	50%
Total	**219,754**		**260,624**	

Our modeling indicates that while enrollment is expected to increase in all age and income cohorts under ARPA, more younger individuals than older individuals are expected to be drawn into the market; the 200-250% FPL income segment is expected to observe the largest increase in membership with roughly 11,000 of the projected 41,000 new enrollees coming from this income segment alone. It is worth noting that, as was shown in Chart 4.6, roughly one quarter of the current uninsured population is in the 200% to 299% FPL cohort, and the reductions in the Maximum Annual Premium amounts of

roughly 50% to 70% under ARPA for households in this income range, are expected to draw a large number of individuals in this income range into the market.

4.4. Subsidy Scenarios Selected for Modeling

In order to meet the HIAE's policy objective of making coverage more affordable for Coloradans that purchase health insurance coverage in the Individual ACA market, a number of State-sponsored Enhanced Support Payment options were identified to model. It is worth noting that our analyses were completed in two phases. In January and early February of 2021, prior to the passage of ARPA, we were asked to model seven No ARPA scenarios that focused on a State premium wrap, designed to reduce premiums for various targeted cohorts of individuals and families. Then in late February and early March 2021 as it became more probable that ARPA was likely to be enacted into law, we were asked to model additional State-sponsored Enhanced Support Payment options. In selecting the With ARPA scenarios to model, the HIAE was able to take into consideration insights from the No ARPA scenarios previously modeled. Therefore, the With ARPA scenarios differed from the No ARPA scenarios, including but not limited to the fact that they included both State premium wrap and State cost sharing enhancement options.

Tables 4.9 and 4.10 below summarize the general structure for each of the No ARPA and With ARPA scenarios that were modeled. Additional details are presented in Section 5, along with the modeling results.

Table 4.9
No ARPA State Subsidy Scenarios Modeled

Subsidy Scenario	Subsidy Structure	Eligible Populations	2022 Target State Spending Modeled
NA138-200	Fixed dollar subsidy per premium paying member per month	Households with incomes between 138 - 200% FPL	$20 Million
NA138-300	Fixed dollar subsidy per premium paying member per month	Households with incomes between 138 - 300% FPL	$20 Million
NA138-400	Fixed dollar subsidy per premium paying member per month	Households with incomes between 138 - 400% FPL	$20 Million
NA200-250	Fixed dollar subsidy per premium paying member per month	Households with incomes between 200 - 250% FPL	$20 Million
NA250-300	Fixed dollar subsidy per premium paying member per month	Households with incomes between 250 - 300% FPL	$20 Million
NA200-300	Fixed dollar subsidy per premium paying member per month	Households with incomes between 200 - 300% FPL	$20 Million
NA300-400	Fixed dollar subsidy per premium paying member per month	Households with incomes between 300 - 400% FPL	$20 Million

Table 4.10
With ARPA State Subsidy Scenarios Modeled

Subsidy Scenario	Subsidy Structure	Eligible Populations	2022 Target State Spending Modeled
WA-P150-200	Fixed dollar subsidy per premium paying member per month	Households with incomes between 150 - 200% FPL	$19 Million
WA-P200-250	Fixed dollar subsidy per premium paying member per month	Households with incomes between 200 - 250% FPL	$19 Million
WA-CS0-150	Cost sharing enhancement equal to a 98% CSR plan	Households incomes below 150% FPL that are eligible for APTCs	N/A[1]
WA-CS150-200	Cost sharing enhancement equal to a 94% CSR plan	Households with incomes between 150 - 200% FPL	N/A[1]
WA-CS200-250	Cost sharing enhancement equal to an 87% CSR plan	Households with incomes between 200 - 250% FPL	N/A[1]

[1]Given the State's decision to target enhanced actuarial values consistent with current CSR plan options and to make plans available to income cohorts that aligned with current CSR eligibility levels under the ACA, a spending target was not established and instead the expected cost to the State was an output of the modeling.

Notably, all the subsidy eligibility scenarios are based on household income as the simplest way to build on the existing Affordable Care Act structure and related data infrastructure.

For the State cost sharing enhancement scenarios it was the HIAE's recommendation to target enhanced actuarial values consistent with current CSR plan options, where possible, and rounded to a whole 1%. Additionally, the plans would be made available to income cohorts that aligned with current CSR eligibility at different levels under the ACA. Therefore, for these scenarios, spending targets were not established and instead the expected cost to the State was an output of the modeling. This is discussed further in Section 6 since it created some budgeting challenges.

Consideration was given to modeling State-sponsored Enhanced Support Payments that provide additional cost relief for households at lower income levels for reasons described in section 6, supplementing premium or cost sharing subsidies already provided by the federal government. Several items were highlighted for consideration when comparing a State premium wrap and a State cost sharing enhancement, including but not limited to:

- State-sponsored Enhanced Support Payments that reduce premiums were selected for the initial modeling because they provide a benefit to all households with incomes at levels that make them eligible, whereas State-sponsored Enhanced Support Payments that reduce cost sharing enhancements are typically viewed as most valuable to those individuals with health conditions that could lead to claims but less valuable to individuals in good health with low or no expected claims, though all enrollees face some risk of an unexpected and expensive health problem.
- A premium wrap also provides households the flexibility to fund the cost associated with moving to a richer benefit plan (i.e., one with lower cost sharing) in lieu of reducing the premium for the plan

they are currently enrolled in; this flexibility empowers the consumer in that they can choose between lower premium rates or lower cost sharing as best fits their own personal needs.

- Cost sharing enhancements have a different set of advantages, particularly for people who may not have the savings to cover an unexpected and expensive health problem. Because there are greater disparities in family wealth than family income, some advocates argue that reduced cost sharing is an important focus for health equity.
- The enhanced federal premium subsidies introduced by ARPA strengthen the case for states to address cost sharing enhancements to improve overall net affordability for consumers. Offering State cost sharing enhancements alongside the enhanced premium subsidies made available under ARPA reduces two access barriers simultaneously, making premiums more affordable and making it easier to use coverage once enrolled.
- The two types of State-sponsored Enhanced Support Payments present different administrative challenges, with State premium wraps placing more burdens on Marketplaces and State cost sharing enhancements placing more burdens on carriers. Depending on how State cost sharing enhancements are administered, they can also place significant burdens on the Division if, for example, there is a reconciliation process at the end of the year to reconcile initial payments to carriers against their actual claim costs. See Section 6 for a description of how Colorado reduced the administrative burdens of State cost sharing enhancements.

4.5. Key Modeling Assumptions

In addition to those assumptions already noted, there are several additional key assumptions that underlie the modeling of the various State-sponsored Enhanced Support Payment options that were considered. These include the following:

- **Morbidity Improvement:** For the With ARPA scenarios, additional morbidity improvement was assumed to be reflected by the carriers in the development of their 2022 premium rates as a result of an increase in enrollment and improved morbidity in the single risk pool due to the presence of new State-sponsored Enhanced Support Payments.
- **Uninsured Propensity to Evaluate for Coverage:** Through the process of calibrating Oliver Wyman's HRM Model, it was estimated that roughly 15% of the uninsured population in Colorado evaluates coverage each year and some portion of those individuals and families may take up insurance coverage through the Individual ACA market based on the economic value of such coverage. That is, on a year-to-year basis, only a portion of the uninsured population will even assess whether purchasing health insurance coverage results in a better economic value for them than remaining uninsured.
- **Estimated State Cost Excludes Potential Change in Cost to Reinsurance Program:** The estimated State cost that is shown for each scenario reflects only the cost related to providing the specified State-sponsored Enhanced Support Payment, and does not incorporate any impact that the presence of the State-sponsored Enhanced Support Payment may have on the cost of the State's reinsurance program (e.g., due to changing enrollment) that was established under the Section 1332 Waiver.

- **COVID-19 Assumptions for 2022:** No explicit assumptions were made related to the impact that COVID-19 may have on premium rates, enrollment volumes, or claim costs in 2022.
- **Current Law:** Results have been developed assuming current law will remain in force.[19]
- **No Significant Changes in Market Dynamics are Assumed:** For example, it was assumed that there will be no changes in the competitive landscape, CSR funding, or to the State reinsurance program's objective under the approved Section 1332 Waiver.
- **State Premium Wrap:** In the scenarios that utilize a State premium wrap, it was assumed that the stated PMPM subsidy will only be provided to individuals and family members for which a premium is required to be paid.

[19] With regard to ARPA, the enhanced subsidies were assumed to be temporarily provided through 2022 as outlined in the law.

5. MODELING RESULTS

In this section we provide the results of the various modeling that was performed for the scenarios requested by the HIAE. We introduce the detail related to the subsidies that would be provided to households enrolling through C4HC, first under the No ARPA scenarios and then under the With ARPA scenarios. For each scenario we provide the State-sponsored Enhanced Support Payment, the effective premium wrap utilized (as applicable), the change in average enrollee premium, the modeled change in enrollment, and the expected cost to the State, among other statistics.

