

Executive Summary

As part of our graduate policy workshop at the Woodrow Wilson School of Public and International Affairs at Princeton University, our team reviewed the Colorado health care system to recommend policy options to control costs in the state for the Colorado Governor’s Office, Division of Insurance, and Connect for Health Colorado. This report identifies two pressing challenges facing the Colorado health care system: **high premiums in rural and mountain communities** and **the steady growth of overall systems costs**.

After several months of research and a week of site visits around the state of Colorado, we strongly encourage state policymakers to look at these problems as related but distinct issues, each demanding dedicated policy solutions. Using Colorado’s recent Cost Commission as a starting point, our report explains our approach, our methodology, and our process for arriving at our four key policy proposals, two each in each of the two problem areas.

To address high insurance premiums, we encourage Colorado to pursue:

- (1) a robust reinsurance program using a 1332 waiver
- (2) geographic factor rating bands

We believe a retrospective claims-based invisible reinsurance program is a possible path forward in Colorado. Geographic factor rating bands would further compress the gaps between premiums paid in urban and non-urban regions in the state. Taken together, these steps could bring material relief to Coloradans paying high premiums.

To address overall system cost growth, we believe Colorado should move forward with:

- (1) “global budgeting” payment reform
- (2) a heightened focus on greater transparency in health care prices

Global budgeting is an emerging payment system reform model that holds great promise for reducing long term health care costs while maximizing local autonomy so spending matches local needs and priorities. Global budgeting also has the additional benefit of providing financial stability to rural and urban hospitals alike. A renewed focus on transparency was the single most common recommendation we heard from stakeholders, reflecting wide agreement that greater transparency will lead to greater efficiency. We agree that more transparency will help the state move forward — especially alongside a global budgeting payment reform model — but we caution against seeing it as a panacea. Greater transparency is an important piece, but not the end-all-be-all of health care reform in Colorado.

Our report carefully documents the problems facing Colorado, the various policy options we considered, our evaluation methodology, and how we came to our final recommendations. We provide in-depth explanations of reinsurance, geographic factor rating bands, global budgeting, and greater transparency and explain why we believe they are the best path forward.