



COLORADO

**Department of
Regulatory Agencies**

Division of Insurance

Colorado Health Insurance Cost Report

Aggregated Company Data

2023

In accordance with § 10-16-111(4)(a)(b)&(c), C.R.S.



Introduction

The Division of Insurance (Division) is pleased to present the results of the 2023 Colorado Health Insurance Cost Report pursuant to § 10-16-111(4)(a), C.R.S. This report presents an aggregated summary of the costs of providing healthcare in the state of Colorado, as reported by insurance carriers that provide major medical healthcare services in Colorado. This information will be useful to consumers, the industry, and the public in determining the factors that drive insurance premiums in the state.

In 2008, the Colorado General Assembly passed, and the Governor signed into law House Bill 08-1389 regarding the insurance rates paid by Coloradans. The law's intent is to ensure insurance coverage is accessible to all Coloradans; and, in order for coverage to be accessible, it must be affordable, and therefore insurance rates should not be excessive, inadequate, or unfairly discriminatory. In accordance with § 10-16-111(4)(a), C.R.S., health insurance carriers doing business in the state of Colorado are required to report a variety of health insurance cost information to the Division. The Commissioner of Insurance is required to aggregate this data and publish the information on the Division's website.

To aid in the submission of this data, the Division prepared a Health Insurance Cost Report to be completed by each insurer. A total of 14 insurers writing major health coverage plans in Colorado representing more than 95% of total written premium submitted this report on their costs in 2023. An aggregate summary of the data is included below.

2023 Highlights

- Approximately 86% of health insurance premiums collected in Colorado went directly to the cost of providing healthcare services. The costs of providing or arranging healthcare services decreased from 88% in 2022.
- In 2023, the total direct written premium for health insurance business decreased by 0.1 billion for the top 95% of health benefit carriers from 2022.
- Administrative expenses fell by \$182 million from 2022, from 19.5% of written premium to 16.7%. Health insurance companies spent less on advertising and marketing, producer commissions, legal expenses, staff salaries, and state and federal taxes.
- In 2023, as compared to 2022, the number of covered lives in the individual market increased whereas the number of covered lives in the small and large group markets continued to decrease as they have since 2019.

The statistics presented on the following table are based on the data reported by the companies that responded to a request for information from the Colorado Division of Insurance as required by C.R.S § 10-16-111(4). Companies were asked to report information on only major medical types of health insurance written in the state of Colorado. The Executive Salaries were reported by companies on a nationwide basis and were allocated to Colorado based on their major medical health business by the Division of Insurance on a direct earned premium basis. The executives included are those reported on the Supplemental Compensation exhibit that accompanies the Annual Financial Statement. The Cost of Providing or Arranging Healthcare Services is equal to a company's Direct Losses Incurred.

2023 Health Cost Report Aggregated Summary as required by C.R.S. § 10-16-111(4)	Average Per Company	Total Sum of Reporting Companies	Percent of Colorado Earned Health Insurance Premium
Direct Written Premium for Colorado Health Insurance Business	\$413,625,864.37	\$5,790,762,101	100.1%
Direct Earned Premium for Colorado Health Insurance Business	\$413,180,274.74	\$5,784,523,846	100.0%
Authorized Control-level RBC	\$16,031,536.14	\$224,441,506	3.9%
Reserves On Hand	\$33,599,462.23	\$470,392,471	8.1%
Investment Income	\$12,362,038.57	\$173,068,540	3.0%
Net Income	\$30,155,160.48	\$422,172,247	7.3%
Surplus	\$38,307,866.12	\$536,310,126	9.3%
Capital	\$35,238,532.26	\$493,339,452	8.5%
Dividends to Stockholders	\$4,077,409.02	\$57,083,726	1.0%
Executive Compensation allocated to Colorado Premiums	\$12,474,311.38	\$174,640,359	3.0%
Executive Salaries	\$3,381,139.92	\$47,335,959	0.8%
Executive Stock Options	\$4,894,990.10	\$68,529,861	1.2%
Executive Bonuses	\$4,198,181.36	\$58,774,539	1.0%
Administrative Expenditures	\$51,101,596.29	\$968,898,380	16.7%
Advertising or Marketing Expenditures	\$1,432,314.87	\$20,052,408	0.3%
Charitable Contributions	\$2,609,422.38	\$36,531,913	0.6%
Dividends Returned to Colorado Policyholders	\$0.00	\$0	0.0%
Expenditures for Disease or Case Management Programs or Patient Education and Other Cost Containment Expenses	\$9,197,926.92	\$128,770,977	2.2%
Insurance Producer Commissions	\$8,278,816.25	\$115,903,427	2.0%
Legal Expenses	\$155,989.63	\$2,183,855	0.0%
Paid Lobbying Expenditures	\$80,805.62	\$1,131,279	0.0%
Staff Salaries	\$12,444,249.35	\$174,219,491	3.0%
Federal Income Taxes	\$2,401,853.56	\$33,625,950	0.6%
State and Local Taxes, Licenses and Fees	\$14,500,217.71	\$203,003,048	3.5%
All Other Administrative Expenses	\$18,105,430.85	\$253,476,032	4.4%
The Cost of Providing or Arranging Healthcare Services	\$355,513,412.87	\$4,977,187,780	86.0%
Administrative Expenses	\$69,207,027.14	\$968,898,380	16.7%
Provision for Profit and Contingencies	-\$11,094,576	-\$155,324,059	-2.8%