5.1. State-Sponsored Enhanced Support Payment Options Without ARPA in Place

The first set of scenarios modeled were those that assumed current law, exclusive of the passage of ARPA. Once ARPA became law these scenarios were no longer considered, however they were included in this report as they may be useful to inform future HIAE payment support decisions (i.e., since the enhanced APTCs under ARPA are only in effect for 2021-2022). As previously noted, all of the No ARPA scenarios modeled were designed to provide a fixed dollar PMPM premium wrap. We modeled seven scenarios, each making a premium wrap available to different income cohorts and targeting an annual cost to the State of approximately $20M. In all seven scenarios, it was assumed that State premium wrap PMPM would only be provided for premium paying members within a family.[20]

It was also assumed that households eligible for APTCs under the ACA will continue to be eligible and receive those subsidies and that the State premium wrap would be provided in addition to any federal premium subsidies, reducing the Maximum Annual Premium amount even further. However, if the application of the State premium wrap resulted in a premium less than $0, the amount of the State premium wrap was be reduced and was only assumed to be provided up to the point where the premium was reduced to $0.[21]

Table 5.1 provides the results for each of the seven No ARPA scenarios modeled. The results for each scenario represent a point estimate based on our best estimate assumptions. Given the timing of our work and the rapid transition to modeling the With ARPA scenarios, sensitivity testing was not performed for these scenarios. However, we note that actual results will vary from these estimates, and the variance could be significant, particularly if changes are made to state and/or federal laws that impact the insurance markets, or if there are significant changes in economic conditions, including but not limited to the impact of COVID-19.

For each scenario, the baseline enrollment expected in 2022 is presented for the income cohort being targeted, along with the number of new enrollees expected to be covered due to the State premium wrap and the total number of enrollees expected to be covered in the Individual ACA market for that scenario. This is followed by the State premium wrap that could be offered to households with incomes that fall within the targeted cohort range given the targeted State budget, the average amount of the

[20] Families enrolling in coverage through the Individual ACA market are only required to pay premium for the first three dependents under the age of 21.

[21] The State-sponsored premium wrap would not be applied to premium used to cover non-EHBs, resulting in cases where a member may have a nominal premium (< $1) each month.

State premium wrap expected to effectively be utilized,[22] and the average member paid premium for enrollees in the targeted income cohort, both before and after the application of the average effective State premium wrap amount. Finally, the expected annual cost to the State for the direct cost of providing the State premium wrap is presented. Definitions of the metrics presented in each row of Table 5.1 can be found in Appendix B.

Table 5.1
State Premium Wrap Scenarios – No ARPA

	NA138-200	NA138-300	NA138-400	NA200-250	NA250-300	NA200-300	NA300-400
Estimated 2022 Baseline Enrollees (Target Cohort)	37,043	80,851	108,315	22,818	20,990	43,807	27,464
Estimated New Enrollees	1,450	273	710	6,267	4,066	1,992	2,453
Estimated Enrollment Change (Target Cohort)	3.9%	0.3%	0.7%	27.5%	19.4%	4.5%	8.9%
Estimated Total Enrollment **Baseline = 217,457**	218,907	217,730	218,167	223,724	221,523	219,449	219,910
Modeled State Premium Wrap PMPM	$42	$21	$16	$72	$74	$41	$61
Average State Premium Wrap PMPM	$41	$20	$15	$57	$66	$36	$54
Avg. Member Paid Premium PMPM **Without** State Premium Wrap (Target Cohort)	$100	$117	$156	$116	$149	$132	$272
Avg. Member Paid Premium PMPM **With** State Premium Wrap (Target Cohort)	$58	$97	$142	$67	$90	$98	$221
Estimated Reduction in Member Paid Premium	-42%	-17%	-9%	-42%	-40%	-25%	-19%
Estimated State Cost ($ millions)	$19.1	$19.3	$19.5	$20.0	$19.8	$19.7	$19.3

Note: The 2022 Average Member Paid Premium PMPM **With** ARPA and State Premium Wrap is not equal to the 2022 Average Member Paid Premium **With** ARPA but **Without** State Premium Wrap less the Average Effective State Premium Wrap PMPM due to changes in the mix of enrollment under the baseline and scenario.

The number of new enrollees expected to take up coverage due to the presence of the State premium wrap ranges from 273 to 6,267, with the highest take up in scenarios focused on the 200% to 250% FPL and 250% to 300% FPL cohorts. [23] This is not surprising given that roughly 25% of all uninsured individuals in the State are estimated to have incomes in this range, and the State premium wrap PMPM is highest in these scenarios.

In general, larger State premium wrap amounts are able to be offered in those scenarios with fewer current enrollees as a smaller portion of the $20M targeted State budget is spent on making coverage more affordable for those already in the Individual ACA market. This results in more of the State's budget being able to be used to attract new enrollees into the market.

[22] Not all enrollees will use the full amount of the premium wrap offered as some amount less than the full State-sponsored premium wrap offered will be required to reduce their premium to $0.

[23] It is important to note that the size of the income ranges is not the same for all seven scenarios modeled.

Finally, the percent of the average State premium wrap offered that is expected to be used is higher in those scenarios where lower State premium wrap amounts are offered. This is because the higher the State premium wrap amount offered, the higher the probability that the full amount will not be needed to reduce a household's premium attributable to EHBs to $0 if they are selecting the SLCSP plan or a plan with a similar premium. This means that scenarios that offer a higher State premium wrap amount also present greater risk to the State than those with a lower State premium wrap amount where close to the full amount available is projected to be used. This is because the modeled enrollee behavior (i.e., that which assumes households enroll in the plan that provides the greatest economic value to them) underlies the expected State spending and when a greater portion of the premium wrap offered is expected to go unused, there is more risk that enrollees could act irrationally and select a higher cost plan, in turn utilizing a greater portion of the premium wrap amount made available to them than estimated in the modeling.

5.2. State-Sponsored Enhanced Support Payment Options With ARPA in Place

The second set of scenarios modeled were those that assumed current law, including the passage of ARPA and the corresponding enhanced premium subsidies in 2022. We modeled five With ARPA scenarios, with three focused on providing a State cost sharing enhancement to various income cohorts, and two focused on providing a State premium wrap and targeting an annual cost to the State of approximately $19M.[24] In the two State premium wrap scenarios, it was assumed that the State premium wrap PMPM would only be provided for premium paying members within a family.[25]

Similar to the No ARPA scenarios, it was assumed that households eligible for enhanced premium subsidies available under ARPA will continue to be eligible and receive those subsidies, and that the State premium wrap or cost sharing enhancement would be provided in addition to any federal premium subsidies and cost sharing relief, reducing the Maximum Annual Premium or cost sharing households in the targeted income cohort would be required to pay even further. Again, should the application of a State premium wrap result in a premium less than $0, the effective amount would be reduced and only provided up to the level required to reduce the household premium to $0.[26]

Sections 5.2.1 and 5.2.2 provide the results for each of the five With ARPA scenarios modeled. Similar to the No ARPA scenarios, the results for each of the With ARPA scenarios represent a point estimate based on our best estimate assumptions; actual results will vary from these estimates, and the variance could be significant. This is particularly true for the With ARPA scenarios given the additional challenges associated with modeling premium changes of the magnitude that will be present under ARPA where there is no historical experience available that can be used to determine the price elasticity of various income cohorts when presented with such extreme changes in price.

[24] It was decided in the With ARPA modeling to decrease the target state cost as a way to include explicit margin in the model results.

[25] Families enrolling in coverage through the Individual ACA market are only required to pay premium for the first three dependents under the age of 21.

[26] The State-sponsored premium wrap would not be applied to premium used to cover non-EHBs, resulting in cases where a member may have a nominal premium (< $1) each month.

5.2.1. With ARPA – State Cost Sharing Enhancement Scenarios

Table 5.2 provides the modeling results for each of the three With ARPA scenarios focused on providing a State cost sharing enhancement. For each scenario, the cost sharing for households in the applicable income range would be reduced from levels associated with the CSR plan that the household would be eligible to enroll in under the ACA to the level shown in the first row of Table 5.2. As an example, for scenario WA-CS0-150, the cost sharing requirements for all households with incomes of 150% FPL or less would be reduced from those under the 94 CSR plan (the plan the household would be eligible to enroll in under the ACA) to that of a plan with a 98% actuarial value (i.e., one where the enrollee cost sharing is, on average, 2% of allowed claims), assuming they enroll in a silver CSR plan. Definitions of the metrics presented in each row of Table 5.2 can be found in Appendix B.

Table 5.2
State Cost Sharing Enhancement Scenarios – With ARPA

Target Cohort[1]	**WA-CS0-150**	**WA-CS150-200**	**WA-CS200-250**
Cost Sharing Enhancement Modeled	Increase from 94% to 98%	Increase from 87% to 94%	Increase from 73% to 87%
Estimated 2022 Baseline Enrollees (Targeted Cohort) – No ARPA	20,953	29,013	22,208
Estimated 2022 Baseline Enrollees (Targeted Cohort) – With ARPA	25,486	36,893	33,267
Estimated New Enrollees (Targeted Cohort) – With ARPA and Cost Sharing Enhancement	921	14,074	13,662
Estimated Total Enrollees (Targeted Cohort) – With ARPA and Cost Sharing Enhancement	26,407	50,967	46,929
Estimated Enrollment Change (Targeted Cohort)	3.6%	38.1%	41.1%
Estimated 2022 Total Market Enrollment with ARPA and Cost Sharing Enhancement (**Baseline with ARPA = 260,624)**	261,568	274,543	274,603
Estimated 2022 Enrollment in CSR plan (Targeted Cohort)	19,829	50,293	38,718
Estimated 2022 Average Cost of Cost Sharing Enhancement per CSR Enrollee per Month	$27	$42	$57
Estimated 2022 State Cost ($ millions)	$6.3M	$25.5M	$26.4M

[1] The targeted cohorts include all ACA enrollees within the specified FPL range, including those not expected to enroll in a CSR plan

