

Alert | Health Care & FDA Practice



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Colorado Receives Green Light to Amend Federal Waiver, Will Launch ‘Colorado Option’ to Expand Health Coverage

The federal Centers for Medicare & Medicaid Services (CMS) granted Colorado’s request for a waiver for the “Colorado Option,” allowing the state to lower premiums and promote greater access to health care for more residents.

On June 23, 2022, the U.S. Department of Health and Human Services (HHS) **announced** approval of a Colorado state innovation waiver request to create the “Colorado Option,” a health coverage plan that aims to encourage health coverage enrollment, lower health care costs, and reduce racial and ethnic disparities in insurance access for Colorado residents.

Captured under House Bill 21-1232 (signed into law June 16, 2021), the Colorado Option will be a health plan that private health insurers offer in the individual and small group insurance market beginning in 2023. In the individual market and in the small group insurance market, each carrier must offer a standardized health benefit plan premium that lowers premiums by 5% per year, or a total of 15%, over 2021 rates by 2025.

Any state can pursue the innovation waiver under Section 1332 of the Affordable Care Act (ACA) to provide its residents with access to affordable health insurance. Notably, Colorado is the first state to adopt this waiver to provide less expensive state-based health insurance. Through the Colorado Option,

Colorado projects an approximately 15% increase in insured Coloradans over the next five years in the individual market.

In addition, the grouping of the Reinsurance Program and the Colorado Option under one 1332 waiver aims to pass through savings to Colorado to help fund state-based subsidies needed for residents to access affordable health care, mostly for Coloradans not eligible for federal subsidies. Since its first year, 2020, the Reinsurance Program as a state-run fund helps cover high-cost health care claims to reduce insurance companies' expenses and reduce premiums. Under the program, the state pays for the most expensive health care claims and private insurers are able to lower premiums. One objective of combining the Reinsurance Program and the Colorado Option is to redistribute the savings back into the state to continue to promote easier access to health care.

The amended waiver particularly aims to assist small businesses and families in countering the rising cost of living, while still providing them with essential health benefits the ACA requires and quality health care services like primary care and prenatal services. With lower insurance costs, more Colorado residents may be able to access high value services. The Colorado Option may serve as a model for other states to promote health care accessibility and reduce the number of uninsured.

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