COLORADO
Department of Health Care Policy & Financing

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Hospital Insights Bulletin

This document provides a summary of three hospital reports released in January 2023. These reports are based on data through 2021. Additionally, a preview of 2022 data, the launch of a new Hospital Financial Analysis tool, and a review of Hospital Price Transparency postings - all prepared by the Colorado Department of Health Care Policy & Financing (HCPF or Department) are highlighted in this bulletin.

Executive Summary

This Hospital Insights Bulletin serves as an overarching summary of six recent releases of Colorado hospital financials. This consists of:

- an analysis of the quality of hospitals' Price Transparency postings;
- a new tool for and analysis of hospitals' breakeven rates;
- a preview of profits and reserves information for Colorado's major hospital systems in 2022;
- three January 2023 financial reports on costs, prices, profits and community benefit
    - Hospital Expenditure Report
    - Hospital Community Benefit Accountability Report
    - Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Annual Report,

These tools provide the insights needed to help hospitals evolve their affordability strategies, legislators craft affordability policy, employers and carriers improve their hospital negotiating positions, and consumers understand their options - all intended to achieve our shared goal of saving people money on health care. These reports also demonstrate Colorado's nationally leading position on hospital transparency, review, analysis and tools as well as the Department's commitment to transparency and affordability.

The following Table 1 shows the updated rankings of Colorado's cost, price and profit compared to the nation through 2021. Colorado hospital costs are now ranked outside of the top 10 (ranked 13th), which shows significant movement in the right direction since 2018; however, Colorado continues to rank in the top 10 states on highest hospital prices and profits. In fact, Colorado hospital profits between 2020 and 2021 moved in the wrong direction, as Colorado is ranked now in the top 5 nationally for both hospital profit metrics.

It is logical that if costs go down as noted, and prices don't follow in parallel, then profits go up, as noted in Table 1 below.

Table 1: Colorado's Cost, Price and Profit National Ranking (lower is more affordable)[1]

	2018	2019	2020	2021
Price/Patient	5th highest	4th highest	5th highest*	6th highest
Cost/Patient	8th highest	8th highest	10th highest	13th highest
Profit/Patient	3rd highest	3rd highest*	6th highest	4th highest
Total Profit	1st highest	4th highest*	5th highest*	4th highest

*Some rankings in 2019 and 2020 have slightly changed from the 2022 Hospital Insights Report due to additional hospital data submissions and improved outlier identification.

The three recently released legislative reports, the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Annual Report, the Hospital Expenditure Report, and the Hospital Community Benefit Accountability contain further insights on Colorado hospital costs, prices and profits. Overall, they show hospital patient revenues have grown faster than operating expenses, leading to growing profits and margins through 2021. Despite the historic impacts of COVID-19 on Colorado hospitals, patient revenues continued to rise as operating expense growth slowed for 2021, which is the most current data provided to HCPF by hospitals. Additionally, hospital reserves increased compared to pre-pandemic levels, contrary to expectations that larger systems would need to dip into "rainy-day" funds. Further, the reports illustrate that the $1.2 billion in federal stimulus paid to hospitals in 2020 more than offset the reduction in profits the hospitals would have reported, resulting in the highest profits per patient recorded during the period 2009 through 2021 The report also shows a return to more normative per patient profits in 2021. The Department acknowledges that these specific findings do not yet include 2022, which was impacted by investment losses in both the equities and bond markets and a continuation of rising frontline wages.

The CHASE Annual Report shows that while the need to cost shift to private insurance has significantly decreased, hospital profits from care provided to patients covered by private insurance have continued to grow. The report also illustrates the value of CHASE for hospitals by reducing uncompensated care costs through higher Medicaid reimbursement and fewer uninsured patients. Medicaid payments increased from $0.54 cents on the dollar of hospital costs in 2009 to $0.80 in 2021, reflecting an opportunity to reduce the cost shift to commercial payers. Further, CHASE reduced the uninsured rate by funding Medicaid expansions, totalling 668,000 Coloradans in 2021.