Baseline enrollment expected in 2022 is also presented in Table 5.2 for the income cohort being targeted, both with and without ARPA, and shows that the generosity of the enhanced premium subsidies available under ARPA alone are expected to draw an additional 5,000 to 11,000 enrollees into the market, depending upon the income cohort. In addition, another 14,000 enrollees are expected to enroll as a result of the modeled State cost sharing enhancement provided to households with incomes between 150% to 200% FPL (scenario WA-CS150-200) or incomes between 200% to 250% FPL (scenario WA-CS200-250). The total enrollment expected in the Individual ACA market under these two scenarios is essentially identical (274,543 vs. 274,603) with estimated annual costs to the State of $25.5M and $26.4M, respectively. The estimated annual cost to the State to provide the proposed State cost sharing enhancement to enrollees with incomes of 150% FPL or less is much lower at $6.3M, largely due to a lower volume of projected enrollment relative to the other scenarios modeled, and a lower portion of member cost sharing being covered by the State (i.e., an increase of 4% in actuarial value from 94% to

98%, vs. 7% and 14% changes in actuarial value under the scenarios focused on the 150% to 200% FPL and 200% to 250% FPL cohorts, respectively) .[27]

Table 5.3 provides a breakdown of expected State spending under each of the State cost sharing enhancement scenarios and shows that 64% to 95% of the State's total expected cost would be used to cover a portion of the cost sharing for households already enrolled in the Individual ACA market, with the remainder used to cover a portion of the cost sharing for enrollees expected to be drawn into the market because of the State-sponsored Enhanced Support Payment being provided. The last row of Table 5.3 presents the State's expected total annual cost per new enrollee (i.e., total cost divided by the number of new enrollees expected). It is also worth noting that the expected State cost for scenarios WA-CS150-200 and WA-CS200-250 are significantly more than the $19M initially targeted for the With ARPA scenarios at $25.5M and $26.4M, respectively.

Table 5.3
State Cost Sharing Enhancement Scenarios – With ARPA
State Spending Breakdown

Target Cohort[1]	**WA-CS0-150**	**WA-CS150-200**	**WA-CS200-250**
Estimated State Cost ($ millions)	$6.3M	$25.5M	$26.4M
Estimated 2022 Baseline Enrollees (Target Cohort) – With ARPA	25,486	36,893	33,267
Cost to Provide Cost Sharing Enhancement to Baseline Enrollees	$6.0M	$18.4M	$16.8M
Remaining Budget for New Enrollees	$0.3M	$7.1M	$9.5M
Estimated New Enrollees (Targeted Cohort) – With ARPA and Cost Sharing Enhancement	921	14,074	13,662
Annual State Cost per New Enrollee	$6,867	$1,812	$1,930

[1] Targeted Cohort represents all ACA enrollees within the specified FPL range, including those not expected to enroll in CSR plans

Given the additional challenges associated with modeling premium changes of the magnitude that will be present under ARPA we performed sensitivity testing around our best estimate of the expected cost to the State for each scenario to provide an understanding of the potential volatility of the projected cost to the State of Colorado. For each assumption that represents a key driver of the expected cost to the State, we established a plausible range of variation that could occur for that assumption and calculated the revised expected cost to the State.

Tables 5.4A through 5.4C present our expected best estimate of the cost to the State for providing the State cost sharing enhancement in 2022 under each of the three scenarios considered, and the revised expected cost to the State under each of the alternate assumptions tested. When performing the sensitivity testing, it is important to note that only the underlying assumption listed in each row was changed, even though changes in other assumptions may occur at the same time. If multiple assumptions are different relative to expectations, the change in the expected cost to the State could be compounded, although the impact of changes in individual assumptions is not necessarily additive. A description of each sensitivity test performed may be found in Appendix C.

[27] Those in this income range eligible to enroll in subsidized Individual ACA coverage consist of US citizens with incomes between 138% and 150% FPL due to Colorado's expansion of Medicaid eligibility and legal residents not eligible for Medicaid with incomes below 150% FPL.

Table 5.4A
State Cost Sharing Enhancement – Scenario WA-CS0-150
Sensitivity Testing

	Total Cost to the State	Effective State Premium Wrap PMPM	New Enrollment in Cohort	Total Enrollment in Cohort
Baseline Scenario	**$6.3M**	**$27**	**921**	**26,407**
Total Membership in Cohort +10%	$6.9M	$27	1,013	29,047
Total Membership in Cohort -10%	$5.7M	$27	837	24,006
Demographics/Morbidity +5%	$6.7M	$28	921	26,407
Demographics/Morbidity -5%	$6.0M	$25	921	26,407
De Minimis Range Impact +1%	$8.5M	$36	921	26,407
De Minimis Range Impact -1%	$4.2M	$18	921	26,407
Claims Trend +1%	$6.5M	$27	921	26,407
Claims Trend -1%	$6.1M	$26	921	26,407

Table 5.4B
State Cost Sharing Enhancement – Scenario WA-CS150-200
Sensitivity Testing

	Total Cost to the State	Effective State Premium Wrap PMPM	New Enrollment in Cohort	Total Enrollment in Cohort
Baseline Scenario	**$25.5M**	**$42**	**14,074**	**50,967**
Total Membership in Cohort +10%	$28.1M	$42	15,482	56,063
Total Membership in Cohort -10%	$23.3M	$42	12,795	46,333
Demographics/Morbidity +5%	$27.0M	$45	14,074	50,967
Demographics/Morbidity -5%	$24.2M	$40	14,074	50,967
De Minimis Range Impact +1%	$31.0M	$51	14,074	50,967
De Minimis Range Impact -1%	$20.3M	$33	14,074	50,967
Claims Trend +1%	$26.3M	$43	14,074	50,967
Claims Trend -1%	$24.9M	$41	14,074	50,967

Table 5.4C
State Cost Sharing Enhancement – Scenario WA-CS200-250
Sensitivity Testing

	Total Cost to the State	Effective State Premium Wrap PMPM	New Enrollment in Cohort	Total Enrollment in Cohort
Baseline Scenario	**$26.4M**	**$57**	**13,662**	**46,929**
Total Membership in Cohort +10%	$28.8M	$57	15,028	51,622
Total Membership in Cohort -10%	$23.8M	$57	12,420	42,663
Demographics/Morbidity +5%	$27.9M	$60	13,662	46,929
Demographics/Morbidity -5%	$24.4M	$53	13,662	46,929
De Minimis Range Impact +1%	$29.4M	$64	13,662	46,929
De Minimis Range Impact -1%	$22.9M	$50	13,662	46,929
Claims Trend +1%	$26.9M	$58	13,662	46,929
Claims Trend -1%	$25.4M	$55	13,662	46,929

5.2.2. With ARPA – State Premium Wrap Scenarios

In addition to the With ARPA scenarios focused on State cost sharing enhancements, two With ARPA scenarios focused on a State premium wrap were modeled and the results are shown in Table 5.5. These scenarios were intended to target a cost to the State of roughly $19M and target income ranges of 150% to 200% FPL and 200% to 250% FPL, however the Maximum Monthly Premium for households with incomes between 150% and 200% FPL are reduced so significantly under ARPA alone that the targeted $19M cannot be fully spent; in fact Table 5.5 shows that only about $14 PMPM on average can be spent before reducing the household premium attributable to EHBs to $0 for all current enrollees and expected new enrollees in this income range (both new enrollees modeled to take up coverage as a result of the enhanced premium subsidies under ARPA alone and the additional new enrollees expected to take up coverage as a result of the enhanced premium subsidies under ARPA plus the additional State premium wrap). Therefore, reducing the premium attributable to EHBs to $0 for all households in this income range is only expected to require $8.8M of State spending.

Table 5.5 also demonstrates that the two State premium wrap scenarios modeled are expected to offer a similar premium wrap PMPM and attract roughly the same percentage of new enrollees. Definitions of the metrics presented in each row of Table 5.5 can be found in Appendix B.

Table 5.5
State Premium Wrap Scenarios – With ARPA

	WA-P150-200	WA-P200-250
Estimated 2022 Baseline Enrollees (Targeted Cohort) – No ARPA	29,013	22,208
Estimated 2022 Baseline Enrollees (Targeted Cohort) – With ARPA	36,893	33,267
Estimated New Enrollees (Targeted Cohort) – With ARPA and State Premium Wrap	15,227	13,524
Estimated 2022 Enrollees (Targeted Cohort) – With ARPA and State Premium Wrap	52,120	46,792
Enrollment Change (Targeted Cohort)	41.3%	40.7%
Estimated Total Market Enrollment with ARPA and State Premium Wrap **(Baseline with ARP = 260,624)**	275,855	274,399
Proposed State Premium Wrap PMPM	$50	$47
Avg. Effective State Premium Wrap PMPM	$14	$33
2022 Avg. Member Paid Premium PMPM **Without** ARPA or State Premium Wrap (Targeted Cohort)	$117	$96
2022 Avg. Member Paid Premium PMPM **With** ARPA but **Without** State Premium Wrap (Targeted Cohort)	$16	$38
2022 Avg. Member Paid Premium PMPM **With** ARPA and State Premium Wrap (Target Cohort)	$0	$31
Estimated Reduction in Avg. Member Paid Premium Due to State Premium Wrap	100%	18%
Estimated 2022 State Cost ($ millions)	$8.8M	$18.8M

Note: The 2022 Average Member Paid Premium PMPM **With** ARPA and State Premium Wrap is not equal to the 2022 Average Member Paid Premium **With** ARPA but **Without** State Premium Wrap less the Average Effective State Premium Wrap PMPM due to changes in the mix of enrollment under the baseline and scenario.

Table 5.6 provides a breakdown of expected State spending under each of the State premium wrap scenarios, and shows that over 60% of the State's total expected cost would be used to provide a premium reduction to households already enrolled in the Individual ACA market, with the remainder being used to reduce premiums for enrollees drawn into the market because of the benefit.

