

# Division of Insurance

*Insurance Commissioner Michael Conway*

## Consumer Purchasing Model

Colorado Business Group on Health

September 28, 2021



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# Rising Health Care Costs

- Rising costs of health care - throughout the U.S., but particularly in Colorado
- These costs are passed on to consumers in the form of higher and higher premiums.

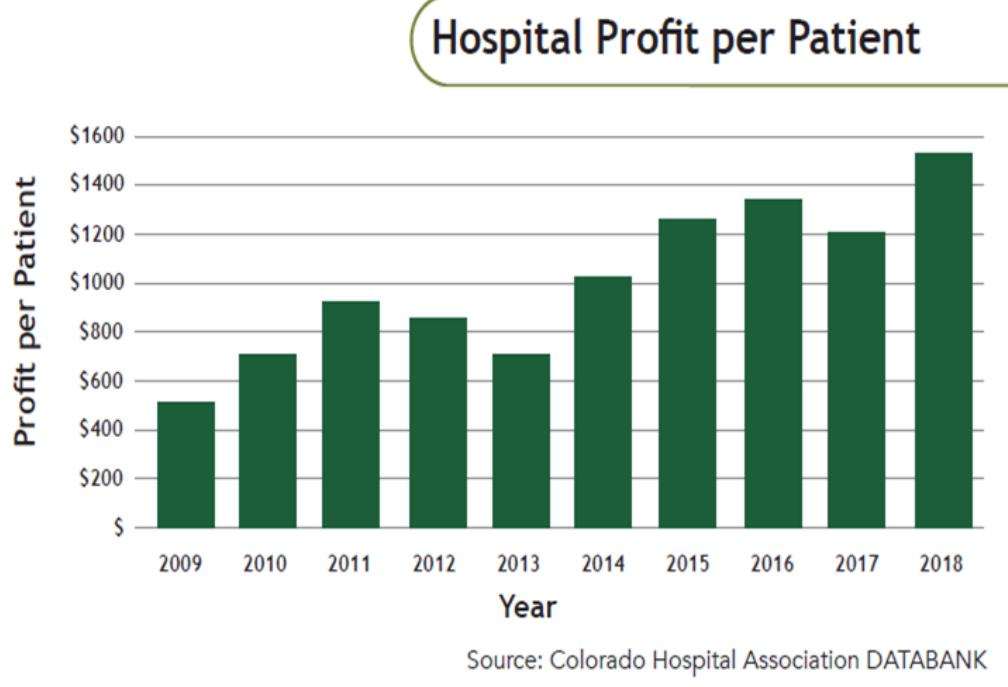


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# Hospital Costs

Hospital profits have increased 280% since 2009.

- While Colorado has made significant progress increasing coverage and access, one of the biggest remaining barriers is the high, and increasing, cost of health care.



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# Rising Health Insurance Premiums

