COLORADO
Department of Regulatory Agencies
Division of Insurance

The Honorable Scott Bessent
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, D.C. 20220

The Honorable Robert F. Kennedy, Jr.
Secretary of Health and Human Services
Department of Health and Human Services
200 Independence Ave, SW
Washington, D.C. 20201

June 29, 2026

Dear Secretary Bessent and Secretary Kennedy:

The State of Colorado is pleased to submit this Letter of Intent to apply for a five-year extension of our Section 1332 State Innovation Waiver. Currently, Sections 1312(c)(1) and 1312(c)(2) of the Affordable Care Act (ACA) are waived for 2023 through 2027 to allow the state to continue our reinsurance program and the Colorado Option program price reduction requirements. We are requesting that Sections 1312(c)(1) and 1312(c)(2) be waived for an additional five years, for the period of 2028 through 2032. Aside from the timeframe, we are not proposing any changes to our waiver. Colorado's extended waiver will continue to adhere to the guardrails established by Section 1332 and will not affect other ACA provisions.

In 2019, House Bill 19-1168 established Colorado's state-based reinsurance program to address rising health insurance premiums in our state. It was bipartisan legislation, garnering support from Democrats and Republicans. In 2020, the Colorado General Assembly passed, and Governor Jared Polis signed Senate Bill 20-215, establishing the Colorado Health Insurance Affordability Enterprise. The Enterprise provides the state funding for reinsurance, and is funded primarily by a fee on health insurance issuers. In 2026, the General Assembly passed, and Governor Polis signed Senate Bill 26-178, which allocates "at least fifty percent" of annual Enterprise revenues to the reinsurance program, starting in 2027. Colorado intends to continue operating a claims-based attachment point reinsurance model, and reducing premiums more in rural parts of our state where health care is least affordable. Reinsurance has consistently reduced individual market premiums by around twenty percent since the program started in 2020.

In 2021, House Bill 21-2132 was signed. Issuers first sold Colorado Option health insurance plans starting in 2023. The Colorado Option makes health insurance more accessible and affordable in the individual and small group markets. The Colorado Option has been shown to be effective in controlling costs and reducing premiums; a 2025 analysis highlighted how the Colorado Option helped lower premiums for the lowest and second-lowest cost silver plans on the exchange.[1]

[1] Can Public Option Plans Improve Affordability? Insights From Colorado | Health Affairs, https://www.healthaffairs.org/content/forefront/can-public-option-plans-improve-affordability-insights-colorado

We are happy to have the opportunity to extend Colorado's successful reinsurance and Colorado Option programs for an additional five years, through 2032. These programs have reduced premiums for thousands of Coloradans and saved the federal government over $1.5 billion in premium tax credits from 2020-2025. We look forward to building upon that success with continued federal support through a Section 1332 waiver extension. We intend to submit our extension application by mid-November 2026.

Thank you in advance for considering our application. We look forward to engaging with you in the coming months.

Respectfully,

Michael Conway
Commissioner of Insurance

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201

August 17, 2026

VIA ELECTRONIC MAIL: michael.conway@state.co.us
Michael Conway
Commissioner
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, CO 80202

Dear Commissioner Conway:

Thank you for your June 29, 2026, letter of intent (LOI) to apply for an extension of Colorado's State Innovation Waiver (section 1332 waiver) under Section 1332 of the Affordable Care Act (ACA). I am sending this letter from the Center for Consumer Information and Insurance Oversight (CCIIO) within the Centers for Medicare & Medicaid Services (CMS) under the Department of Health and Human Services (HHS), as well as on behalf of the Department of the Treasury (collectively, "the Departments").

The Departments acknowledge that Colorado (also referred to as the "State") has informed them at least one year prior to the waiver's end date, as required by the specific terms and conditions (STCs) governing the State's waiver,[1] of the State's intent to apply for continuation of the waiver. The Departments confirm that the State's anticipated section 1332 waiver application, as described below, may be submitted and will be reviewed as a waiver extension request. The requirements for the State's waiver extension application are enclosed with this letter. If the extension is approved, the Departments may determine that the waiver extension will be subject to additional or revised requirements, which will be provided in the extension STCs.