The last row of Table 5.6 presents the State's expected total annual costs per new enrollee (i.e., total cost divided by the number of new enrollees expected) for each scenario, which are less than the average annual costs per new enrollee for the With ARPA State cost sharing enhancement scenarios.

Table 5.6
State Premium Wrap Scenarios – With ARPA
State Spending Breakdown

	WA-P150-200	WA-P200-250
Estimated State Cost ($ millions)	$8.8M	$18.8M
Estimated 2022 Baseline Enrollees (Target Cohort) – With ARPA	36,893	33,267
Estimated Baseline Enrollees Receiving State Premium Wrap[1]	29,974	22,072
Avg. Effective State Premium Wrap PMPM	$14	$33
Cost to Provide State Premium Wrap to Baseline Enrollees	$5.9M	$11.6M
Remaining Budget for New Enrollees	$3.0M	$7.2M
Estimated New Enrollees (Targeted Cohort) – With ARPA and State Premium Wrap	15,227	13,524
Annual State Cost per New Enrollee	$580	$1,391

[1] A portion of the targeted members do not receive a State premium wrap because their APTC is sufficient to bring the premium for the plan they are modeled to enroll in to $0

We also sensitivity tested the results under the State premium wrap scenarios to examine the potential volatility of the projected cost to the State of Colorado. Table 5.7 shows that a 10% increase/decrease in total enrollment in the income cohort targeted, relative to the baseline scenario, would be expected to increase/decrease the State's total annual cost by approximately $1-2M. Again, it is important to note that only total enrollment was changed, and if other assumptions do not emerge as expected, the change in the expected cost to the State relative to the baseline scenarios could be greater.

Table 5.7
State Premium Wrap Scenarios – With ARPA
Sensitivity Testing

WA-P150-200

	Total Cost to the State	Effective State Premium Wrap PMPM	New Enrollment in Cohort	Total Enrollment in Cohort
Baseline Scenario	$8.8M	$14	15,227	52,120
New Membership in Cohort +10%	$9.5M	$14	16,750	57,332
New Membership in Cohort -10%	$7.9M	$14	13,843	47,381

WA-P200-250

	Total Cost to the State	Effective State Premium Wrap PMPM	New Enrollment in Cohort	Total Enrollment in Cohort
Baseline Scenario	$18.8M	$33	13,524	46,792
New Membership in Cohort +10%	$20.5M	$33	14,877	51,471
New Membership in Cohort -10%	$17.0M	$33	12,295	42,538

5.3. Summary of Results

Given that ARPA was enacted into law at the time the modeling for this report was being developed, the No ARPA scenarios no longer represent feasible options for calendar year 2022 based on current law. Therefore, we only include the With ARPA scenarios in this summary. Table 5.8 summarizes the five With ARPA scenarios that were considered, comparing the Cost to the State, enrollment and the average enrollee cost savings PMPM expected under each scenario.

Table 5.8
Expected State Cost, Enrollment and Average Enrollee Cost Savings PMPM

State-Sponsored Enhanced Support Payment Scenario[1]	Total Cost to the State	New Enrollment in Target Cohort	Total Enrollment in Target Cohort	Average Member Cost Savings ($PMPM)[2]
State Cost Sharing Enhancement				
98% CSR for < 150% FPL	$6.3M	921	26,407	$27
94% CSR for 150-200% FPL	$25.5M	14,074	50,967	$42
87% CSR for 200-250% FPL	$26.4M	13,662	46,929	$57
Premium Wrap				
150-200% FPL	$8.8M	15,227	52,120	$50/$14
200-250% FPL	$18.8M	13,524	46,792	$47/$33

[1] All scenarios assume ARPA has been implemented, and the New Enrollment column represents only the incremental enrollment expected as a result of the State making available the specified State cost sharing enhancement or premium wrap.
[2] Represents the average member cost sharing savings for the State cost sharing enhancement scenarios and the offered/effective premium wrap for the State premium wrap scenarios

Table 5.9 compares the distribution of enrollees by age that are expected to take up coverage under both the No ARPA and With ARPA baselines, and each of the State-sponsored Enhanced Support Payment options modeled. Please note that the size of each age cohort in the table is not the same. Specifically, the first cohort contains 27 ages, the second contains eight ages, and all others contain five ages.

Table 5.9
Individual ACA Market Membership by Age and State-Sponsored Enhanced Support Payment Option

Age	Baseline w/o ARP	Baseline w/ARP	WA-CS0-150	WA-CS150-200	WA-CS200-250	WA-P150-200	WA-P200-250
< 27	48,517	57,941	58,085	62,675	62,648	63,466	62,265
27-34	24,502	35,064	35,217	37,135	39,102	37,382	39,697
35-39	17,163	22,822	22,884	23,954	24,179	24,019	24,143
40-44	17,541	21,862	21,984	23,298	23,439	23,234	23,437
45-49	18,140	20,608	20,678	21,499	21,530	21,574	21,365
50-54	20,595	23,314	23,403	24,038	23,709	24,080	23,658
55-59	28,927	31,496	31,622	32,955	32,016	32,967	31,783
60-64	44,368	47,516	47,695	48,989	47,980	49,134	48,052
Total	**219,754**	**260,624**	**261,568**	**274,543**	**274,603**	**275,855**	**274,399**

From Table 5.9 it can be seen that scenarios that provide State-sponsored Enhanced Support Payments targeted at households with incomes between 200% and 250% FPL generally attract a higher proportion of individuals age 27-34 while those targeted at households with incomes between 150% and 200% FPL generally attract a higher proportion of individuals age 60-64, however the overall expected enrollment across both of these scenarios is relatively the same.

Table 5.10 compares the distribution of enrollees by household income that are expected to take up coverage under both the No ARPA and With ARPA baselines, and each of the State-sponsored Enhanced Support Payment options modeled. As expected, projected enrollment is higher in the income cohorts that are targeted by each scenario.

Table 5.10
Individual ACA Market Membership by Income and State-Sponsored Enhanced Support Payment Option

Income by FPL	Baseline w/o ARP	Baseline w/ARP	WA-CS0-150	WA-CS150-200	WA-CS200-250	WA-P150-200	WA-P200-250
< 150%	20,953	25,486	26,407	25,461	25,521	25,461	25,509
150 - 200%	29,013	36,893	36,896	50,967	36,944	52,120	36,927
200 - 250%	22,208	33,267	33,271	33,327	46,929	33,247	46,792
250 – 400%	47,669	54,748	54,754	54,715	54,825	54,559	54,598
400%+	99,912	110,230	110,240	110,073	110,384	110,468	110,573
Total	**219,754**	**260,624**	**261,568**	**274,543**	**274,603**	**275,855**	**274,399**

Ultimately, the State will likely need to select a single option should it move forward with providing some level of State-sponsored Enhanced Support Payment to members enrolling through C4HC. Each option studied comes with a different level of expected enrollment and corresponding cost to the State. Not only will the State need to determine which State-sponsored Enhanced Support Payment option(s) it can afford, various scenarios with relatively the same cost to the State result in different levels of expected enrollment, as well as differences in the level of financial support provided by household income level and family structure. It is likely that no single scenario may meet all of the State's policy objectives, and the competing interests of some scenarios will need to be weighed against each other.

Both the No ARPA and With ARPA scenarios were presented to the Health Insurance Affordability Enterprise Board (the Board), which is charged with making recommendations to the Insurance Commissioner on collecting and distributing Enterprise funds. As discussed in more detail in Section 6, the recommendation process was complicated by the short implementation timeline, especially the With ARPA scenarios, where C4HC indicated that it might be too late to implement both the ARPA changes and a State premium wrap for 2022, and Colorado carriers indicated that it might not be feasible to introduce a new 98% AV plan for 2022. In this context, the Board's review process focused primarily on the two cost sharing enhancement options that used currently available plans, extending the federal 94% AV CSR plan to all enrollees up to 200% FPL or replacing the federal 73% AV CSR plan with the federal 87% AV CSR plan for enrollees in the 200%-250% FPL range.

6. PROGRAM IMPLEMENTATION AND POLICY CONSIDERATIONS

In this section, we discuss key policy and operational considerations that informed the process for developing the State-sponsored Enhanced Support Payment options to model and providing context to the Board in its deliberations as to what to recommend to the Insurance Commissioner on key policy and budgeting issues.

6.1. Considerations for Targeting Subsidies Based on Income

As discussed in Section 4.4, seven State premium wrap scenarios were modeled prior to the passage of ARPA. Subsequent to ARPA's passage, five additional State-sponsored Enhanced Support Payment options were modeled that took into account the enhanced premium subsidies available under ARPA. The latter modeling included two new State premium wraps and introduced three State cost sharing enhancements. All twelve scenarios used standard income ranges as the eligibility criterion for simplicity, interaction with the existing ACA infrastructure, and the availability of income information.[28]

Within the income-based framework, the Board specifically evaluated opportunities to direct the State-sponsored Enhanced Support Payments to address health equity, including targeting the non-white population and Coloradans living in rural areas. The Board considered data displayed in Charts 6.1 and 6.2 indicating that subsidies targeted to a lower income population, especially those under 200% FPL, would be available to a higher proportion of non-white (including Hispanic/Latinx) populations and Coloradans living in rural counties.