These three recent reports also illustrate a stark contrast between the financial performance of Colorado's large hospital systems compared to many rural hospitals and

[1] Data extracted from the November 2022 Healthcare Cost Report Information System (HCRIS) update. Data includes data for short-stay hospitals across the nation. Other state values are adjusted for cost of living. HCPF adjustments are made to ensure data is error free and outliers are removed. For more a thorough detail of HCPF's Medicare Cost Report analysis see Appendix A of the Hospital Cost, Price and Profit Review.

independent hospitals. The reports recommend continued investments in rural hospitals and policies that help rural hospitals better meet the needs of the communities they serve, as well as the need to support a Denver Health turnaround through this difficult chapter.

Moving beyond the transparency reports released in January 2023, HCPF is also providing new preview profit and reserve data from the first three quarters of 2022. This data shows that most consolidated national systems operating in Colorado maintained their reserves, despite decreased operating margins and large decreases in total profits compared to previous years due to unusual 2022 investment losses in both the equity and bond markets. The preview data on rural and independent hospitals is limited; while decreased operating margins are expected based on this preview of consolidated systems, the scale of these declines will be further illuminated as more data is made available to HCPF.

Table 2: Consolidated National System Profits and Days Cash on Hand Reserves

	2019 Total Profit Margin	2020 Total Profit Margin	2021 Total Profit Margin	2021 Total Profit Dollar Amount	2022 Q1-Q3 Total Profit Margin	2022 Q1-Q3 Operating Profit Margin	2022 Q3 Days Cash on Hand	2022 Q3 Dollar Reserves
Banner Health	7.2%	5.4%	5.7%	$750 Million	-8.7%	-1.2%	212	$8.7 Billion
Centura - Advent	12.5%	7.1%	9.8%	$1.5 Billion	-11.6%	0.1%	161	$6.3 Billion
Centura - CommonSpirit	2.1%	6.2%	8.0%	$3.0 Billion	-10.4%	-4.8%	162	$15.2 Billion
Children's	14.1%	8.2%	11.8%	$200 Million	-6.1%	5.3%	313	$1.3 Billion
Denver Health	10.6%	8.2%	1.2%	$15 Million	-7.7%	-3.8%	87	$223 Million
HCA - HealthONE	6.8%	7.3%	12.4%	$7.0 Billion	9.4%	11.8%	N/A	N/A
SCL (now Intermountain)	12.5%	11.1%	11.4%	$2.2 Billion	15.1%	2.8%	427	$11.1 Billion
UCHealth	10.0%	14.7%	16.5%	$1.1 Billion	-18.3%	3.5%	301	$5.1 Billion

Most consolidated national hospital systems have built or maintained cash reserves through patient profits, such profits have then been invested in vehicles subject to greater fluctuation and volatility. Large investment losses in 2022 invites more dialogue on the opportunity for less risky or volatile investment approaches in complement to how increased community investment and lower prices may be more aligned with nonprofit hospitals' and health systems' missions.[2]

Colorado's large hospital systems are tax exempt, with the exception of HCA HealthONE. For this tax exemption benefit, hospitals are expected to make community investments in

[2] Mensik, Hailey. "Senator Blasts Ascension, Alleging It Runs like Private Equity Fund Rather than Nonprofit Health System." Healthcare Dive, February 15, 2023. https://www.healthcaredive.com/news/ascension-tammy-baldwin-letter-nonprofit-hospital-private-equity-fund/642818/.

parallel to the value of the exemption and in alignment with the voiced needs of the communities they serve.[3] The Colorado Hospital Community Benefit Annual Report found that communities across the state overwhelmingly want hospitals to invest in behavioral health services (95% of hospitals' Community Health Need Assessments included behavioral health as a priority for the community). However, due to current community benefit reporting guidelines, hospitals' reported information lacked sufficient detail to understand exactly how community investment dollars are being spent and whether the hospital community benefit investments decisions match the needs identified by their communities. Better information on hospitals' community benefit dollars spent would enable HCPF to better determine actual responsiveness to community health needs.

