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Colorado Hospital Association

May 12, 2025

Dear Members of the CHASE Board,

Thank you once again for your continued service on behalf of Coloradans dependent on CHASE-governed Medicaid financing mechanisms to access health care services in their communities and across the state.

As you are all aware, the Hospital Provider Fee (HPF) within CHASE plays a vital role in not only safeguarding coverage and care but also protecting our state budget in uncertain and troubling times. The $5 billion in annual funds under your authority:

- Ensures 427,000 Coloradans have health care coverage – most at $0 cost to patients;
- Provides relief to the General Fund by collecting hospital fees that garner $3.0 billion of federal funding to cover Medicaid expansion populations and $159 million of administration costs; and
- Facilitates critical financial support to nearly 100 hospitals, improving their ability to see Medicaid patients and offer health care services their communities need.

Over the 15 years of the program's operation, these vital benefits have provided a "win-win-win" for hospitals, the State, and Coloradans. At the same time, our health care system has changed significantly since the HPF program began – as a reminder, it pre-dates even the 2010 Affordable Care Act (ACA). **Put quite simply, as we look at the HPF program today in the midst of existential threats at both the federal and state level, without this financing mechanism Colorado would be unable to sustain its core health care infrastructure.**

Unfortunately, due to unsustainable increases in expansion costs in recent years, the HPF is no longer achieving its original "win-win-win" goals. Specifically, while fees assessed on hospitals to fund Medicaid expansions have grown 762% in the last decade, hospital benefit (in the form of net reimbursement) has increased just 13% -- illustrating a stark deterioration in the hospital "win" component. (Additional data can be found in Appendix A.) These challenges are further compounded by perceptions that HCPF's data and model development lack transparency and that process delays are politically motivated, leading to skepticism and distrust among fee-paying hospitals.

Today, we are writing to insist that the CHASE Board return to the statutory mandate for this program, holding itself and HCPF to a higher standard around transparency, accountability, and effectiveness for this program.

CHA has deep discomfort with the CHASE Board moving forward with the proposed 2024-25 CHASE model at the May meeting. However, due to the delay in receiving the model, failing to move forward with a model will create significant financial hardship for hospitals. As a result, **we recommend moving forward with the proposed model <u>with conditions</u> outlined on page 3 of this letter.** Absent those conditions, CHA does not support the proposed model.

2025 Preliminary Model

Authority to determine the timing and method of the HPF rests with the CHASE Board, as does the responsibility to alter the model "if money in the fund is insufficient to fully fund all of the purposes" specified in statute. CRS 25.5-4-402.4(d)(I) and (IV). In practice, this means holding HCPF accountable for the timelines and transparency of information necessary for the Board to effectuate its statutory obligations.

The development process and content of the preliminary model before you at the May 2025 meeting fail to meet these standards, and we would like to share the following observations that raise our concern:

- The level of fees on hospitals has reached the **maximum** of 6%, at the highest levels of fees in the country, and requiring use of $71m of CHASE reserve funds to fund the CHASE priorities. The program was designed to support hospital supplemental payments and additional Medicaid coverage, but the increasing fees are **disproportionately going to fund expanded coverage**. The program has become unbalanced and misaligned from the goals of the CHASE program.

- While supplemental payments to hospitals are increasing, the increase of hospital fees is mitigating net reimbursement gain to hospitals. Total net reimbursement to hospitals increased $17 million in 2024-25 while fees to support Medicaid coverage costs increased $576 million. Hospital costs continue to increase, while fee-for-service rates increases have been minimal, creating larger and larger underfunding of the Medicaid program. Since 2015, hospitals have sustained $8.3 billion of losses (costs exceeding revenues) for Medicaid patient services, increasing from $676 million to $1.1 billion per year. Supplemental reimbursement through the CHASE program is an essential and critical component of Medicaid reimbursement and necessary to maintain hospital care and services for Coloradans.

- Hospital fees to fund Medicaid coverage costs are not aligned with Federal ACA coverages and have become **unsustainable**. Hospital fees to support Medicaid expansion costs increased 30% from last year, while at the same time, Medicaid enrollment has declined. Forecasts are projecting continued increases.

- HCPF administration costs charged to the CHASE program are excessive and **not sustainable**. Administration costs charged to the CHASE program have increased from $57 million to $159 million since 2015, over 10% per year, while net reimbursement to hospitals from the CHASE program has increased less than 1.5% per year.

- The timing for preparation, delivery, and review of the model is not acceptable. The model details were shared with hospitals on May 5 for the CHASE Board meeting on May 13. The model is retroactive beginning October 1, 2024. Stakeholders have not had enough time to evaluate the details, and retroactive impacts can create significant unplanned disruption to hospital finances and cash flow.

