

What is the State Option?

The State Option is a new insurance plan designed by Colorado, for Colorado. The plan will be sold by licensed insurance companies and will cover a comprehensive set of benefits. By setting common-sense standards on prices and by standardizing benefits, the State Option will provide Coloradans with more affordable, higher value coverage.

Who can enroll in the State Option?

The State Option will be available to all Colorado residents. Any Colorado resident can purchase the State Option. It should be noted, however, that persons who qualify for Medicare, Medicaid, Tricare, VA and employer-sponsored coverage may be better served by staying in those programs.

The State Option will be offered statewide. The State Option will be available in every county. The primary mechanism to ensure availability statewide will be to require insurance carriers that offer plans in a major market (individual, small group, or large group), above a market share or membership size (to be determined), to offer the State Option as well. Nothing would prevent multiple carriers from offering the State Option in the same county and/or rating area. Also, carriers could choose to only offer the State Option. By requiring the offer of the State Option, as well as the marketwide incentive to increase coverage in single-carrier counties, the State Option will increase competition between plans and provide greater choice to more Coloradans.

The State Option will be available to Coloradans who receive federal subsidies. Given the importance of federal tax credit subsidies to the affordability of coverage for hundreds of thousands of Coloradans, the State Option will be offered as a Qualified Health Plan (QHP) through Connect for Health Colorado, the state's Health Insurance Marketplace. Coloradans eligible for tax credits and other subsidies will be able to keep their tax credits.

The State Option will be available regardless of eligibility for subsidies. All Coloradans will be able to enroll in the State Option. It will be offered both on and off the Exchange, although we will encourage people to begin the application process on the Exchange to ensure that they receive any subsidies that may be available to them.

The State Option will be a choice, alongside other options in the market. There will not be a requirement to purchase the State Option. It will be offered alongside the plans currently offered for sale.

What benefits will be in the State Option?

The State Option will cover Essential Health Benefits. Because the State Option will be offered as a QHP, the plan will cover all of the essential health benefits covered by plans sold on Connect for Health Colorado. These benefits include hospital care, prescription drugs, maternity coverage, preventive services and mental health care. As with other plans in the individual market, preventive services such as annual check-ups, well child visits, cancer screenings and contraceptive options will be provided at no additional cost to patients.

The essential health benefits are defined by federal law in ten broad categories. States are then able to define those benefits in detail so that they reflect the needs of their residents. The State Option will cover those benefits defined as essential health benefits in Colorado.

The State Option will define more benefits that can be used pre-deductible. Many stakeholders expressed concerns with current plan offerings because high deductibles make it hard for Coloradans to access their benefits. While insurance coverage still protects a family against catastrophic loss in the event of a major illness or injury, more routine care may be delayed due to high cost-sharing requirements. The State Option will be designed to provide a greater set of high-value primary and preventive care services that individuals and families can rely on without needing to meet their deductible. Colorado will look to the experience of other states that have placed similar requirements on marketplace plans to develop requirements for the State Option.

The State Option will advance primary care in Colorado. At the same time the State Option is being developed, Colorado is embarking on a process to build a modernized primary care system. The Primary Care Collaborative (HB 19-1233), created by the Legislature in 2019, will support the growth of advanced primary care practices in Colorado by ensuring that the part of the healthcare system that focuses on keeping people healthy has the resources it needs. The State Option will support the Primary Care Collaborative, investing in a primary care system that manages chronic conditions, coordinates across providers, and supports the physical and emotional health and wellbeing of all enrollees.

The State Option will feature innovative designs. A new way of thinking about benefit design, known as Value-Based Insurance Design or VBID, creates incentives for providers and patients to avoid low-value care and seek high-value care. VBID would create financial disincentives for patients or doctors to seek low value care through increased out-of-pocket costs and lower reimbursements. The State Option will incorporate VBID elements in order to achieve the highest value for patients.

The State Option will incorporate cost containment strategies as they are developed and ready for implementation. As an example, the state is working on a Centers of Excellence model to promote high-value care. Centers of Excellence are programs built within health care institutions that focus on a particular diagnosis or treatment mode. The centers create a concentration of expertise and bring resources together to support consolidated, interdisciplinary care.³ In short, costs go down while quality stays high.

HCPF and DOI will collaborate with carriers and providers to craft quality improvement target metrics each year and related value-based rewards that drive appropriate quality improvements and focus across the state. The State Option Advisory Board will also be consulted on areas of desired quality improvement.

How will the State Option be more affordable?

The State Option will create a reasonable provider reimbursement fee schedule that ensures that the market functions more efficiently and that providers have the right incentives to continue to thrive.

The reason that health insurance is so expensive is that health care itself is expensive. Worse, there are

³ Elrod, James K, and John L Fortenberry Jr. "Centers of excellence in healthcare institutions: what they are and how to assemble them." *BMC health services research* vol. 17,Suppl 1 425. 11 Jul. 2017, doi:10.1186/s12913-017-2340-y