The newly released Price Transparency Postings Review shows that Colorado hospitals are falling short of federal and state price transparency requirements. Specifically, 26.5% of hospitals and 31.1% of Colorado's hospital systems achieved a "Good" price transparency quality rating. HCPF analysis and comparable studies on federal price transparency reveal further opportunity for hospitals to improve price transparency.[4,5] HCPF looks forward to working with hospitals to enable improvements to these postings.

A newly released Breakeven Analysis tool and related write-ups enable stakeholders and researchers to better compare what hospitals are currently being paid by commercial payers to what hospitals currently need to be paid by these payers in order to breakeven. Further, this tool compares payments in relation to Medicare payments. Some Colorado hospitals significantly exceed state and national norms on the *commercial payments to breakeven* metric. As an example, this Breakeven Analysis shows that for some Colorado hospitals, over 40% of commercial payments go towards profits, well beyond what is currently needed to cover costs. This indicates a potential lack of payer negotiating leverage or pressure in some markets for hospitals to reduce prices and save Coloradans money on health care.

Finally, HCPF would also like to acknowledge and thank the many hospitals for their efforts to reduce or maintain prices over the last several years.

The findings from these datasets and reports are published and available on HCPF's Hospital Reports Hub.

[3] *Requirements for 501(c)(3) hospitals under the Affordable Care Act – Section 501(r)*. Internal Revenue Service. (n.d.). Retrieved March 9, 2023, from https://www.irs.gov/charities-non-profits/charitable-organizations/requirements-for-501c3-hospitals-under-the-affordable-care-act-section-501r

[4] Turquoise Health Price Transparency Impact Report Q3 2022, https://s3.us-west-1.amazonaws.com/assets.turquoise.health/impact_reports/TQ_Price-Transparency-Impact-Report_2022_Q3.pdf

[5] Patient Rights Advocate Semi-Annual Hospital Price Transparency Compliance Report February 2022, https://www.patientrightsadvocate.org/semi-annual-compliance-report-2022

Price Transparency Postings Review

As required by recent federal regulations, hospitals have recently begun posting publicly available pricing for procedures.[6] From Oct. 17, 2022 through Nov. 9, 2022, HCPF reviewed 83 general and critical access Colorado hospitals' downloadable price files and shoppable service estimator tools or displays. Each was evaluated using a scorecard, the results of which are shown in Table 3. HCPF researched the postings of Colorado hospitals for compliance and has provided ratings for each; however, HCPF does not currently have the authority to issue financial penalties if the hospitals are not compliant.[7] Still, HCPF has developed a Good, Fair, Poor rating that measures the quality of adherence to federal price transparency rules. A Good rating indicates federal standards for the downloadable file have been met, as well as the shoppable tool or display is present. This means postings are machine readable, updated within the last 365 days, have cash discounted charges, payer specific charges, and individual payer plans (products) amongst other required areas. A Fair rating may be omitting or missing information in one of these areas, while a Poor rating does not meet Good or Fair requirements, for example, has multiple fields and information missing.

Below are some key findings from the review:

- **26.5% of all Colorado hospitals and 31.1% of Colorado system hospitals have an overall quality rating of Good.**

Table 3: Overall Quality Rating by Hospital Type Nov. 9, 2022

Hospital Type	Good	Fair	Poor	Total
General/Children's	33.3%	45.1%	21.6%	100%
Critical Access	15.6%	50.0%	34.4%	100%
System	31.1%	51.1%	17.8%	100%
Independent General	40.0%	30.0%	30.0%	100%
Independent Critical Access	14.3%	46.4%	39.3%	100%
Total	**26.5 %**	**47.0 %**	**26.5 %**	**100%**

- Colorado hospitals that are currently affected by the legislation, Prohibit Collection Hospital Not Disclosing Prices House Bill (HB22-1285), have a better overall quality rating

[6] "Hospital Price Transparency." CMS. Accessed February 27, 2023. https://www.cms.gov/hospital-price-transparency.
[7] That authority rests with the federal Centers for Medicare and Medicaid Services (CMS).

