



Colorado Option Waiver Explainer

In June 2022, the Centers for Medicare & Medicaid Services approved Colorado's section 1332 innovation waiver request to create the 'Colorado Option,' the state's public health insurance option, setting a new model to advance state health insurance affordability. Approval of this waiver will create savings to the federal government that will be reinvested in the state to make accessing care and coverage more affordable, including for people ineligible for financial assistance due to their immigration or documentation status.

What is a 1332 Waiver?

A 1332 Waiver is permission from the federal government for a state to develop an innovative approach to providing health insurance coverage. Specifically, a 1332 Waiver refers to section 1332 of the Affordable Care Act (ACA). Seeking a "waiver request" allows a state to waive or change parts of the ACA in order to reduce costs for consumers and save the federal government money. If granted, a waiver can allow states to keep the savings and pass them through to consumers residing in the state, making coverage options even more affordable.

To date, states that have pursued 1332 waivers have primarily focused on the creation and operation of reinsurance programs, which help to offset the premium costs of health insurance plans and keep premiums more stable over time.

What does a 1332 Waiver have to do with the Colorado Option health insurance plan?

Colorado is the first state to receive approval of a 1332 waiver for the creation of a public health insurance option. The state's new 1332 waiver will combine Colorado's existing Reinsurance Program with the Colorado Option Program, which seeks to offer standardized plans at a lower cost to Colorado consumers.

What does the waiver mean for people who want to purchase Colorado Option health insurance plans?

Approval of this waiver request allows Colorado to fully implement the Colorado Option Program as envisioned by [HB21-1232](#). Compared to 2021 health insurance premium rates, the Colorado Option plans will be required to reduce their premiums by 5% each year between 2023 and 2025 (i.e. a 15% reduction over 3 years). *The premium reduction targets were contingent on the waiver's approval and are the key*

What is the Colorado Option?

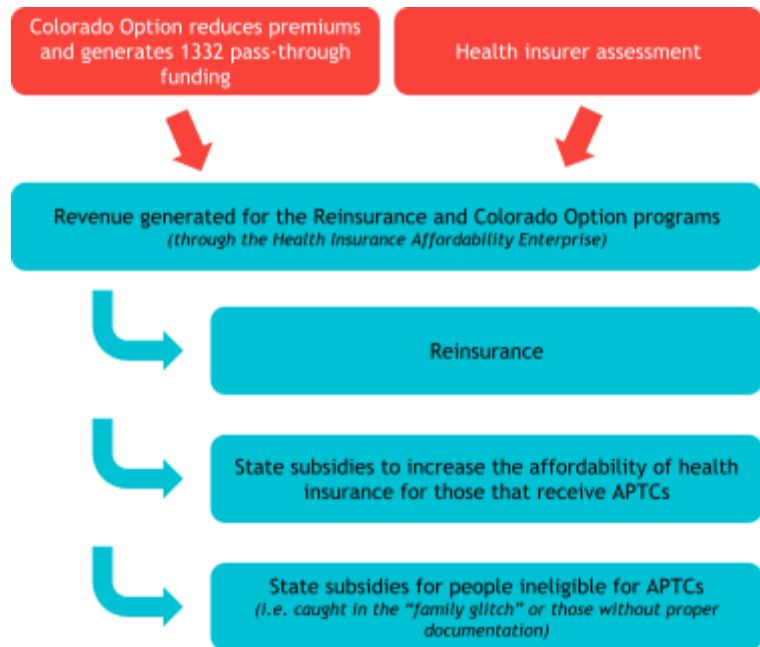
- A **standardized set of benefits, designed to improve equity**, offered by existing health insurance companies for purchase by individuals, families, and small businesses.
- These plans are required to be **15% cheaper than other plans on the market by 2025**, and limit premium price increases after that (after 2025, premiums for Colorado Option plans may only increase by the rate of national medical inflation).
- If plans cannot meet the premium reduction targets, **the Colorado Division of Insurance has authority to call public hearings and set reimbursement rates** for specific providers.
- These plans are also required to have **culturally competent provider networks** to better reflect and serve the people purchasing the plans.

provision to generate savings from the federal government that will be used to further affordability of health insurance in the state.

Beginning in 2023, Colorado consumers will be able to enroll in Colorado Option plans at a reduced rate through the state-based exchange, Connect for Health Colorado, or through insurance brokers. People not eligible to purchase coverage on the exchange due to immigration status will be able to purchase coverage through the Colorado Public Benefit Corporation, a subsidiary of Connect for Health Colorado.

Where do the 1332 Waiver savings go?

Combining the Reinsurance Program and the Colorado Option under one 1332 waiver means that the programs will work in tandem to pass through savings to support state-based subsidies for health insurance affordability.



[See here: Health Insurance Affordability Enterprise](#)

Specifically, the savings go to support the (1) Reinsurance Program, which helps keep premiums approximately 20% lower than they would otherwise be, (2) financial assistance for Coloradans that may find out-of-pocket costs unaffordable, and (3) financial assistance for Coloradans that are not eligible for premium tax credits under the ACA (many of whom will qualify for \$0 premium plans), including those that fall into the “family glitch” or are not eligible due to their immigration or documentation status.

What’s being waived?

In short, sections 1312(c)(1) and (2) of the ACA are being waived.

Section 1312(c)(1) is already waived for Colorado’s Reinsurance Program, but this newly approved waiver request extends that provision through 2027 (instead of 2026) and also waives section 1312(c)(2). These two sections refer to the single risk pool provisions of the ACA for the individual and small group markets, respectively. Their coinciding implementing regulations, 45 CFR 156.80, require health insurance premium rates to be based on certain factors and only specific adjustments may be made. Waiving these requirements allows carriers to adjust premiums for Colorado Option plans to satisfy the premium rate reduction targets required by the Colorado Option statute and generate the expected savings.

What is the expected impact of the waiver?

Expected Impact of Colorado Option Waiver			
Year	Expected Premium Change	Expected Enrollment Change	Expected Federal Savings
2023	-1.3%	0.8%	\$13,300,000
2024	-7.8%	6.3%	\$76,300,000
2025	-13.8%	11.6%	\$137,800,000
2026	-13.6%	11.2%	\$139,500,000
2027	-13.7%	11.5%	\$147,900,000

[Source: Colorado 1332 Waiver amendment application](#)