The State's currently approved waiver of the ACA requirements contained in ACA sections 1312(c)(1) and 1312(c)(2) allows the State to operate a state-based reinsurance program for the individual health insurance market and implement the Colorado Option program from January 1, 2023, through December 31, 2027. As described in the LOI, the State seeks to waive ACA sections 1312(c)(1) and 1312(c)(2) for an additional waiver period of five years from January 1, 2028, through December 31, 2032. The State aims to continue implementing its section 1332 waiver to ensure ongoing market stability, premium affordability, and expanded coverage options for its residents.

[1] *See* STC 10. The applicable STCs are available here: https://www.cms.gov/files/document/1332-co-amendment-approval-stcs.pdf

A waiver extension is an extension of the existing waiver terms and does not propose any changes to the existing waiver that are not otherwise allowable under the State's STCs, or that could impact any of the section 1332 statutory guardrails or program design. Given that the State has not indicated any intentions to change any features of its waiver plan (except for the extended time period), the State may proceed with submitting an application for a waiver extension. The Departments encourage the State to submit its waiver extension application sufficiently in advance of the requested waiver effective date, ideally no later than the first quarter of 2027.

The enclosed document further outlines the application requirements for the State's waiver extension. Once the Departments receive the State's waiver extension application, they will conduct a preliminary review to determine if the application is complete or will identify if elements are missing from the application by written notice. Please note, the State is not authorized to implement any aspect of the proposed waiver extension without prior written approval by the Departments. This letter does not constitute any pre-determination nor an intent to approve or disapprove the State's proposed extension request.

Please send your acknowledgement of this letter and any communications and questions regarding program matters or official correspondence concerning the waiver to Meril Pothen at Meril.Pothen@cms.hhs.gov or stateinnovationwaivers@cms.hhs.gov.

We look forward to working with you and your staff. Please do not hesitate to contact us if you have any questions.

Sincerely,

Peter Nelson
Deputy Administrator and Director, Center for Consumer Information & Insurance Oversight
Centers for Medicare & Medicaid Services

CC: Kevin Salinger, Acting Assistant Secretary, Tax Policy, U.S. Department of the Treasury
The Honorable Jared Polis, Governor, State of Colorado
Kate Harris, Chief Deputy Commissioner, Colorado Division of Insurance (DOI)
Kyla Hoskins, Deputy Commissioner, Colorado DOI
Lila Cummings, Deputy Commissioner, Colorado DOI
Laura Mortimer, Reinsurance and Health Insurance Affordability Enterprise Director, Colorado DOI
Sara Bencic, Colorado Option Director, Colorado DOI

Enclosure

Specific Requirements for Colorado's Waiver Extension Application

The Departments will conduct a preliminary review of Colorado's (the "State") waiver extension application and make a preliminary determination as to whether it is complete within approximately 30 days after it is submitted to stateinnovationwaivers@cms.hhs.gov. If the Departments determine that the application is complete, the application will be made public through the HHS website, and a 30-day federal public comment period will commence while the application is under review. If the Departments determine that the application is not complete, the Departments will send the State a written notice of the elements missing from the application. The State's waiver extension application must include the following:

(1) A detailed description of the extension request, including the desired time period for the extension. The State must confirm there are no changes to its currently approved waiver plan for the new waiver period that are otherwise not allowable under the state's STCs, or that could impact any of the section 1332 statutory guardrails or program design. For example, because the State has informed the Departments in their LOI that they are not considering new changes for its extension period, the State should specify the scope of the waiver plan as the continuation of the Reinsurance Program and Colorado Option, noting which technical changes were made to its PY 2023-2027 waiver plan and confirming that such changes will continue into the extension period. The State should include a timeline and discussion of implementation of the waiver plan during the extension period. For an application for an extension of an approved waiver plan with no change, the State may restate that there is no change to the implementation plan provided in its initial waiver application.