of Good (33.3%), compared to those not affected by the bill until February 2023 - the state's critical access hospitals - currently at 15.6% compliance.[8]

- The Scorecard by System from the report is displayed in Table 4 below.
- Low scores for hospitals are primarily due to not listing all their contracted payer network products (sometimes called "plans"). Insurance carriers may offer several different network products; the respective prices (or reimbursements) for all of their insurance carrier contracted networks are supposed to be posted by hospitals. At the time of our evaluation, independent critical access hospitals were particularly lacking transparency because the prices for all the unique insurance carrier network products were not available. Note that it is not common for an independent hospital, or hospital system to have the same contracted prices (reimbursements) with all health plans or all the various health plan network products. Therefore, when hospitals are not compliant with this aspect of the requirement (publishing prices by health plans and all their networks), the usability of the tool is greatly diminished.
- HCPF analysis and comparable studies on federal price transparency all show that there is an opportunity for hospitals to improve price transparency.[9,10]
- HCPF plans to review and publish an evaluation of hospitals' price transparency postings semi-annually.

[8] Critical access hospitals became subject to the state legislation's requirements in February 2023.

[9] Turquoise Health Price Transparency Impact Report Q3 2022, https://s3.us-west-1.amazonaws.com/assets.turquoise.health/impact_reports/TQ_Price-Transparency-Impact-Report_2022_Q3.pdf

[10] Patient Rights Advocate Semi-Annual Hospital Price Transparency Compliance Report February 2022, https://www.patientrightsadvocate.org/semi-annual-compliance-report-2022

Table 4: Scorecard by System Nov. 9, 2022

System	Downloadable File Quality Rating	Shoppable Service Quality Rating	Overall Quality Rating	Machine Readable	Data Extract Date	Posted or Updated Date	Code	Description	Gross Charges	Discounted Cash	De-Identified Minimum	De-Identified Maximum	Negotiated Rates	Individual Plans	Display or Estimator Tool	Cash Price
Banner Health	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Health AdventHealth	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Health CommonSpirit	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Childrens	Poor	Good	Poor	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Tool	Y
HealthONE	Poor	Good	Poor	N	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Tool	Y
San Luis Valley	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Intermountain Healthcare	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
UCHealth	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y

The full Scorecard of each hospital is available in the Appendix of this report and in the Price Transparency Postings and Evaluation Report available on the Hospital Reports Hub.

Breakeven Analysis

HCPF is introducing a new Breakeven Analysis Tool for employers, employer alliances, other health care payers and state regulators to better understand hospital costs and prices. Breakeven is defined as the commercial reimbursement rate that would cover all of a hospital's current expenses for inpatient and outpatient services, without profit. HCPF's Breakeven Analysis Tool provides information on commercial payments to breakeven, which focuses on commercial (non-government) payers. This tool further presents commercial breakeven rates for Colorado hospitals, and compares them to state, national, and system trends, also using the methodology to calculate estimated actual aggregate commercial prices paid to hospitals. This tool can be used for:

- **Measuring cost coverage and efficiency.** Several of the metrics measure breakeven as a ratio of costs (i.e., commercial payers pay 140% of costs for the hospital to break even). These cost-based ratios are especially useful to explore hospitals' cost efficiencies and offer a simple context to understand how much of commercial payments go towards covering costs, versus boosting profits.

- **Commercial insurance and other purchaser negotiations**. Other metrics in the tool provide measures as a ratio of Medicare payments. These Medicare-based ratios are especially useful for commercial payers (such as employers or insurers) in negotiations with hospitals. Negotiating payments as a percentage of Medicare could encourage cost efficiency since Medicare rates are set nationally and adjusted for conditions, such as cost of living. Using *commercial payments to breakeven* as a percentage of Medicare also helps transition Colorado and the industry to payments grounded by actual costs (versus market dominance or power), while recognizing the payment rate necessary for hospital profitability.[11]

The Breakeven Analysis Tool also illustrates that when compared nationally, Colorado hospitals are consistently both high cost and high profit, a counterintuitive reality that makes Colorado unique.