Chart 6.1
Percentage of Non-White (including Hispanic/Latinx) Coloradans by Income Level

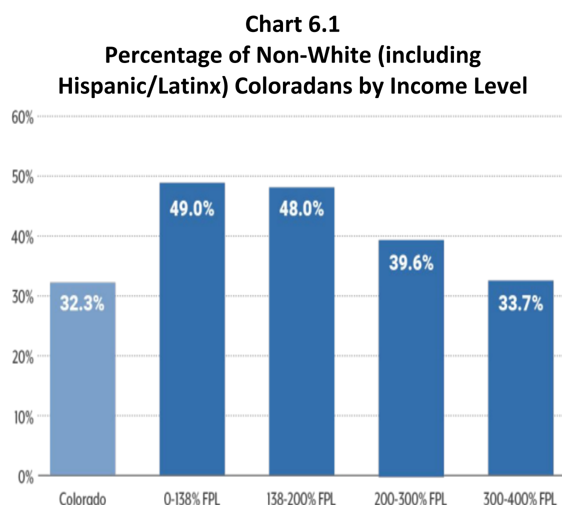
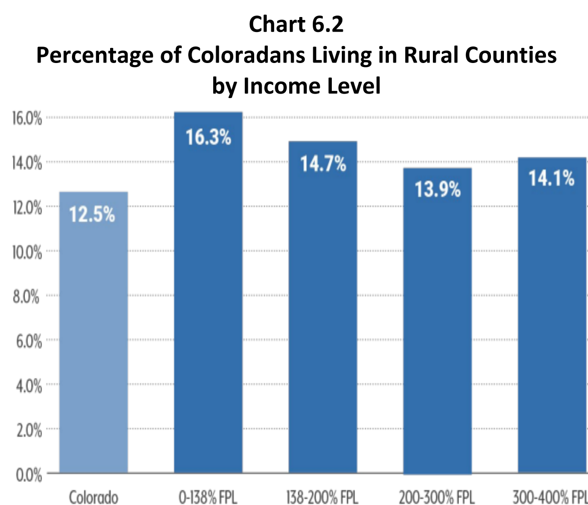


Chart 6.2
Percentage of Coloradans Living in Rural Counties by Income Level



Source: American Community Survey, 2019 and Colorado Health Insurance Affordability Board

The Board's recommendation as to whether a State premium wrap or a State cost sharing enhancement should be offered was influenced by a variety of factors described in Section 4.4. As described in that

[28] The Board considered a variety of factors for eligibility before approving income-based eligibility, including household size, age, geography, plan selection by metal tier, order of enrollment, date of enrollment, those who were previously uninsured, and first-time enrollees.

section, individuals tend to be more sensitive to premiums when deciding whether to enroll in coverage. However, once a household has coverage, cost sharing can play a decisive role in their ability to use services, and the perceived value of coverage. In Colorado, between 2017-2019, 22% of enrollees under 200% FPL reported difficulty paying for medical bills despite being insured.[29] Plans with high out-of-pocket costs may prove unaffordable to Coloradans, particularly those under 200% FPL, and negatively impact access to care.

Although the Board initially recommended premium wraps, the passage of ARPA in early March 2021 altered the Board's evaluation when it revisited its earlier choice and considered five new With ARPA State-sponsored Enhanced Payment Option scenarios. Under ARPA, Coloradans will have the portion of their income that they must pay for premiums reduced dramatically for 2021 and 2022, with the possibility that those changes could be made permanent by further Congressional action. The Board took note of the fact that premium subsidies under ARPA are significantly more robust than the proposed State premium wraps in every one of the seven scenarios modeled.

As a result, the Board chose to recommend a State cost sharing enhancement as a complement to the enhanced premium subsidies under ARPA and other federal financial assistance. The Board saw value in enhancing CSRs to encourage more Coloradans to enroll in health insurance and to help people actually use the insurance they purchase.[30]

The Board considered the three State cost sharing enhancement scenarios outlined in Table 6.1, and ultimately recommended targeting the population with household incomes of 150% - 200% FPL and increasing the actuarial value of plans for this population from an 87% AV to a 94% AV.[31] The Board was interested in another option as well, increasing the value of plans for the population up to 150% FPL from 94% AV to 98% AV to better mirror Medicaid coverage, but Colorado carriers indicated that creating a 98% AV plan would not be feasible in time for the 2022 plan year.

Table 6.1
State Cost Sharing Enhancement Options Considered

	0 – 150% FPL	150 – 200% FPL	200 – 250% FPL
Current CSR	94%	87%	73%
Proposed State Cost Sharing Enhancement	98%	94%	87%
		Recommendation	

It is important to note that raising the AV level to 94% for enrollees under 200% FPL will benefit enrollees in that income bracket, but will also create a subsidy cliff for those just over 200% FPL. Enrollees at 201% FPL will experience a 21% drop in value, from a 94% AV to a 73% AV, if they purchase a silver plan. The Board considered this issue, but was also mindful of the reality that there are subsidy cliffs throughout the ACA subsidy structure. For example, the Board could have recommended raising the value of plans in the 200-250% FPL range from a 73% AV to an 87% AV, but that would have meant a 17% drop in value at 251% FPL, from an 87% AV to a 70% AV, for those enrollees who purchase a silver

[29] https://www.coloradohealthinstitute.org/research/2019-colorado-health-access-survey-health-insurance-coverage
[30] https://drive.google.com/drive/folders/1wg1vmrBf_CrQQ1W0tTMGmtDcXu6RytxW
[31] https://drive.google.com/drive/folders/1wg1vmrBf_CrQQ1W0tTMGmtDcXu6RytxW

plan. Smoothing income-based cliffs may be an important opportunity for future state and federal action.

6.2. Managing Limited Funding Amounts and Accommodating Variable Consumer Enrollment

One challenge for developing a subsidy strategy for 2022 was managing a limited, fixed budget in the context of uncertainty about enrollment. The broad goal was to budget conservatively to minimize the potential for larger than expected enrollment to deplete the budget before the end of the year and require the State to take emergency action, potentially including having to close enrollment in the program.

The Board recommended a couple approaches to address this challenge. For 2022, the initial budget of $20 million, which was used for the No ARPA modeling, was reduced to $19 million for the With ARPA scenario modeling to create a 5% budget cushion. For longer term budgeting, the Board recommended a further budget cushion by spreading an extra $15 million in available funding across five years rather than three years to avoid a potential budget reduction in years four and five if collections remained flat.[32]

This more conservative approach was straightforward to apply to the State premium wrap scenarios, where the amount of premium subsidy can be adjusted to achieve the targeted budget. However, a similar strategy was not workable with respect to State cost sharing enhancements since adjustments to achieve the targeted budget would have required changes to either the targeted AV level or the targeted income bracket. Neither of those adjustments was seen as feasible for a one-year program intended to fit within the standard framework for cost sharing enhancement, which meant that the cost for the two State cost sharing enhancements was an output rather than an input for the modeling (as described in Section 4.3). The resulting budget projections were higher than the original target budget, but the State is confident it can meet the $25.5 million projected cost for the option that was recommended, both because of the conservative assumptions described here and because a combination of other changes, including the ARPA-related changes, have created more budget flexibility.

6.3. Subsidy Payment Processing and Reconciliation

The Board considered several approaches to the question of what happens when enrollees collecting a State subsidy have income changes during 2022 that would change their subsidy amount if their subsidy was redetermined. The options considered ranged from redetermining subsidy eligibility with each income change, to leaving State-sponsored Enhanced Support Payments the same as long as the person remained eligible for some level of federal subsidy, to leaving State-sponsored Enhanced Support Payments the same as long as enrollees remain in their covered plans. The Board recommended the middle option for a one-year program designed to be as simple as possible.[33]

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[32] https://drive.google.com/drive/folders/1wg1vmrBf_CrQQ1W0tTMGmtDcXu6RytxW
https://drive.google.com/drive/folders/1Yj1Ar9wGqNY8sHRE3G-K9UfzwnfIIkOg
[33] https://drive.google.com/drive/folders/1wxRL87zjRCQe3tLgxi4m4PKZbPwQNAsK Jan 22
https://drive.google.com/drive/folders/11yjh_re-PiVv_gJJ9CR8gLkWy1iGqLH2

This approach will allow enrollees who are determined eligible for a 94% AV plan at initial enrollment to keep that plan for the entire year except in the rare case where the person has a large enough income gain to be ineligible for any federal subsidy under the expanded ARPA eligibility parameters. Changing State cost sharing enhancements would be especially disruptive since it would require enrollees to move to a different benefit plan rather than simply pay a larger share of the premiums, as would be the case with changes in State premium wraps.

Households with incomes between 150% and 200% FPL that are enrolled in the 94% AV plan will also not face any reconciliation issues. In addition to reconciliation not being feasible for a one-year State-sponsored Enhanced Support Payment program, it is worth noting that the federal reconciliation process, to the extent it is applicable to federal subsidies at all, applies to premium subsidies and not to cost sharing enhancements.[34]

There is, however, a reconciliation issue for carriers with respect to State cost sharing enhancements that is discussed later in Section 6.5.

6.4. Managing Data Flow Between Carriers, Connect for Health Colorado, and the Division of Insurance

State-sponsored Enhanced Support Payments require coordination among three parties, the Division, C4HC, and carriers, though the responsibilities of each party vary between State premium wraps and State cost sharing enhancements.

Premium wraps are easiest for carriers and the Division to manage since they involve a relatively straightforward transfer of funds from the Enterprise account to carriers. However, premium wraps impose significant operational burdens for C4HC. Those burdens may have been manageable in the pre-ARPA environment, but the delayed decision-making caused by ARPA and the operational changes necessary to accommodate ARPA, particularly with a short time period for implementation, meant that premium wraps were not feasible for C4HC for 2022.