(2) Updated economic or actuarial analyses and certifications for the extension period. Such analyses should address any changes that have occurred since approval of the State's current waiver plan in state or federal law, regulations, or sub-regulatory guidance, the state insurance market, or to the waiver program that are allowable under the STCs and impact waiver assumptions and projections. The narrative should also explain any proposed technical changes the State has not previously shared with the Departments via its reporting requirements.

If there have been no significant policy changes impacting the assumptions used to create the 10-year budget in the State's most recent application, the assumptions that go into the analyses may only need to be updated for the second 5 years of a 10-year budget (i.e., a table with updated projections and assumptions).

The economic and actuarial analyses should include, at a minimum, for both the with-waiver and without-waiver baseline scenarios, 5-year projections for:

- Total Exchange enrollment in CO Option and non-CO Option plans including:
  - Subsidized (i.e., advanced premium tax credit (APTC)) enrollment on the Exchange;
  - Unsubsidized enrollment on the Exchange;
- Enrollment off the Exchange, to the extent available;
- Statewide average second lowest cost silver plan (SLCSP) premiums (aggregate and per member per month (PMPM)) (note: rating area-level premium data is not required for waiver extension applications);

- Statewide average non-group gross and net premiums (aggregate and PMPM);
- APTC (aggregate and PMPM);
- Statewide average small group gross and net premiums (aggregate and PMPM);
- State funding for the waiver plan;
- State reinsurance reimbursements; and
- Pass-through funding (e.g., federal premium tax credit (PTC) savings net any offsets, such as increased user fees).

(3) A list of provision(s) of the law that the State seeks to waive and reasons for the specific request(s). For an extension application based on the current waiver plan with no change, the State may simply restate that there is no change to the provision(s) waived as provided in its most recent approved waiver plan.

If the State is seeking pass-through funding, include an explanation of how the waiver plan would result in individuals or employers qualifying for less federal financial assistance (e.g., PTCs, small businesses tax credits, or cost-sharing reductions) under the proposed waiver than without the waiver. Also explain how the State plans to use the pass-through funding.

(4) Preliminary evaluation data and analysis of observable outcomes from the existing waiver program, including quantitative or qualitative information describing why the State believes the program did or did not meet the statutory guardrails. For example, the State should provide information comparing the originally projected impact of the waiver to the actual outcomes observed (e.g., premiums, enrollment, expected claims reimbursements).

(5) Evidence of sufficient authority under state law(s) in order to meet the ACA section 1332(b)(2)(A) requirement for purposes of pursuing the requested extension.

(6) An explanation and evidence of the process to ensure meaningful public input on the extension request, which must include:
   a. For a state with one or more Federally recognized Indian tribes within its borders, providing a separate process for meaningful consultation with such tribes, and providing written evidence of the State's compliance with this requirement;
   b. Publicly posting the submitted LOI on the State's website to ensure that the public is aware that the State is contemplating a waiver extension request; and
   c. Publicly posting the waiver extension application on the State's website upon its submission of the waiver extension application to the Departments.

For a waiver extension application, the State does not have to meet all of the public notice requirements specified for new waiver applications in 31 C.F.R. § 33.112 and 45 C.F.R. § 155.1312 (e.g., holding two public hearings and providing a 30-day comment period) to fulfill paragraph (6) above. However, the State must ensure and demonstrate there was an opportunity for meaningful public input on the extension request. For example, the State may choose to hold one public hearing or provide an amended or shorter comment period, or some combination of both. If the State holds one public hearing, it can use its annual public forum for the dual purposes of gathering input on the existing waiver as well as the extension application request.

(7) The Departments may request additional information and/or analysis to evaluate and reach a decision on the requested extension.