Premiums and Expenses – Colorado Health Insurance

Health Benefit Plans	Individual On Exchange	Individual Off Exchange	Small Group On Exchange	Small Group Off Exchange	Large Group	Total
Premiums						
Colorado Direct Written Premium	\$1,021,933,443	\$332,691,108	\$1,504,299	\$1,430,588,287	\$3,004,044,964	\$5,790,762,101
Colorado Direct Earned Premium	\$1,018,043,978	\$331,731,528	\$1,503,624	\$1,430,081,484	\$3,003,163,232	\$5,784,523,846
Administrative Expenses						
Administrative Expenses	\$170,520,718	\$55,564,494	\$251,855	\$239,536,334	\$503,024,980	\$968,898,380
The Cost of providing or arranging healthcare services						
Incurred Losses	\$963,834,458	\$361,921,471	\$949,635	\$1,109,687,480	\$2,540,794,737	\$4,977,187,780
Administrative Ratio	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Actual Benefits Ratio	94.7%	109.1%	63.2%	77.6%	84.6%	86.0%
Average Provision for Profit and Contingencies	-11.4%	-25.9%	20.1%	5.7%	-1.4%	-2.8%

Written Premium refers to the amount of premium customers are required to pay for policies written during the accounting period. This differs from Earned premium, which is the portion of the total premium amount corresponding to the coverage provided during a given accounting period.

In general, health insurance premium rates are determined by the sum of:

- Projected medical expenses from claims also known as incurred losses
- Administrative expenses and
- Profit and contingency factors

Carriers are required to provide a projection of each of the components above as a percent of premium in rate filings submitted to the Division. The Division then evaluates whether each of the components is reasonable to determine whether a requested rate increase or decrease is appropriate. Health benefit plans are divided into the individual, small group (2-99 employees), and large group (100 or more employees) markets (excluding self-insured employers), including individual and small group plans sold through Connect for Health Colorado, the state's exchange.

Major Medical Health Benefit Plan Premiums

In 2022, large group health benefit plans had the largest direct written premium (\$3 billion), followed by small group plans sold off the Exchange (\$1.4 billion). The total direct written premium decreased by \$111 million. The percent of administrative expenses fell from 19.5% of premium in 2022 to 16.7% of premium in 2023. The costs associated with providing healthcare services (also called incurred losses) fell slightly in 2023, dropping \$120 million across all markets.

Major Medical Health Benefit Plan Enrollment/Coverage

In 2023, over 190,000 Coloradans were covered in individual on-Exchange plans, this represents an increase of over 10,000 individuals for the fourth year in a row since 2019 when there were just under 140,000 Coloradans in individual on-Exchange plans.

Covered Lives by Market	2019	2020	2021	2022	2023
Large Group	568,977	529,243	503,853	490,597	460,432
Small Group Off-Exchange	253,842	241,731	237,296	224,876	205,681
Small Group On-Exchange	544	458	367	327	288
Individual On-Exchange	139,840	153,541	164,978	176,136	191,455
Individual Off-Exchange	63,020	71,864	72,448	68,457	65,643

Major Medical Health Benefit Plan Loss Ratio

Medical expenses are the cost of paying for healthcare services for the insured, and include payments to hospitals, doctors, and other providers. The medical loss ratio (MLR), which is the ratio of medical expenses incurred divided by premiums earned, is a reflection of the cost of healthcare delivery and a key measure of whether premium rates are reasonable. Under the Affordable Care Act, an insurance company is required to rebate premiums when it fails to spend at least 80 percent of the premiums collected in a state's small group and individual markets on medical care and quality improvement. It must spend at least 85 percent of premiums on these activities in a state's large group market or pay a rebate.