State cost sharing enhancements that do not introduce a new AV level plan or a new income category impose minimal burdens on C4HC, as it simply has to identify a broader population entitled to the 94% AV plan. However, the variability in how cost sharing enhancements apply to individual enrollees creates a series of challenges for carriers and the Division, starting with the fact that each carrier will have its own unique costs depending on its unique book of business. Put another way, the average cost of State cost sharing enhancements cannot be applied uniformly to carriers without creating significant winners and losers. This fact led the Division to develop a new proposed rule that defines which factors can be used by carriers in calculating their unique costs in their rate filings. The proposed rule also allows for a second round of adjustments based on actual results during the plan year, though those adjustments are limited to reconciliation to actual enrollment to avoid the laborious approach used for federal cost sharing reductions, where initial payments were reconciled against individual claims experience.[35]

[34] January 22, 2021 Board meeting; federal reconciliation of CSR payments does not apply given the federal government is not currently funding CSR payments

[35] DRAFT Proposed Emergency Regulation 21-E-XX; https://drive.google.com/file/d/1x9Z8kHZxw0ild5XiqZRm_Ze5xpxGimBP/view

The broader issues associated with the variability of State cost sharing enhancements are discussed in greater detail in Section 6.5 on the rate review process.

6.5. Changes to Annual Rate Filing Process

Under the State cost sharing enhancement recommended by the Board, the Division will make payments to carriers offering coverage through C4HC to compensate them for the difference between the cost of a 94% AV plan variant and the cost of a 87% AV plan variant for members with households incomes between 150% and 200% FPL who select a 94% AV plan. These payments will represent the additional member cost sharing expected to be paid by the carriers on behalf of these enrollees due to the presence of the State-sponsored cost sharing enhancement, including the impact of induced utilization on this supplemental cost sharing layer.

The desire by the Division to make fixed PMPM payments to carriers for the eligible population, where the amount of these payments could vary by carrier, led the Division to develop a new proposed rule that outlines the formula carriers will be required to use in calculating their expected costs.[36] The methods outlined in the rule will be expected to be applied consistently across all carriers using values supplied in the carriers' annual rate filings, including but not limited to the Unified Rate Review Template, the Plans and Benefits Template, and the carriers' Rate Manuals.

Similar to the load that is applied to on-Exchange silver plans to compensate for the fact that the federal government is not currently funding federal cost sharing reductions outlined in the ACA, once the amount of a carrier's PMPM payments for each plan, age and tobacco status have been reviewed and approved by the Division they will not be subject to change throughout the year. Therefore, it will be important for the Division to thoroughly review each of the assumptions that serve as inputs into the calculation to ensure the fixed PMPM payments are actuarially supported. While there will be a reconciliation process at the end of the year, it would be limited to reconciliation based on differences between expected and actual enrollment.

6.6. Changes to Comply with IRS Rules Related to 1095A Reporting

State cost sharing enhancements do not raise any new federal tax 1095A reporting issues since those reporting requirements relate to premium subsidies.[37]

6.7. Other Policy Implementation Challenges

Implementation time constraints: Implementing the State-sponsored Enhanced Support Payment on an accelerated timeline, and in the midst of broader tax credit reform, impacted the State premium wrap and State cost sharing enhancements. Specifically, as discussed in Section 6.1, C4HC indicated that it

[36] DRAFT Proposed Emergency Regulation 21-E-XX; https://drive.google.com/file/d/1x9Z8kHZxw0ild5XiqZRm_Ze5xpxGimBP/view
[37] https://www.irs.gov/forms-pubs/about-form-1095-a

would be unable to operationalize a State premium wrap for the 2022 plan year and existing insurance carriers could not design a 98% AV plan under the same time constraint.

Anomalies: As discussed in Sections 4.1 and 6.1, selecting a specific income eligibility threshold for State-sponsored Enhanced Support Payments creates a financial assistance cliff for Coloradans just above the eligible income threshold. These cliffs can be particularly difficult for low-income enrollees that are sensitive to changes in out-of-pocket costs.

Temporary Enhanced Premium Subsidies Under ARPA: The enhanced premium subsidies made available under ARPA are only in effect for 2021 and 2022. President Biden and members of Congress have expressed an interest in making the enhancements permanent in future legislative action this year. If the enhanced premium subsidies are not extended, Coloradans may require additional help affording premiums in future.

Further Federal Policy Changes: In addition to permanently extending the enhanced premium subsidies under APRA, the federal government may consider additional coverage policies that will impact Coloradans. Examples of additional policies include lowering the Medicare eligibility age, introducing a federal public option, and/or changing the benchmark plan (upon which APTCs are calculated) from silver-level to gold-level plans. Implementation of any of these policies will impact how Coloradans access individual insurance coverage.

7. ACKNOWLEDGEMENT OF ACTUARIAL QUALIFICATIONS

The State of Colorado engaged Oliver Wyman Actuarial Consulting, Inc. to perform actuarial and economic analyses to explore the possibility of the State providing premium and/or cost sharing relief in addition to the federal subsidies currently provided under the ACA and to be provided under ARPA. The services provided consisted of microsimulation modeling and other analyses to determine various subsidy structures and corresponding expected enrollment that would result in targeted levels of State spending, the expected impact on enrollment in the Individual ACA market, and the impact on affordability of coverage.

Tammy Tomczyk, Corryn Brown, and Ryan Schultz, all Fellows of the Society of Actuaries, are responsible for this actuarial communication. They are all Members of the American Academy of Actuaries and meet the requirements to issue this report.

For our modeling and analysis, we relied on a wide range of data and information as described throughout this report. This includes information received from carriers currently offering coverage in the Individual ACA market in Colorado, and information received from C4HC. Though we have reviewed the data for reasonableness and consistency, we have not independently audited or otherwise verified this data. Our review of the data may not reveal errors or imperfections. We have assumed the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information are inaccurate or incomplete, our findings and conclusions may need to be revised. All projections are based on data and information available as of March 20, 2021, and the projections are not a guarantee of results which might be achieved.

The estimates included within are based on federal law, regulations issued by the United States Department of Health and Human Services and the Internal Revenue Service, and applicable laws and regulations of the State of Colorado. Further, our estimates assume that current law as it relates to the Affordable Care Act, and other statutes and regulations that impact the health insurance markets, will continue in the future years without material change that would impact the results included in this report. Where explicitly indicated, the additional provisions of the American Rescue Plan Act are also assumed to apply. In addition, the projections shown in this report are dependent upon a number of assumptions regarding the future economic environment, medical trend rates, carrier behavior, the behavior of individuals and employers in light of incentives and penalties, and a number of other factors. These assumptions are disclosed within the report and have been discussed with representatives from the State of Colorado.

While this analysis complies with the applicable Actuarial Standards of Practice, in particular ASOP No. 23, Data Quality, and ASOP No 41, Actuarial Communication, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic, statistical and other unforeseen variations from projected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect our projections. In particular, no explicit adjustments have been made regarding the potential impact that COVID-19 may have in terms of the economic environment or other impact on premiums in 2022, relative to the experience relied upon to calibrate our models. In addition, significant uuncertainty exists when modeling premium changes of the magnitude that will be present under ARPA, particularly where there is no historical experience available

that can be used to determine the price elasticity of various income cohorts when presented with such extreme changes in price.

For these reasons, no assurance can be given that the emerging experience will correspond to the projections in this analysis. To the extent future conditions differ from the assumptions we have made in developing these projections, actual results will vary from our projections, and the variance may be substantial.

8. CAVEATS AND LIMITING CONDITIONS

This report is for the exclusive use of the State of Colorado. This report is not intended for general circulation or publication, nor is it to be reproduced, quoted or distributed for any purpose without the prior written permission of Oliver Wyman. There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the State of Colorado. This report does not represent investment advice, nor does it provide an opinion regarding the fairness of any transaction to any and all parties.

APPENDIX A. MAXIMUM MONTHLY HOUSEHOLD PREMIUMS

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Single – Age 27

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	**Without ARPA**	**With ARPA**	**Change**	**Without ARPA**	**With ARPA**	**Change**
138%	$45	$0	($45)	$45	$0	($45)
150%	$66	$0	($66)	$66	$0	($66)
200%	$139	$43	($96)	$139	$43	($96)
250%	$221	$106	($115)	$221	$106	($115)
300%	$274	$191	($82)	$314	$191	($122)
350%	$274	$270	($4)	$320	$270	($50)
400%	$274	$274	$0	$320	$320	$0
450%	$274	$274	$0	$320	$320	$0
500%	$274	$274	$0	$320	$320	$0
550%	$274	$274	$0	$320	$320	$0
600%	$274	$274	$0	$320	$320	$0
700%	$274	$274	$0	$320	$320	$0
800%	$274	$274	$0	$320	$320	$0
900%	$274	$274	$0	$320	$320	$0
1000%	$274	$274	$0	$320	$320	$0
1100%	$274	$274	$0	$320	$320	$0
1200%	$274	$274	$0	$320	$320	$0
1300%	$274	$274	$0	$320	$320	$0
1400%	$274	$274	$0	$320	$320	$0
1500%	$274	$274	$0	$320	$320	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Couple – Age 27

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	**Without ARPA**	**With ARPA**	**Change**	**Without ARPA**	**With ARPA**	**Change**
138%	$61	$0	($61)	$61	$0	($61)
150%	$89	$0	($89)	$89	$0	($89)
200%	$187	$57	($130)	$187	$57	($130)
250%	$299	$144	($156)	$299	$144	($156)
300%	$424	$259	($165)	$424	$259	($165)
350%	$494	$365	($130)	$494	$365	($130)
400%	$547	$488	($59)	$565	$488	($76)
450%	$547	$547	$0	$640	$550	($90)
500%	$547	$547	$0	$640	$611	($29)
550%	$547	$547	$0	$640	$640	$0
600%	$547	$547	$0	$640	$640	$0
700%	$547	$547	$0	$640	$640	$0
800%	$547	$547	$0	$640	$640	$0
900%	$547	$547	$0	$640	$640	$0
1000%	$547	$547	$0	$640	$640	$0
1100%	$547	$547	$0	$640	$640	$0
1200%	$547	$547	$0	$640	$640	$0
1300%	$547	$547	$0	$640	$640	$0
1400%	$547	$547	$0	$640	$640	$0
1500%	$547	$547	$0	$640	$640	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Couple (Age 27) + 2 Children (Under Age 14)