- In 2020, Colorado ranked 12th in *commercial payments to breakeven*, and 10th in payments beyond breakeven, with 1 reflecting the most opportunity for improvement. While Colorado was the only state to rank in the top 10 for both metrics in 2019, and while Colorado was the only state to rank in the top twelve for both metrics in 2020, this movement from top 10 to top 12 illustrates a favorable movement by hospitals, though still illustrates tremendous opportunity for additional improvements in both areas to achieve more normative national performance to save people and employers money on health care.
- Colorado's system hospitals (defined as 3 or more hospitals) drive both metrics, with their independent counterparts operating at lower prices and costs. This presents an important opportunity for large system price reductions and cost efficiency, which would be to the benefit of Coloradans and employers covered by commercial coverage.
- A few Colorado hospitals, with over 40% of commercial payments contributing to profits, present an even greater opportunity for pricing adjustments and changes in strategic decisions at the most senior levels.
- Some Colorado hospitals have *commercial payments to breakeven* far beyond state or national norms. This may indicate inflated costs and an affordability opportunity; better managing costs is necessary to drive more affordable pricing and to save Coloradans and our employers' money on healthcare.

This new tool pairs with HCPF's Hospital Cost Reporting Tool for an in-depth view of hospitals' costs, prices, and profits through 2020. These tools will be updated to include 2021 data in the coming months.

[11] The breakeven analysis tool could aid in negotiating, but is composed of estimates, and should be taken as such. Therefore, negotiations should include other factors, such as quality of care.

