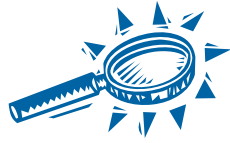




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Blueprint Brief



A closer look at the research in
**Blueprint for Opportunity:
Issues that matter • Ideas that work**

Blueprint Brief No. 16

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Bar the “group ratings” approach to setting health insurance premiums

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Employee health insurance can be prohibitively expensive for small businesses. This is especially true if workers suffer chronic illnesses or smoke. This is because Colorado law currently permits insurance companies to change the premiums they charge small businesses depending upon employees’ claims experience, health status and tobacco use.

Since low-income Coloradans are more likely to be obese, have diabetes, have asthma, suffer from mental illness or be smokers,¹ small businesses employing low-wage workers may not be able to afford health insurance for their employees under current Colorado law.

In 2003, the legislature passed House Bill 1164, which allowed insurance companies to increase rates up to 10 percent and decrease rates up to 25 percent for small businesses, depending upon their employees’ health. The bill was intended to create an incentive for employers to improve their employees’ health, which would lower their premiums. But it also has the unexpected effect of discouraging employers from hiring unhealthy employees.

Under current law, individual premiums could vary from around \$2,600 to \$3,500. An employee’s health insurance premium could differ by about \$900, depending upon his occupation and the health of co-workers. Family rates could vary by \$3,100, from around \$6,500 to \$9,600.²

This drastic difference in health insurance costs may lower premiums for some people, but it puts health insurance out of reach for others. It creates smaller risk pools, making health insurance much more expensive for the sick and those who work with them.

Colorado’s group ratings law puts health insurance out of reach for those who need it the most and unfairly punishes those who work with them.

End Notes

¹ Derived from the Colorado Health Information Dataset for 2002-2003.
<http://www.cdphe.state.co.us/cohid/>

² Derived from Colorado Health Institute 2005 White Paper, *The Small Group Health Insurance Market in Colorado*.
http://www.coloradohealthinstitute.org/documents/Sm_grp_mkt.pdf

✓ **Help small businesses provide health insurance coverage for their employees.**

We should continue to require insurance companies to offer small employers and individuals low-cost health insurance policies that provide basic services and protect families from excessive medical expenses.

We also should establish a system for small employer risk pool purchasing. The idea is to allow small businesses to join together, pool risk and leverage purchasing power like larger businesses are able to do. This is a form of community rating that will spread costs, moderate premiums and expand coverage to more Colorado families.

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