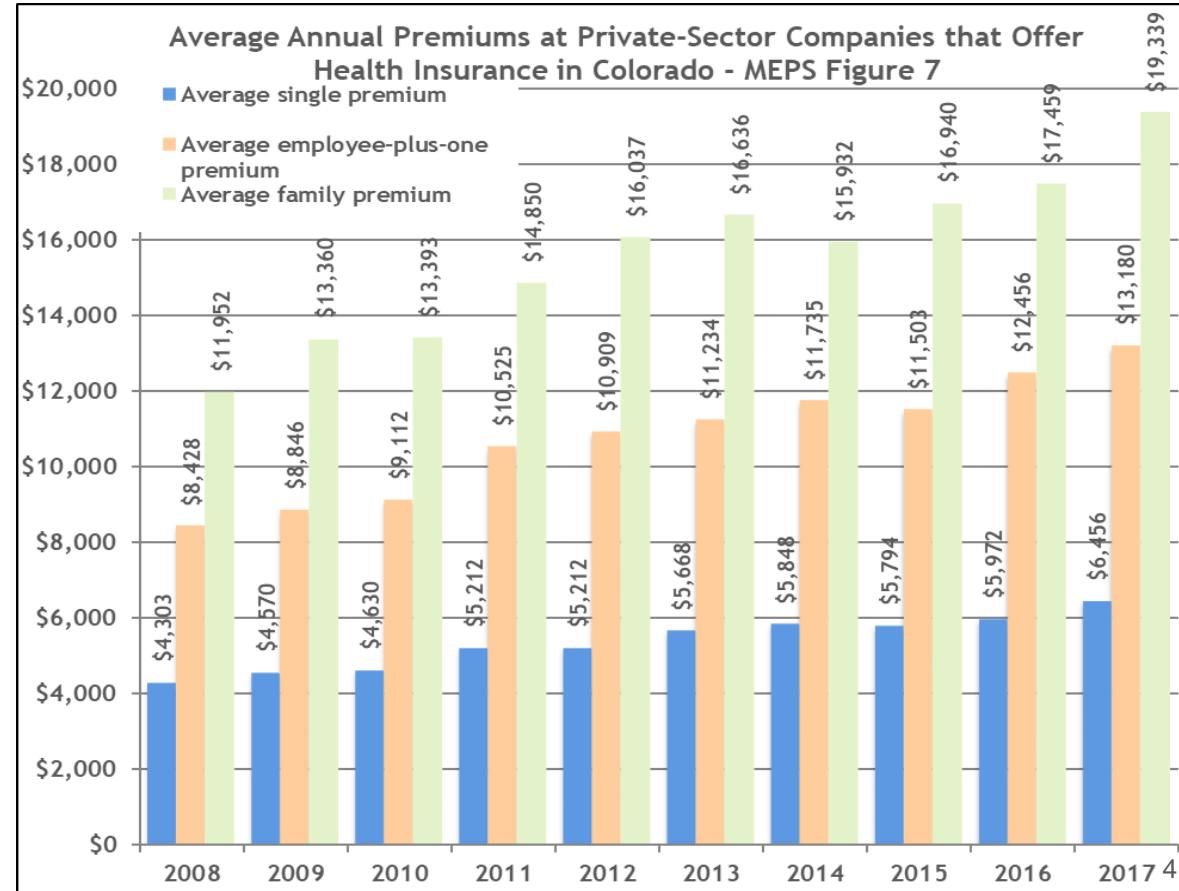
For Colorado employers

Family premiums

- 2009: \$11,952
- 2017: \$19,339

For people who don't get insurance from an employer

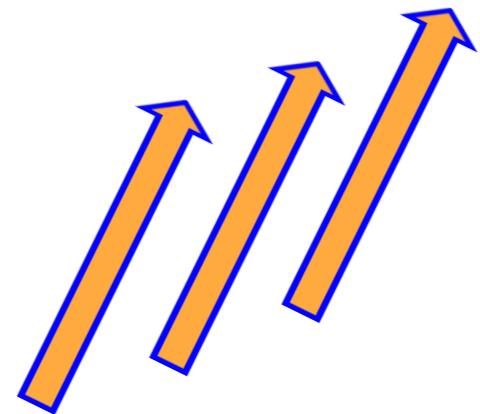
- From 2014 - 2017, average cumulative premium increase:



# One market snapshot from 2017

## Summit County health care costs

- Inpatient – nearly 250% of Medicare
- Outpatient – over 500% of Medicare
- Emergency – nearly 850% of Medicare
- News reports of highest premiums in country



# What was (is) the impact?

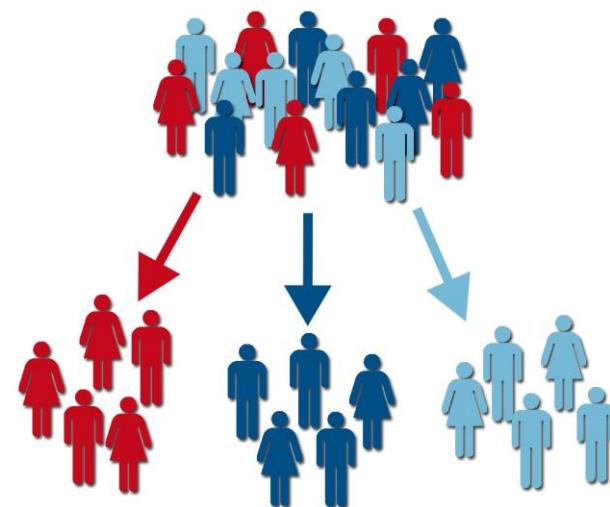
## Why is it important?

- People making difficult choices
- COVID-19 & future crises
- Not sustainable – employers will stop offering insurance, people will choose to go uninsured, or choose limited coverage, or insurers will leave.



# Why was (is) it happening? One answer -Market Segmentation

- Individual / Small Group / Large Group
- Further divisions within segments
- Segments work against each other
- Health insurers not doing a great job negotiating with health providers.



# A Solution - Consumer Purchasing Model / Alliances

- Come together to form cooperative
- Cooperative negotiates with local hospital, other area providers, and needed specialists.
- NOT sharing risk, but sharing the negotiation, and plan design.
- Put out bids for health insurance carriers.

# Colorado Law & Alliances

Enabled by CRS 10-16-1001 → 1015

- (a) Promote control of the cost of health care for employers, employees, and others who pay for health care coverage by pooling purchasing power among consumers and organizing providers so that health care services are delivered in the most efficient manner;
- (b) Allow health care cooperatives established under this part 10 flexibility in the determination of plans and coverages they provide to members and the selection of health provider networks, plans, and providers with which they contract for services;



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# Colorado Law & Alliances

Updated in 2019 - SB 19-004

- Specifically included prohibitions on Purchasing Alliances discriminating against people with pre-existing conditions
- Required Purchasing Alliances to be part of individual and small group market single risk pools
- Incorporated general consumer protections in State and Federal law into Purchasing Alliances
- Generally updated the law to reflect the current health care market



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# Alliances - in practice

## Peak Health Alliance

- Began in Summit County
- Currently operating in 8 counties on the western slope and in the southwest parts of the State
- Partnered with communities on solutions



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# The Colorado Purchasing Alliance

- Focusing on large employers – including school districts and municipalities
- Colorado State Employee Plan is on board
- Partnership with PBGH – game changer
- Strong support from Gov and the Polis/Primavera administration



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*What would you do with the money  
a purchasing alliance puts back in  
your pocket?*

# Questions & More Information

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**Colorado Division of Insurance**

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