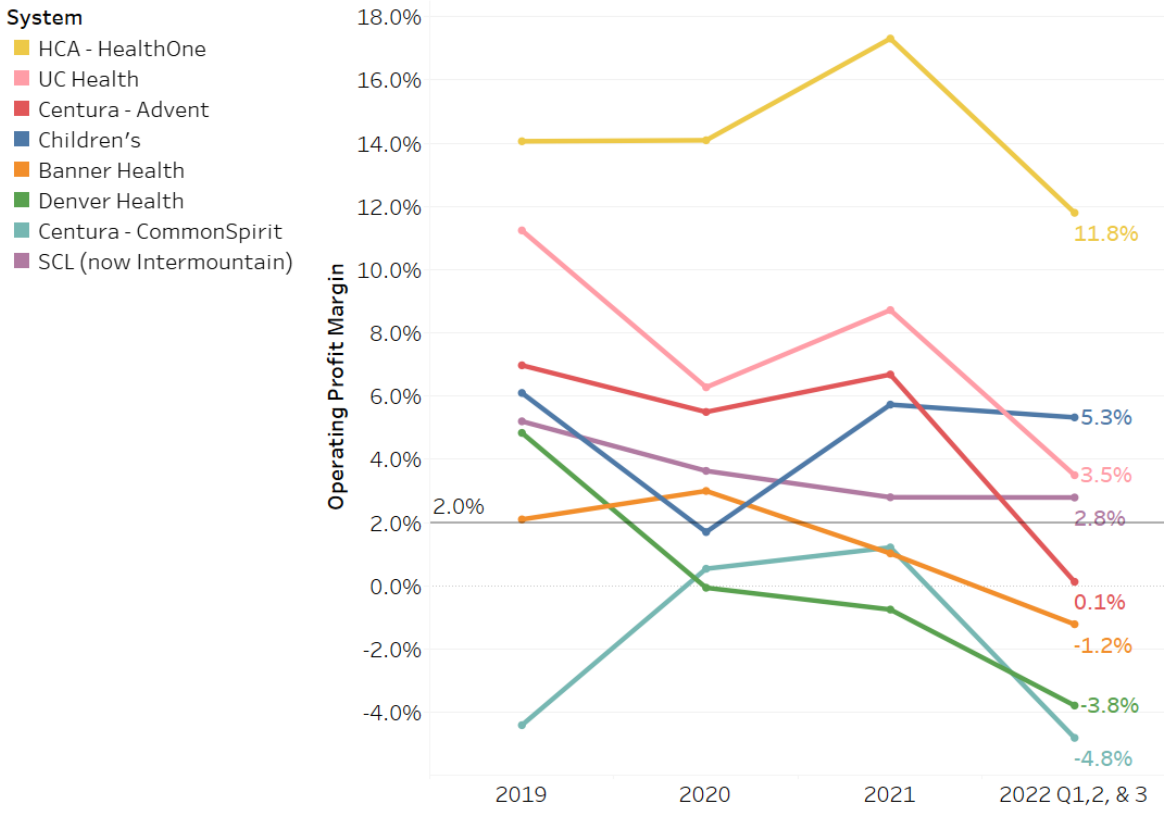
Preview Profits and Reserves for 2022

Due to the retroactive nature of January 2023 published reports, HCPF also completes other analyses using more recent data, including publicly available financial statements from the Electronic Municipal Market Access (EMMA). This analysis adjusts all systems to a standard calendar year of accounting. These figures include entire national systems, and therefore 2019, 2020 and 2021 profit and margin numbers may differ from other HCPF analyses, which include only Colorado hospitals. Further, while Colorado-dominated systems such as UCHealth will more closely follow the Colorado-specific hospital profit data, there still may be some slight differences as these numbers reflect not just hospitals, but an entire system, including free-standing emergency rooms, physician groups, etc. HCPF's review of more recent data from EMMA financial statements show the following **four key findings**:

- Figure 2 depicts that operating profits for hospital systems largely decreased in 2022 compared to 2021, 2020, and 2019.[12] However, most systems in Colorado have maintained positive operating profits for 2022 through the first three quarters. These positive operating profits occur after increased workforce expenses are accounted for. Also, for some systems such as UCHealth, the decreased margins have brought down comparatively high margins to a more normative level. Other hospitals, such as Denver Health and many rural providers, are more negatively impacted by this reduction, in yet another example of how these hospitals need transformational investment.

[12] Operating profits are slightly different than patient service profits and include additional non-patient operating income and expenses such as the operation of cafeterias, parking structures, medical education, research, or other ongoing non-patient care activities (see the Community Benefit and Accountability report appendix for patient service profit and total profit for Colorado hospitals).

Figure 2: Consolidated National System Operating Profit Margin for 2019, 2020, 2021 and 2022 through September



- Figure 3 shows system hospitals had large total losses in 2022. These total losses have been primarily driven by investment losses - a reversal from the large total profit gains in previous years.

Equity and bond investment markets performed poorly in 2022 compared to the many years of gains that preceded it. However, investment market recovery is expected and is evident in Q4, 2022.[13] Multiple reports and statements from hospitals and rating agencies also indicate that 2023 will show improvements in hospital margins.[14]

[13] Herman, B. (2023, February 24). *Hospital Systems' investment income perked up at end of 2022*. STAT. Retrieved March 6, 2023, from https://www.statnews.com/2023/02/27/hospital-investment-income-perked-up/

[14] Hudson, C. (2023, January 12). *Fitch: 2023 could be turning point for nonprofit Health Systems*. Modern Healthcare. Retrieved March 6, 2023, from https://www.modernhealthcare.com/finance/fitch-nonprofit-health-system-2023

Figure 3: Consolidated National System Total Profit Margin (including investments) for 2019, 2020, 2021 and 2022 through September

