



State Policy Solutions to Address Crucial Health Care Challenges



March 20, 2024

Governor Polis,

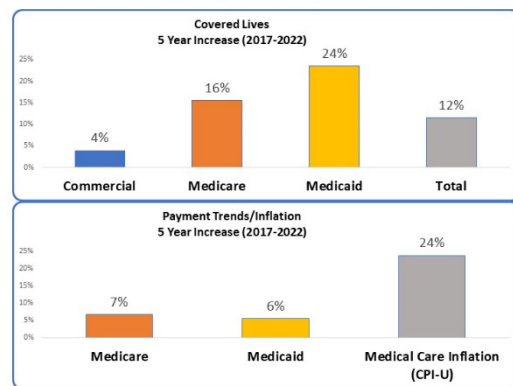
Thank you for the opportunity to meet on February 27. As a follow-up, we request the administration take immediate action to address urgent challenges impacting Colorado’s hospitals and improve health care costs, quality, and access for Coloradans, as outlined in this summary. The administration can support patients and hospitals by addressing these challenges and fixing state policies. Additional information and longer-term policy opportunities are included in the attached white paper.

Hospitals Face Major Headwinds

Hospitals step up every day to meet their community needs. Uninsured patients and those with public coverage — Medicare and Medicaid — are rising dramatically, as are costs for workforce, supplies, and drugs. Medicare and Medicaid pay hospitals far below what it actually costs to provide care, and payment updates significantly lag inflation. This is particularly problematic for hospitals, many of which are rural, without enough commercially insured patients to balance payer trends.

Currently, more than 59% of Colorado hospitals have negative operating margins, and many more do not have margins to support long-term stability. This creates a clear threat to access and our state’s health care system.

Insurance Coverage and Payment Trends

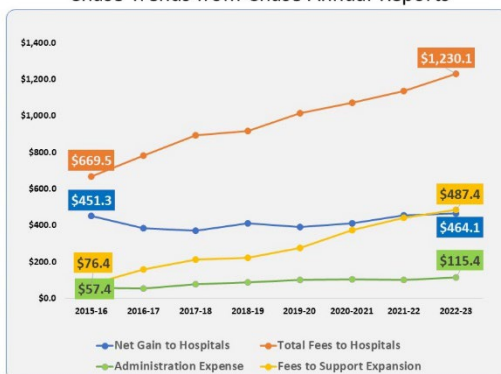


Data obtained from 2023 CHASE Annual report.

Immediate High-Priority State Policy Solutions

1. Provide support to hospitals by taking full advantage of allowable federal Medicaid funds

Chase Trends from Chase Annual Reports



Colorado is forgoing more than \$90 million per year (\$50 million net) in gain from federal Medicaid funding by not maximizing the “Upper Payment Limit” (UPL).

The state should draw down as much allowable federal Medicaid funding as possible by setting the UPL at 100% in perpetuity and recouping funds for the two most recent fiscal years (as allowed under federal law).

New funding should directly support Colorado hospitals under the state’s existing CHASE program.

State Policy Solutions to Address Crucial Health Care Challenges



2. Improve performance on Medicaid redetermination to maintain coverage for Coloradans

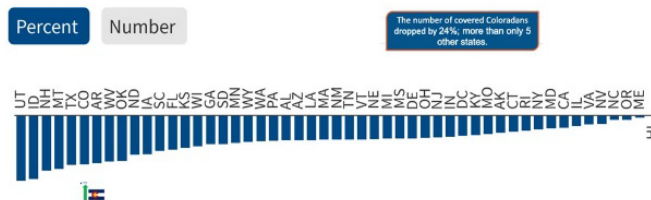
Colorado is the worst-performing Democratically controlled state in the nation in disenrolling Medicaid patients following the end of the Public Health Emergency (PHE).

Coloradans are being inaccurately dropped from Medicaid – delaying pediatric cancer care, critical surgeries, and other essential services.

Colorado should adopt practices from high-performing states, such as dramatically expanding ex parte renewals, and increase enrollment assistance for patients ineligible for Medicaid to get commercial coverage.

Redetermination Performance

Based on the cumulative change in Medicaid/CHIP enrollment from baseline enrollment in 2023 through the most current time period available

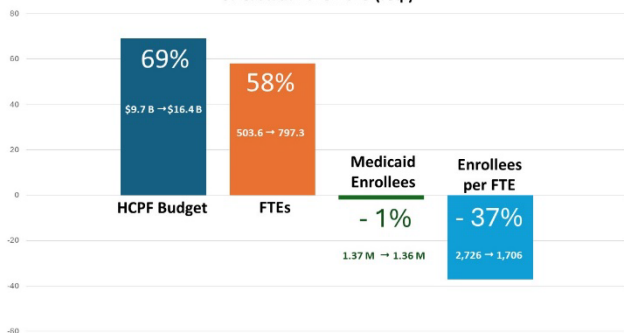


Source: KFF Analysis of Medicaid enrollment data from state websites and CMS, as of March 12, 2024, Medicaid & Chip: Monthly Application and Eligibility Reports

3. Immediately address RAC issues and refocus HCPF budget to prioritize patients

Over the past six years, HCPF’s budget has ballooned while the number of Medicaid enrollees has shrunk. Program dollars should be used for their intended purpose – providing care to Medicaid patients.

Losing Efficiency: HCPF Budget Increases While Enrollment Shrinks
% Growth 2018-2025 (req.)



Colorado’s Recovery Audit Contractor (RAC) program is among the most aggressive in the nation. For example, the program is now questioning respiratory and sepsis-related COVID admissions during the PHE and unjustly recouping significant funds from hospitals.

→ Colorado comprises 67% of HCA Healthcare’s nationwide RAC account activity, despite being home to just 7 of their 180+ hospitals.

→ Banner Health reports that CO Medicaid patients are 40 times more likely to receive a retroactive payment denial.

HCPF should immediately cease Medicaid RAC audits regarding suspected COVID admissions and immediately adopt significant and meaningful reforms to the RAC program, as proposed by CHA more than a year ago. Further, HCPF’s budget should be “right sized” and refocused in the wake of the PHE to prioritize patients and improve efficiency.

4. Actively oppose devastating ballot initiatives (Patient Safety and Liability Caps) that threaten health care affordability, patient safety, and access

Fewer than one third of Coloradans support eliminating peer review, a patient safety law that exists in 49 other states. When reauthorized in 2019, it received near-unanimous approval from the legislature as well (Senate Bill 19-234).

Colorado leaders should oppose ballot initiatives that would threaten patient safety improvements and increase health care costs for Coloradans by eliminating liability caps. The administration should push for reasonable adjustments to non-economic damage caps by supporting Senate Bill 24-130.

Public Support for Peer Review

