



The Bell Policy Center

Research • Advocacy • Opportunity

1801 Broadway, Suite 280
Denver, Colo. 80202
(303) 297-0456 metro Denver
(866) 283-8051 statewide
(303) 297-0460 fax

www.thebell.org

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Contact: Robin Baker

Bell Policy Center

(303) 297-0456

(866) 283-8051

Bell Policy Center supports HB 07-1355: Prohibit insurance companies from using claims history or health status to set premiums for small business

It's time that Colorado prohibits health insurance carriers from considering claims history or health status when setting premium rates for small business, says Robin Baker, a senior policy analyst for the Bell Policy Center.

"In comparing Colorado and seven other states, I found that this inequitable practice appears to have little effect on keeping premium costs down for small businesses and their employees," Baker said.

Baker is the author of a new issue brief released today from the Bell Policy Center, "Rate regulation in the small-group health insurance market."

The brief outlines research that supports House Bill 07-1355, "Determining Small Employer Carrier Premiums," which passed the legislature and is now on the governor's desk.

"Health insurance is a complicated issue with a lot of moving parts, so it's very hard to pinpoint cause and effect when it comes to insurance premium rates. But by looking at average rates in Colorado and seven other states over four years, I found that premiums climbed and dropped regardless of state rating regulations," she said.

At issue is the ability of health insurance companies to set premium rates for small businesses — those with 50 or fewer workers — based on the claims history or health status of each of the company's workers. Colorado began allowing the practice in 2003, responding to the industry's claim that insurance companies were being forced out of the market in Colorado.

"In fact, studies show that price fluctuations and the number of insurers in the small group market are largely independent of state rate regulations," Baker said. "That's because small-group market rate regulations don't directly address major health care cost drivers, such as an aging population or increased use of advanced technologies and procedures."

HB 07-1355 would prevent insurance companies from using claims history or health status to set premium rates. It would still allow insurance companies to consider workers' age, place of residence, type of employment, family composition and use of tobacco in setting rates.

To read the full report or an executive summary, visit the Bell Policy Center's website at www.thebell.org.