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	**Without ARPA**	**With ARPA**	**Change**	**Without ARPA**	**With ARPA**	**Change**
138%	$93	$0	($93)	$93	$0	($93)
150%	$136	$0	($136)	$136	$0	($136)
200%	$285	$87	($197)	$285	$87	($197)
250%	$455	$218	($236)	$455	$218	($236)
300%	$644	$393	($251)	$644	$393	($251)
350%	$751	$554	($197)	$751	$554	($197)
400%	$858	$742	($116)	$858	$742	($116)
450%	$947	$835	($111)	$1,106	$835	($271)
500%	$947	$928	($19)	$1,106	$928	($178)
550%	$947	$947	$0	$1,106	$1,021	($86)
600%	$947	$947	$0	$1,106	$1,106	$0
700%	$947	$947	$0	$1,106	$1,106	$0
800%	$947	$947	$0	$1,106	$1,106	$0
900%	$947	$947	$0	$1,106	$1,106	$0
1000%	$947	$947	$0	$1,106	$1,106	$0
1100%	$947	$947	$0	$1,106	$1,106	$0
1200%	$947	$947	$0	$1,106	$1,106	$0
1300%	$947	$947	$0	$1,106	$1,106	$0
1400%	$947	$947	$0	$1,106	$1,106	$0
1500%	$947	$947	$0	$1,106	$1,106	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Single – Age 45

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	**Without ARPA**	**With ARPA**	**Change**	**Without ARPA**	**With ARPA**	**Change**
138%	$45	$0	($45)	$45	$0	($45)
150%	$66	$0	($66)	$66	$0	($66)
200%	$139	$43	($96)	$139	$43	($96)
250%	$221	$106	($115)	$221	$106	($115)
300%	$314	$191	($122)	$314	$191	($122)
350%	$366	$270	($96)	$366	$270	($96)
400%	$377	$362	($15)	$418	$362	($57)
450%	$377	$377	$0	$441	$407	($34)
500%	$377	$377	$0	$441	$441	$0
550%	$377	$377	$0	$441	$441	$0
600%	$377	$377	$0	$441	$441	$0
700%	$377	$377	$0	$441	$441	$0
800%	$377	$377	$0	$441	$441	$0
900%	$377	$377	$0	$441	$441	$0
1000%	$377	$377	$0	$441	$441	$0
1100%	$377	$377	$0	$441	$441	$0
1200%	$377	$377	$0	$441	$441	$0
1300%	$377	$377	$0	$441	$441	$0
1400%	$377	$377	$0	$441	$441	$0
1500%	$377	$377	$0	$441	$441	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Couple – Age 45

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	Without ARPA	With ARPA	Change	Without ARPA	With ARPA	Change
138%	$61	$0	($61)	$61	$0	($61)
150%	$89	$0	($89)	$89	$0	($89)
200%	$187	$57	($130)	$187	$57	($130)
250%	$299	$144	($156)	$299	$144	($156)
300%	$424	$259	($165)	$424	$259	($165)
350%	$494	$365	($130)	$494	$365	($130)
400%	$565	$488	($76)	$565	$488	($76)
450%	$754	$550	($204)	$881	$550	($332)
500%	$754	$611	($143)	$881	$611	($271)
550%	$754	$672	($82)	$881	$672	($210)
600%	$754	$733	($21)	$881	$733	($148)
700%	$754	$754	$0	$881	$855	($26)
800%	$754	$754	$0	$881	$881	$0
900%	$754	$754	$0	$881	$881	$0
1000%	$754	$754	$0	$881	$881	$0
1100%	$754	$754	$0	$881	$881	$0
1200%	$754	$754	$0	$881	$881	$0
1300%	$754	$754	$0	$881	$881	$0
1400%	$754	$754	$0	$881	$881	$0
1500%	$754	$754	$0	$881	$881	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Couple (Age 45) + 2 Children (Under Age 14)

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	**Without ARPA**	**With ARPA**	**Change**	**Without ARPA**	**With ARPA**	**Change**
138%	$93	$0	($93)	$93	$0	($93)
150%	$136	$0	($136)	$136	$0	($136)
200%	$285	$87	($197)	$285	$87	($197)
250%	$455	$218	($236)	$455	$218	($236)
300%	$644	$393	($251)	$644	$393	($251)
350%	$751	$554	($197)	$751	$554	($197)
400%	$858	$742	($116)	$858	$742	($116)
450%	$1,153	$835	($318)	$1,348	$835	($513)
500%	$1,153	$928	($225)	$1,348	$928	($420)
550%	$1,153	$1,021	($133)	$1,348	$1,021	($327)
600%	$1,153	$1,114	($40)	$1,348	$1,114	($235)
700%	$1,153	$1,153	$0	$1,348	$1,299	($49)
800%	$1,153	$1,153	$0	$1,348	$1,348	$0
900%	$1,153	$1,153	$0	$1,348	$1,348	$0
1000%	$1,153	$1,153	$0	$1,348	$1,348	$0
1100%	$1,153	$1,153	$0	$1,348	$1,348	$0
1200%	$1,153	$1,153	$0	$1,348	$1,348	$0
1300%	$1,153	$1,153	$0	$1,348	$1,348	$0
1400%	$1,153	$1,153	$0	$1,348	$1,348	$0
1500%	$1,153	$1,153	$0	$1,348	$1,348	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Single – Age 60

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	Without ARPA	With ARPA	Change	Without ARPA	With ARPA	Change
138%	$45	$0	($45)	$45	$0	($45)
150%	$66	$0	($66)	$66	$0	($66)
200%	$139	$43	($96)	$139	$43	($96)
250%	$221	$106	($115)	$221	$106	($115)
300%	$314	$191	($122)	$314	$191	($122)
350%	$366	$270	($96)	$366	$270	($96)
400%	$418	$362	($57)	$418	$362	($57)
450%	$708	$407	($302)	$828	$407	($421)
500%	$708	$452	($257)	$828	$452	($376)
550%	$708	$497	($211)	$828	$497	($331)
600%	$708	$542	($166)	$828	$542	($286)
700%	$708	$633	($76)	$828	$633	($195)
800%	$708	$708	$0	$828	$723	($105)
900%	$708	$708	$0	$828	$813	($15)
1000%	$708	$708	$0	$828	$828	$0
1100%	$708	$708	$0	$828	$828	$0
1200%	$708	$708	$0	$828	$828	$0
1300%	$708	$708	$0	$828	$828	$0
1400%	$708	$708	$0	$828	$828	$0
1500%	$708	$708	$0	$828	$828	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Couple – Age 60

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	**Without ARPA**	**With ARPA**	**Change**	**Without ARPA**	**With ARPA**	**Change**
138%	$61	$0	($61)	$61	$0	($61)
150%	$89	$0	($89)	$89	$0	($89)
200%	$187	$57	($130)	$187	$57	($130)
250%	$299	$144	($156)	$299	$144	($156)
300%	$424	$259	($165)	$424	$259	($165)
350%	$494	$365	($130)	$494	$365	($130)
400%	$565	$488	($76)	$565	$488	($76)
450%	$1,417	$550	($867)	$1,656	$550	($1,107)
500%	$1,417	$611	($806)	$1,656	$611	($1,046)
550%	$1,417	$672	($745)	$1,656	$672	($985)
600%	$1,417	$733	($684)	$1,656	$733	($923)
700%	$1,417	$855	($562)	$1,656	$855	($801)
800%	$1,417	$977	($440)	$1,656	$977	($679)
900%	$1,417	$1,099	($318)	$1,656	$1,099	($557)
1000%	$1,417	$1,221	($196)	$1,656	$1,221	($435)
1100%	$1,417	$1,343	($74)	$1,656	$1,343	($313)
1200%	$1,417	$1,417	$0	$1,656	$1,465	($191)
1300%	$1,417	$1,417	$0	$1,656	$1,588	($69)
1400%	$1,417	$1,417	$0	$1,656	$1,656	$0
1500%	$1,417	$1,417	$0	$1,656	$1,656	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

2021 Maximum Monthly Household Premium for SLCSP Plan[1]
Couple (Age 60) + 2 Children (Under Age 14)

	Rating Area 3			Rating Area 8		
Household Income as a % of FPL	**Without ARPA**	**With ARPA**	**Change**	**Without ARPA**	**With ARPA**	**Change**
138%	$93	$0	($93)	$93	$0	($93)
150%	$136	$0	($136)	$136	$0	($136)
200%	$285	$87	($197)	$285	$87	($197)
250%	$455	$218	($236)	$455	$218	($236)
300%	$644	$393	($251)	$644	$393	($251)
350%	$751	$554	($197)	$751	$554	($197)
400%	$858	$742	($116)	$858	$742	($116)
450%	$1,816	$835	($981)	$2,123	$835	($1,288)
500%	$1,816	$928	($888)	$2,123	$928	($1,195)
550%	$1,816	$1,021	($796)	$2,123	$1,021	($1,102)
600%	$1,816	$1,114	($703)	$2,123	$1,114	($1,010)
700%	$1,816	$1,299	($517)	$2,123	$1,299	($824)
800%	$1,816	$1,485	($332)	$2,123	$1,485	($638)
900%	$1,816	$1,670	($146)	$2,123	$1,670	($453)
1000%	$1,816	$1,816	$0	$2,123	$1,856	($267)
1100%	$1,816	$1,816	$0	$2,123	$2,041	($82)
1200%	$1,816	$1,816	$0	$2,123	$2,123	$0
1300%	$1,816	$1,816	$0	$2,123	$2,123	$0
1400%	$1,816	$1,816	$0	$2,123	$2,123	$0
1500%	$1,816	$1,816	$0	$2,123	$2,123	$0

