

Patty and Gretchen,

First, I would like to thank you for the opportunity to comment on the policy question of whether or not supplemental insurance products should be included in the Colorado Health Benefit Exchange. Specifically, the intent of the Colorado Health Benefit Exchange pursuant to SB 11-200, “is to increase access, affordability, and choice for individuals and small employers purchasing health insurance in Colorado” 10-22-102, C.R.S. (2011). We know that you share this goal and the concern that the pricing of plans on the exchange must be affordable and we know that you are concerned with the impact of adverse selection on premiums.

We do not believe that including supplemental insurance products in the Exchange at this point in time is in the best interest of the State, the Exchange, carriers, or consumers who will be looking to the Exchange for affordable health insurance coverage. We have reviewed the policy brief compiled by the COBHE staff and would note that adverse selection is not listed as a disadvantage of including supplemental plans in the Exchange, regardless of being offered bundled with a QHP or a la carte.

Denver Health is concerned that should supplemental insurance products be available in the Exchange the rates would become unaffordable and result in decreased participation of individuals. We have significant concerns about adverse selection should the supplemental insurance products be sold in the Exchange bundled with a QHP. Since consumers know their own health status and dental/vision/other needs, they can and will likely only opt to purchase the supplemental products when they need them. This adverse selection increases the cost of those products, since only those who plan to use them more will purchase them. This leads to higher average claim cost, which means the premiums need to increase as well. The higher the premiums for the supplemental products, the greater the odds that only those with greater needs (i.e., high average cost) will purchase them. This leads to the average cost being even higher, which then additionally leads to only the most costly consumers purchasing the product. This is the “death spiral” of adverse selection, and can undermine the market for these products by making them unsustainable and unaffordable.

Secondly, allowing the sale of supplemental insurance products inside the market, may also result in a destabilization of the “level playing field” between the Exchange and outside market as people who need the supplemental insurance move from the individual market to the Exchange. Since these same supplemental products may not be available to individuals outside of the exchange, this could mean the less healthy members must opt into the exchange to purchase these products, which introduces a notably different dynamic inside and outside of the exchange.

As far as pediatric dental coverage is concerned, it is a required essential benefit, so it is not something that consumers could choose not to purchase. Therefore, the decision to embed those costs within the medical cost, or list them out separately, would not change the ultimate level of coverage purchased. (i.e., all children have to purchase dental coverage) We agree that it makes sense to allow plans to bundle this cost into a single premium, and not be forced to price it separately.

However, should the Exchange decide to include supplemental insurance products (vision and dental) in the list of products sold on the Exchange, we strongly advocate for bundling them with the qualified health plans to reduce the likelihood of adverse selection as well as to reduce the administrative burden of premium pricing, collection of premiums etc. We also note that the Exchange should be very clear as to what the dental and/or benefit is and what is/is not include to reduce the risk of gaming. For example, it is possible to include fairly comprehensive vision coverage into a medical plan reducing the need for supplemental coverage; however consumers need to be able to clearly understand the differences and the costs. We would note, however, that bundling would likely reduce the transparency of the costs, coverage, and quality of plans as consumers research and compare offered products within the Exchange.

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