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Governor



COLORADO HEALTHCARE AFFORDABILITY ACT Support House Bill 1293

The Challenge: Nearly 800,000 Coloradans, including 180,000 children, lack healthcare coverage. With the economy in a recession and unemployment rising, the number of uninsured citizens only threatens to increase. This will place a greater demand on taxpayers, private employers, hospitals, emergency rooms and all public health providers, at a time when revenues and resources are declining.

The Opportunity: With the help of hospitals statewide, Colorado can leverage state funds to draw down federal funds at a dollar-for-dollar match to provide coverage to more than 100,000 Coloradans. More than 40 states utilize this financing strategy, including 20 states that assess a provider fee on hospitals. Colorado enacted this strategy with nursing homes in 2008 through House Bill 08-1114.

The Proposal: House Bill 1293, sponsored by Rep. Ferrandino, Rep. Riesberg, and Sen. Keller, will use revenue from a new hospital provider fee, plus the increased federal matching funds, to:

- Cover more than 100,000 uninsured Coloradans through Medicaid and CHP+
- Increase hospital reimbursement rates under Medicaid and the Colorado Indigent Care Program (CICP)
- Pay the administrative costs of implementing the program

Increasing coverage and reimbursement will reduce uncompensated care and address one of the key drivers of cost-shifting to the private sector and the insured. It will help stem rising costs for everyone, and do it in a way that doesn't increase costs to taxpayers or consumers. This proposal will also create an opportunity for the state to reform and modernize the way payment rates are set for hospitals, creating a more rational and transparent hospital payment structure.

The Numbers: The fee assessed on Colorado hospitals will generate approximately \$600 million a year for the state. That new revenue will be used to draw down an equal amount in federal funds, for total new revenue of approximately \$1.2 billion annually.

The Benefits: This is a tremendous opportunity to provide coverage for the uninsured, address cost-shifting and make substantive progress towards healthcare reform.

People of Colorado – More than 100,000 additional Coloradans will be eligible for coverage through Medicaid and CHP+. Privately insured and self-pay Coloradans, as well as private employers, benefit from reductions in uncompensated care that contributes to cost shifting.

Colorado Hospitals – Benefit from increased Medicaid and CICP rates, which allows them to continue providing care to Medicaid and CHP+ clients. In the last year, Colorado hospitals treated nearly 80,000 individuals covered by Medicaid and CICP.

All Healthcare Providers – Benefit from the 100,000 additional Coloradans who will now be able to access the healthcare system with Medicaid coverage.

The State of Colorado – Benefits from the approximately \$600 million of new federal revenue gained without spending any general funds.

KEY QUESTIONS

How will the money be used?

This new revenue can be used for only three purposes: (1) providing coverage to the uninsured by expanding eligibility for Medicaid and CHP+; (2) increasing hospital reimbursement rates under Medicaid and CICP; and (3) covering administrative costs of HCPF for implementing the program.

Proposed public insurance program expansions

- Medicaid expansions for parents and childless adults up to 100% FPL
- CHP+ expansions for kids and pregnant women up to 250% FPL
- Buy-in program for disabled adults and kids up to 400% FPL
- Continuous eligibility for Medicaid children

Proposed hospital payment increases

- Reimbursement for Medicaid inpatient and outpatient care will be increased to the upper payment limit (UPL), which is the maximum allowable reimbursement under Medicaid. This rate is still below what it costs a hospital to treat a Medicaid patient.
- CICP reimbursement will be increased up to 100% of cost.

Won't the hospitals just shift the provider fee onto insurers and consumers?

No. Today, care for uninsured patients and Medicaid underpayment to hospitals are two of the primary drivers of cost-shifting in healthcare. This proposal will increase hospital reimbursement rates, cover a significant portion of the uninsured and thereby reduce the cost shift.

Provisions are included in the legislation to ensure that the provider fee is not shifted onto patients or insurers. Line item billing of the hospital provider fee will be prohibited. There are also transparency requirements that include an annual accounting of provider fees paid by each hospital and projected revenue to each hospital in the form of new Medicaid and CICP payments.

If we do nothing, the cost-shift will continue to grow. This is our best hope to increase coverage for the uninsured, address Medicaid underpayment and cost-shifting.

Why is a hospital rate increase needed under Medicaid and CICP?

Annually, Colorado hospitals incur more than \$375 million in uncompensated costs by serving Medicaid patients because hospitals receive less than 55% of total costs for treating Medicaid patients. By increasing hospital reimbursement rates and covering the uninsured, we will reduce the rate of rising healthcare costs.

House Bill 1293 currently has more than 40 cosponsors. The primary sponsors are: Senator Betty Boyd, Senator Moe Keller, Senator Abel Tapia, Senator Al White, Representative Mark Ferrandino, Representative Jim Riesberg, Representative Don Marostica and Representative Jack Pommer.

Supporting organizations include: AARP, Action 22, American Academy of Pediatrics, American Diabetes Association, Anthem, Cigna, Chronic Care Collaborative, Club 20, CO Academy of Family Physicians, CO Ambulatory Surgery Center Association, CO Association of Medical Equipment Services, CO Center on Law and Policy, CO Children's Health Advocates (CO Children's Campaign, CO Coalition for Medically Underserved, Metro Organization for People), CO Consumer Health Initiative, CO Community Health Network, CO Counties Inc., CO Health Foundation, CO Hospital Association, CO Immunization Coalition, CO Medical Society, CO Nurses Association, CO Rural Health Center, CO Society of Anesthesiology, CO State Association of Health Underwriters, Denver Metro Chamber of Commerce, Downtown Denver Inc., Healthcare Reform for a Stronger Colorado, Grand Junction Chamber, Rocky Mountain Health Plan, San Luis Valley HMO, Service Employees International Union Local 105, and United Healthcare.