[1] The SLCSP plan was determined at the Rating Area level for this example; to the extent there are carriers that only offer coverage in certain counties within these Rating Areas the actual SLCSP plan for certain households may differ

APPENDIX B. TABLE METRIC DEFINITIONS

Table 5.1 Metric Definitions

Estimated 2022 Baseline Enrollees (Target Cohort)	Estimated baseline enrollees for the targeted cohort; includes enrollees that do not receive APTCs, when applicable
Estimated New Enrollees	Estimated number of new enrollees that will come into the Exchange due to the presence of the specified State premium wrap
Estimated Enrollment Change (Target Cohort)	Percent change in enrollment for the targeted cohort
Estimated Total Enrollment	Estimated total ACA individual market enrollees when the State premium wrap is in place
Modeled State Premium Wrap PMPM	Maximum State premium wrap PMPM that will be offered to eligible enrollees
Avg. State Premium Wrap PMPM	Projected average State premium wrap PMPM received by the targeted cohort, including enrollees that receive a reduced premium wrap PMPM (or no premium wrap) due to the premium floor. Average may be understated if a significant number of enrollees use the State premium wrap to purchase more expensive plans
Avg. Member Paid Premium PMPM **Without** State Premium Wrap (Target Cohort)	Average member paid premium PMPM without the State premium wrap; includes enrollees that do not receive APTCs, when applicable
Avg. Member Paid Premium PMPM **With** State Premium Subsidy (Target Cohort)	Average member paid premium PMPM with the State premium wrap; includes enrollees that do not receive APTCs, when applicable, as well as enrollees who receive a reduced State premium wrap, when applicable.
Estimated Reduction in Member Paid Premium	Average reduction in member paid premium when a State premium wrap is offered relative to the member paid premium without the State premium wrap
Estimated State Cost ($ millions)	Estimated total cost to the State using the assumptions presented

Table 5.2 Metric Definitions

Cost Sharing Enhancement Modeled	Change in actuarial value of the plan offered to the targeted cohort after consideration of the State cost sharing enhancement
Estimated 2022 Baseline Enrollees (Targeted Cohort) – No ARPA	Estimated baseline enrollees for the targeted cohort in the absence of the ARPA; will include enrollees that do not receive APTCs and/or CSRs, when applicable
Estimated 2022 Baseline Enrollees (Targeted Cohort) – with ARPA	Estimated baseline enrollees for the targeted cohort with the presence of ARPA; will include enrollees that do not receive APTCs and/or CSRs, when applicable
Estimated New Enrollees (Targeted Cohort) – With ARPA and Cost Sharing Enhancement	Estimated number of new enrollees (i.e., previously uninsured) for the targeted cohort that are expected to be drawn into the Exchange with ARPA when the specified State cost sharing enhancement is offered
Estimated Total Enrollees (Targeted Cohort) – With ARPA and Cost Sharing Enhancement	Estimated number of total enrollees for the targeted cohort with the presence of ARPA and the State cost sharing enhancement; includes enrollees that do not receive APTCs and/or CSRs, when applicable
Estimated 2022 Enrollment Change (Targeted Cohort)	Percent change in expected enrollment for the targeted cohort when comparing baseline enrollment with ARPA to expected enrollment with ARPA when the State cost sharing enhancement is offered
Estimated 2022 Total Enrollment With ARPA and Cost Sharing Enhancement	Estimated total ACA Individual market enrollees with ARPA when the State cost sharing enhancement is offered
Estimated 2022 Enrollment in CSR plan (Targeted Cohort)	Estimated number of total enrollees for the targeted cohort with the presence of ARPA and the State cost sharing enhancement; includes only those enrollees in the targeted cohort that are expected to enroll in the CSR plan
Estimated 2022 Average Cost of CSR Enhancement per CSR Enrollee per Month	Average expected cost to the State of offering the State cost sharing enhancement, per member in the targeted cohort that is expected to enroll in a CSR plan
Estimated 2022 State Cost ($ millions)	Estimated total cost to the State using the assumptions presented

Table 5.5 Metric Definitions

Metric	Definition
Estimated 2022 Baseline Enrollees (Target Cohort) – No ARPA	Estimated baseline enrollees for the targeted cohort in the absence of the ARPA; will include enrollees that do not receive APTCs, when applicable
Estimated 2022 Baseline Enrollees (Target Cohort) – with ARPA	Estimated baseline enrollees for the targeted cohort with the introduction of the ARPA; will include enrollees that do not receive APTCs, when applicable
Estimated New Enrollees (Targeted Cohort) – With ARPA and State Premium Wrap	Estimated number of new enrollees (i.e., previously uninsured) for the targeted cohort that are expected to enroll in coverage through the Exchange with ARPA and when the specified State premium wrap is offered
Estimated 2022 Enrollees (Targeted Cohort) – With ARPA and State Premium Wrap	Estimated number of total enrollees for the targeted cohort expected to enroll in coverage through the Exchange with ARPA and when the specified State premium wrap is offered
Enrollment Change (Target Cohort)	Percent change in enrollment for the targeted cohort when comparing baseline enrollment with ARPA to expected enrollment with ARPA and when the specified State premium wrap is offered
Estimated Total Market Enrollment With ARPA and State Premium Wrap	Estimated total ACA Individual market enrollees expected with ARPA and when the specified State premium wrap is offered
Proposed State Premium Wrap PMPM	Maximum State premium wrap PMPM that will be offered to eligible enrollees
Avg. Effective State Premium Wrap PMPM	Projected average State premium wrap PMPM received by the targeted cohort; includes enrollees that receive a reduced State premium wrap (or no State premium wrap) due to the premium floor. Averages may be understated if a significant number of enrollees purchase more expensive plans
2022 Avg. Member Paid Premium PMPM **Without** ARP or State Premium Wrap (Target Cohort)	Average member paid premium PMPM without the State premium wrap had ARPA not been enacted; includes enrollees that do not receive APTCs, when applicable
2022 Avg. Member Paid Premium PMPM **With** ARP but **Without** ARP or State Premium Wrap (Target Cohort)	Average member paid premium PMPM with increased subsidies provided by ARPA but without the State premium wrap; includes enrollees that do not receive APTCs, when applicable
2022 Avg. Member Paid Premium PMPM **With** ARP and State Premium Wrap (Target Cohort)	Average member paid premium PMPM with ARPA and State premium wrap; includes enrollees that do not receive APTCs, when applicable, as well as enrollees who receive a reduced State Premium Wrap, when applicable
Estimated Reduction in Member Paid Premium due to State Premium Wrap	Average reduction in member paid premium when the State premium wrap is offered relative to the member paid premium without the State premium wrap
Estimated 2022 State Cost ($ millions)	Estimated total cost to the State using the assumptions presented

APPENDIX C. SENSITIVITY TESTING SCENARIOS

Sensitivity testing around our best estimate assumptions for the State cost sharing enhancement scenarios With ARPA was performed to provide the HIAE with an understanding of the volatility of the projected net cost to the State of Colorado. When performing sensitivity testing, only the underlying assumption listed was changed, even though changes in other assumptions may be expected. If multiple assumptions are changed relative to the baseline scenario, the differences in the net cost to the State of Colorado relative to the baseline scenario could be compounded and would not necessarily be expected to be additive.

Assumption Change	Description of the Assumption Change
Total Membership in Cohort +/-10%	• The number of total members enrolled in the specified target cohort of ACA enrollees was assumed to be higher or lower by the specified magnitude, relative to the best estimate projections • As an example, these scenarios could occur if the impact of reduced member costs due to either ARPA or the state State-sponsored Enhanced Support Payment on the modeled 2022 enrollment is different relative to expectations

Demographics/Morbidity +/-5%	• The projected change in expected allowed claims PMPM for the specified cohort from pre-ARPA to post-ARPA with the State cost sharing enhancement due to a shift in demographics and/or the average morbidity beyond that which would be attributed to a demographic shift (i.e., individuals of a given age taking up coverage that are sicker/healthier than members of that same age currently enrolled) was assumed to be higher or lower by the specified magnitude, relative to the best estimate projections
	• Best estimate projections reflect the following expected reduction in claims for the specified cohorts due to demographic/morbidity shifts:
	  • Cost Sharing Enhancement targeted below 150% FPL: -7.9%
	  • Cost Sharing Enhancement targeted at 150-200% FPL: -7.7%
	  • Cost Sharing Enhancement targeted at 200-250% FPL: -24.1%

De Minimis Range Impact +/-1%	• The State's cost for a State cost sharing enhancement will depend on the difference in actuarial value of the federal CSR plan assigned to a member and the state CSR plan assigned to the member • Given a 1% de minimis range, the difference in the metal AV between these two could be +/-2% relative to the AV outlined in law (e.g., the difference between the 73 CSR and 87 CSR plans could be as narrow as 74% to 86% or as wide as 72% to 88%), and the difference in the pricing AV between the two could be even wider • The difference in the AV for the two CSR plans was assumed to be higher or lower by the specified amount, relative to the averages that underlie the modeling which were based on experience from the carrier data call
Claims Trend +/-1%	Claims trend was assumed to be higher or lower than the 7% secular trend assumed in the baseline modeling

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