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Creation of a New Hospital Provider Fee Enterprise HB15-1389

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Written Testimony to the House Health, Insurance and Environment Committee

April 30, 2015

Thank you for the opportunity to provide written testimony to the committee today. We regret that we are not able to testify before the committee in person on this important issue.

We are Wade Buchanan, president, and Rich Jones, director of policy and research, with the Bell Policy Center. The Bell is a non-partisan, non-profit research and advocacy organization founded on progressive values and dedicated to making Colorado a state of opportunity for all.

The Bell Policy Center supports HB15-1389, to replace the existing hospital provider fee with a new hospital provider fee enterprise.

Others may testify to the specific structure and uses of the fee. Our focus is on its overall impact on the state budget. The hospital provider fee helps provide a critical state match for federal Medicaid funds. Revenues from the fee can be used only for that purpose. However, because the law creating the existing fee did not exempt it from the TABOR and Referendum C limits, growth in the revenues collected count against those limits.

The problem is simple to understand. This year or next, TABOR revenues will exceed the revenue limit. When that happens, the state will be required to rebate all revenues that come in above the limit. Growth in the hospital provider fee is a major contributor to state revenues exceeding the limit, but not one cent of the fee can be used to fund the resulting rebates. Instead, those rebates must be funded entirely through the General Fund, meaning that funding for other important but totally unrelated public services like education or transportation will need to be cut.

Put simply, once the state hits the TABOR limit, for every additional dollar collected through the provider fee, one dollar will need to be cut from schools or colleges or transportation in order to fund an additional dollar in rebates.

We do not believe the voters either contemplated or intended this absurd outcome when they established the TABOR limit in 1992 or the Referendum C limit in 2005. Nor was it the intention of legislators when they created the hospital provider fee more recently.

This bill offers a common-sense solution. The hospital provider fee should never have been included under the TABOR limit to begin with. This bill will correct this mistake and restore a little bit of sanity to our state's fiscal policies. Money collected through the fee will be used for the purposes intended and will no longer have the perverse effect of squeezing out funding for other critical state services. The revenue limits will stay in place in the form intended by voters.

We strongly urge you to support HB 1389.

Again, thank you for this opportunity to provide testimony. We thank Speaker Hullinghorst and Representative Court for sponsoring this important bill.

If you would like more information or if we can answer any questions, please contact us at jones@thebell.org, buchanan@bellpolicy.org, or via telephone at 303.297.0456.