The CHASE Board has a statutory obligation to provide adequate oversight of this program, and with the stakes as high as they are, we respectfully recommend that the CHASE Board take the following steps by mid-June:

1. Direct HCPF to make adjustments to the 2024-25 model reflecting the following:
    - Ensure the 2024-25 model fully funds hospital payments at 100% of the Upper Payment Limit, as required by the statutory provision to "maximize…reimbursements to up to the upper payment limits." CRS 25.5-4-402.4(5)(b)(I)
    - The proposed use of $71m "cash reserve" funds to support the 2024-25 model is not appropriate and outside the scope of uses for this cash fund. The CHASE board approved a 1.5% cash fund reserve to cover the Federally required three-day draw pattern and cover any variations in estimates and actual payments for expansion populations. Based on this, any dollars above the approved 1.5% target should be refunded to hospitals via a one-time payment or used to offset the required fee collection for the upcoming CHASE model year.
2. Direct HPCF to retrospectively review prior year models for accuracy:
    - Conduct an audit of 2022-23 and 2023-24 models regarding costs attributed to each category of expenditure to assess accuracy and then commit to making retrospective adjustments to the fee assessments as needed based on these findings. Further, make an ongoing commitment to reconcile projected vs. actual costs with full transparency.
3. Looking ahead, develop an actionable plan for the CHASE Board to engage on following:
    - Collaboratively develop enhanced timing and process steps on future models, including reasonable cutoff deadlines for expansion population cost estimates. While previous years' timelines have varied, there should be an expectation for HCPF to vet the model with stakeholders and provide the CHASE Board a minimum of two-weeks' review, in early Q1 of each year.
    - Adequately consider and plan for impacts resulting from federal proposals impacting provider taxes or FMAP decreases.
    - Aggressively pursue additional and alternative federal funding sources for Medicaid including State Directed Payments and additional or alternative fee programs, as authorized by HB 25-1213 and under developing federal guidance.
    - Obtain a deeper understanding of the coverages funded by the CHASE program including how the programs are governed, administered, and monitored to ensure costs are appropriate, managed, and controlled.
    - Thoroughly evaluate current expansion population costs and determine whether changes should be made that reflect available resources to fund these populations and non-Medicaid coverage options that were not previously available.
    - Update meeting frequency and structure to ensure sufficient governance and oversight of new fee programs and "enterprise support boards" resulting from 2025 legislation (SB 25-228) and SB 25-270).

CHA and our members stand ready to support the CHASE Board and HCPF through these challenges, but we also demand enhanced attentiveness to the "big boulders" we are navigating around.