Based on data submitted to the National Association of Insurance Commissioners for all companies with written premium in Colorado in 2023, the loss ratio for all major medical health benefit plans (individual, small group, and large group) in Colorado was approximately 87.6%, a decrease from 88.1% in 2022. However, the individual market loss ratio went from 95.3% to 100.1%.

Major Medical Health Coverage	Earned Premium	Incurred Losses	Loss Ratio	Covered Lives
Individual Coverage	\$1,340,915,000	\$1,342,447,000	100.11%	257,115
Small Group Coverage	\$1,430,230,000	\$1,110,718,000	77.66%	205,969
Large Group Coverage	\$3,866,353,000	\$3,361,138,000	86.93%	551,560
Colorado Major Medical Totals	\$6,637,498,000	\$5,814,303,000	87.60%	1,014,644

Trend

Trend or trending means any procedure for projecting losses to the average date of loss, or of projecting premium or exposures to the average date of writing. Medical cost trend is the projected increase in the costs of medical services assumed in setting premiums for health insurance plans. Insurance companies use medical cost trends to estimate what the same plan would cost in the next year.

Companies reporting trend information must use the best assessment and allocation methods they can to assign a portion of total medical trend to those categories of interest to the Division and the public. The information in this section represents an estimate of the portion of total trend that is accounted for by reported cost categories.

Total Medical Trend by Year and by Market

Carriers report on medical trend across four categories: provider price changes, utilization, cost shifting, and new medical procedures and technology. In 2023, the companies reported a continued decrease in small group on-exchange total medical trend due primarily to decreased utilization.

Medical Trend	Medical trend due solely to provider price changes	Medical trend due solely to utilization changes	Medical trend due solely to medical cost-shifting	Medical trend due solely to new medical procedures and technology	Total Medical Trend
Individual On Exchange	-0.69%	-1.38%	-1.06%	0.50%	-2.54%
Individual Off Exchange	1.30%	-0.45%	2.23%	2.80%	2.79%
Small Group On Exchange	-11.00%	-17.00%	-9.00%	0.00%	-33.00%
Small Group Off Exchange	1.16%	1.79%	0.24%	0.61%	3.66%
Large Group	1.93%	1.30%	-0.35%	0.61%	3.03%

Total Pharmaceutical Trend by Year and by Market

Pharmaceutical cost trend is the projected increase in the costs of pharmaceutical services assumed in setting premiums for health insurance plans. Insurance companies also use pharmaceutical cost trend, in addition to medical trend, to estimate what the same plan would cost in the next year.

Similar to medical trend, carriers report pharmaceutical trend by four categories: pharmaceutical price changes, utilization changes, cost-shifting, and new drugs. In 2023, companies reported increases in pharmaceutical trend across both small and large group markets. These increases are driven primarily by pharmaceutical price changes and introduction of new brand name and generic drugs.

Pharmaceutical Trend	Prescription drug trend due solely to pharmaceutical price changes	Prescription drug trend due solely to utilization changes	Prescription drug trend due solely to cost-shifting	Prescription drug trend due solely to introductions of new brand name and generic drugs	Total Prescription Drug Trend
Individual On Exchange	0.87%	-2.59%	-1.14%	5.40%	-0.84%
Individual Off Exchange	-4.72%	-3.54%	-3.42%	4.46%	-8.63%
Small Group On Exchange	28.00%	-9.00%	6.00%	7.00%	32.00%
Small Group Off Exchange	8.51%	1.94%	0.87%	6.93%	16.08%
Large Group	1.99%	1.08%	-0.70%	7.53%	9.44%

Conclusion

This report examines the factors impacting premiums in Colorado's health insurance market, the overall trends in both the individual and group markets (both small and large group), and the financial status of health insurers in our state. It provides insight into how premiums collected in Colorado in 2023 were used for major health insurance coverage. As the ACA continues into the eleventh year of implementation, the Division remains committed to monitoring impacts to the marketplace, and to the protection of Colorado consumers.