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## **Federal Health Reform Accounts for less than 5% of Health Rate Increase in Colorado**

Speculation continues to swirl about the effects of Federal Health Care Reform on health insurance premiums, so Colorado Insurance Commissioner Marcy Morrison decided to get answers and set the record straight.

"It's a hot issue for many people, and we figured the best way to address the rumors was to publish the facts, so people could see for themselves what is driving the price of health insurance," said Marcy Morrison, Commissioner of Insurance.

The Division of Insurance is in the process of reviewing rates submitted by hundreds of health carriers. Although carriers may submit their rates for approval at any time during the year, the fall months are a peak time, due to the high number of policies which have a January 1 renewal date.

"What we found isn't surprising: health insurance premiums continue to rise," Morrison said. "But what may be eye-opening for some people is that federal health reforms have contributed from zero to a maximum of 5 percent of those increases. It's not the primary cause for increasing rates."

Morrison said that a variety of factors contributed to health rate increases in past years, and for the most part, those same factors are driving current increases. For example, people are scheduling more doctor visits, receiving more tests and more expensive lab tests, the population overall is aging, and the average health status of Americans is decreasing.

While medical advances are a contributing factor, the companies who are providing health benefits are also filing higher rates for a number of reasons unrelated to utilization of medical services.

"We see companies who use aggressive pricing at one point to be competitive, but they will adjust premiums in future filings to increase their profits the following year. There needs to be a balance between what companies charge and what the public can afford in order to buy health coverage," Morrison said. "And there are inefficiencies that need to be corrected. Government programs, as well as the private sector, need to look at their operations and make improvements to keep costs down."

Morrison said she had heard from many people who believed that changes in Federal Law – the Patient Protection and Affordable Care Act which went into effect Sept. 23 -- were the chief cause of increased premiums. "I directed the Division's rate analysts and actuaries to look carefully for factors in health premium increases and document them, so we could respond with the facts," Morrison said. "And while federal changes have minimally affected premium costs, numerous other factors are more significant across the board."

More than 90 companies sold some type of major medical health coverage in Colorado in 2009. Each company may sell a number of difference insurance products, and each requires a separate rate filing and review.

For more information on how health rates are reviewed by the Division of Insurance, see:

**Frequently Asked Questions on Health Rate Reviews in Colorado** at

<http://www.dora.state.co.us/insurance/consumer/HealthRateFAQs.htm>

To see more detail about factors which are driving health care rate increases, see:

**Factors Affecting Health Insurance Premiums in 2010** on the Division's web site at:

<http://www.dora.state.co.us/insurance/consumer/fhcr/fhcrRatingDemographicFactorsAffectingHealthPremiums110410.pdf>

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