In partnership,

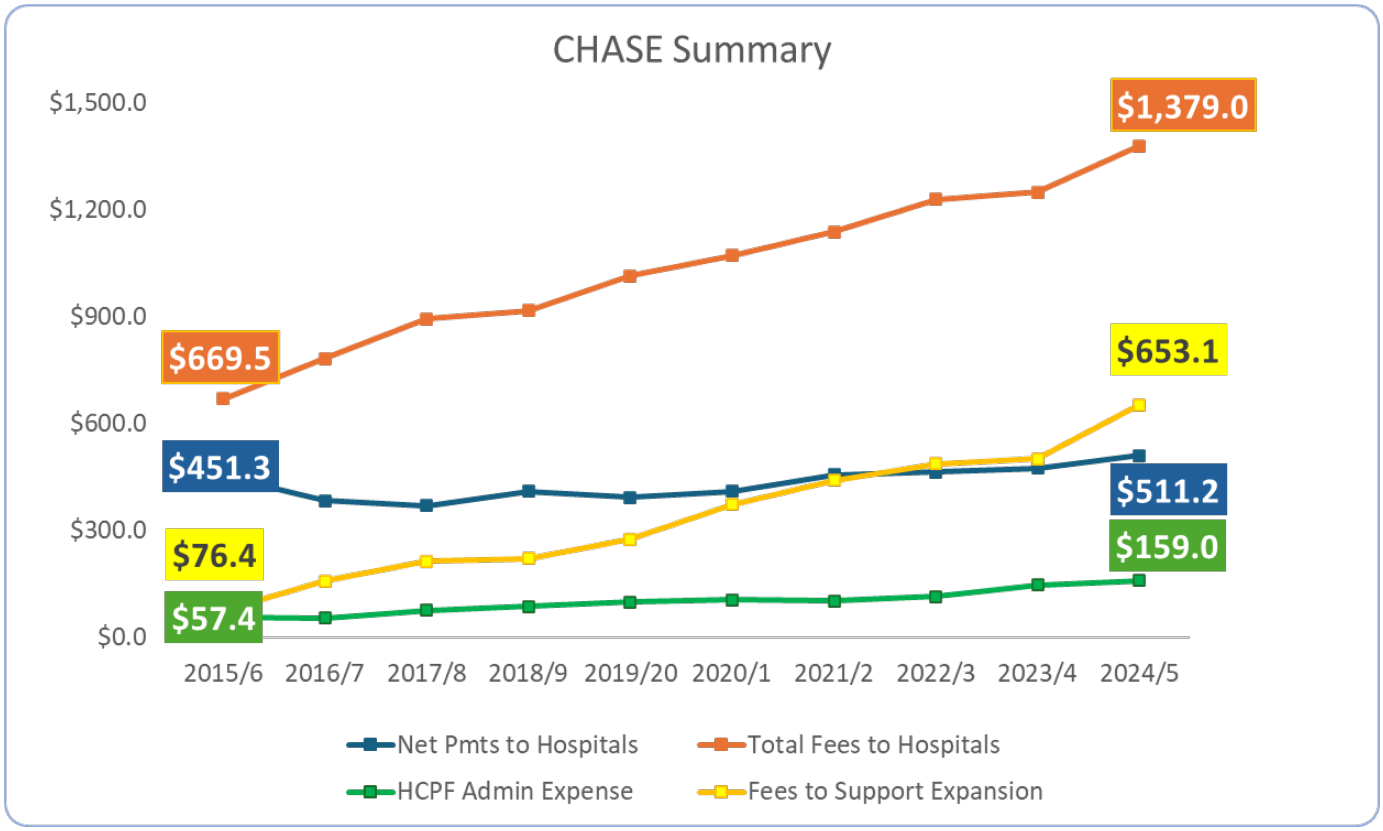
Jeff Tieman
President & CEO

Appendix A

10 Year Summary

Since the 2015-16 model year:

- Total fees assessed to hospitals have increased over $709 million since 2015/16. Nearly all of this increase has gone to Medicaid coverage expansion and State administration expenses.
- Fees assessed to hospitals to fund Medicaid coverage expansion have increased $576.7 million and **762%** since 2015/2016.
- Funding to support the State's administrative expenses have nearly tripled from $57m to over $159 million.
- Meanwhile, net payments to hospitals (after fees) have increased just $60 million (13%), growing far below the rate of inflation - less than 1.5% per year



Colorado Expansion Populations

- Historical context
    - The 2009 authorizing legislation for the HPF included a set of potential expansion populations, all of which were subject to fund availability. The HPF covers the entire "state share" for these populations, such that the General Fund bears no expense.
    - The 2010 passage (and 2014 implementation) of the ACA dramatically altered financing for HPF by offering a 90-10 match for the "ACA expansion population," namely adults to 133% FPL.
    - Colorado maintains both ACA and non-ACA (aka "Colorado only") expansion populations, but at different match rates, ranging from 50-50 to 90-10.
- Since 2019, cost increases for the populations covered by the CHASE program have increased 84%.
- In the most recent year, those costs have increased nearly 20%, while, at the same time, overall Medicaid enrollment has declined
- Federal matching for ACA expansion coverage is currently at 90% federal and 10% State. The CHASE program includes coverage for additional populations that are funded at lower match rates (to a minimum of 50%/50%). The non-ACA coverage expansion costs are increasing at higher rates and requiring significant increases in hospital fees.

Expansion Type	**Expansion Costs by Category (in millions)**	**FFY 2019**	**FFY 2024**	**FFY 2025**	**% Change 2019 to 2025**	**% Change 2024 to 2025**
Pre-ACA	MAGI Parents/Caretakers 60-68% FPL	$25.0	$24.3	$25.8	*3.1%*	*6.0%*
ACA	MAGI Parents/Caretakers 69-133% FPL	$214.0	$259.0	$249.2	*16.4%*	*-3.8%*
ACA	MAGI Adults 0-133% FPL	$1,431.8	$2,230.2	$2,653.2	*85.3%*	*19.0%*
CO Only	Buy-In for Adults & Children with Disabilities	$80.7	$207.4	$363.2	*350.1%*	*75.2%*
CO Only	12 Month Continuous Eligibility for Children	$48.6	$49.2	$52.6	*8.2%*	*7.0%*
Pre-ACA	Non-Newly Eligible	$64.3	$109.4	$111.5	*73.3%*	*1.9%*
CO Only	CHP+ 206-250% FPL	$70.2	$90.6	$209.3	*55.7%*	*20.7*
	Other Expenditures	$0	$20.3	$2.9	*100.0%*	*-85.5%*
	Total	$1,934.7	$2,990.3	$3,567.7	*84.4%*	*19.3%*