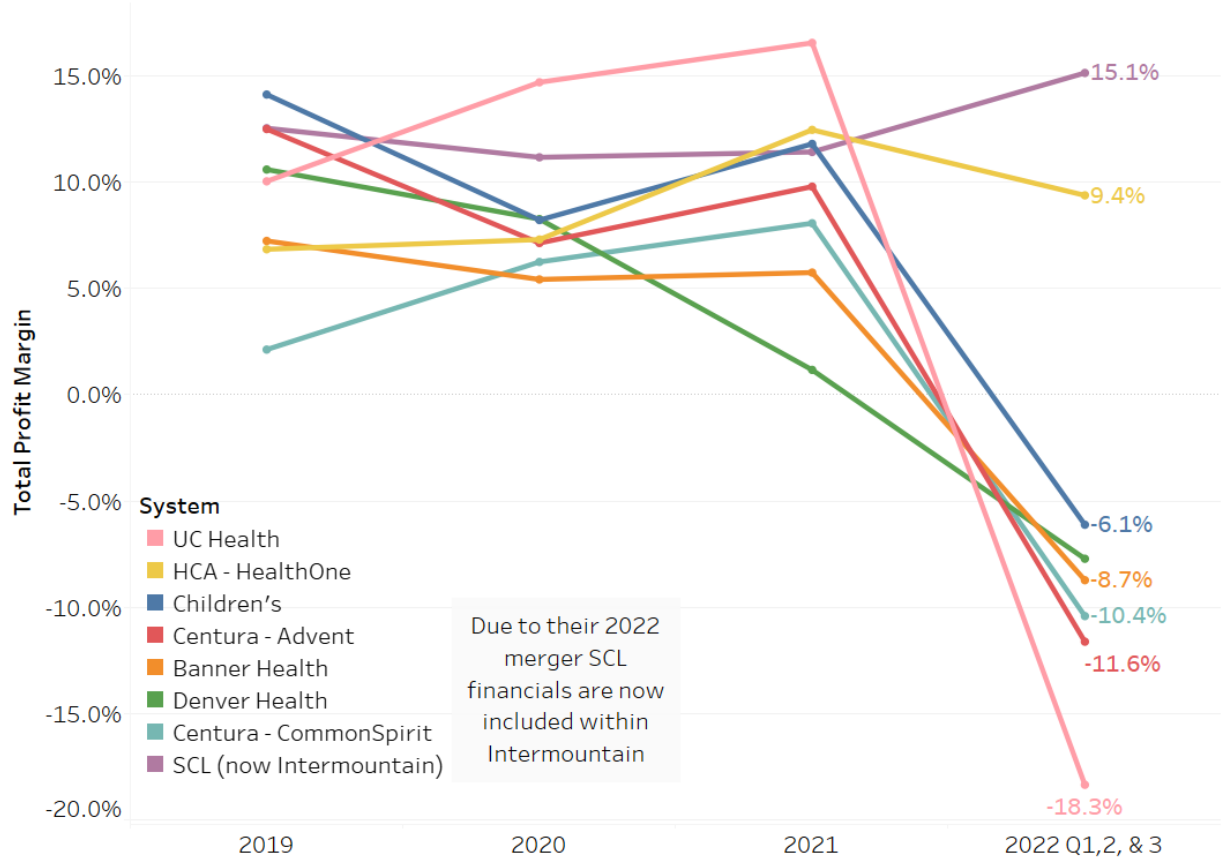


Figure 4 below shows operating profits and total profit as a percent and in millions of dollars for each of Colorado's major systems. Children's Hospital, HCA HealthOne, SCL/InterMountain, all made reasonable operating margins in 2022 through Q3 with two parallel to their 2021 operating margins. Banner, Centura and Denver Health 2022 performance through Q3 is below historic profits. UCHealth 2022 performance through Q3 is below historic levels. Through Q3, 2022 also reflects the unusual investment losses associated with that historic year, which posted losses in both the bond and equities markets. Comparatively, similar investment policies employed by hospitals may have proved fruitful in the prior years as markets performed well.

- During the COVID-19 pandemic, which saw historic economic downturns nationally, many Colorado major systems made significant total profits, some in the 10-15% range. These significant total profits throughout the pandemic more than outweigh single-year declines in 2022.

Figure 4: Consolidated National System Profits and Margins for 2019, 2020, 2021 and 2022 through September

System	Year	Operating Profit Margin	Operating Profit (in millions)	Total Profit Margin	Total Profit (in millions)
Banner Health	2019	2.1%	$200M	7.2%	$727M
	2020	3.0%	$311M	5.4%	$587M
	2021	1.0%	$127M	5.7%	$750M
	2022 Q1,2, & 3	-1.2%	($113M)	-8.7%	($839M)
Centura - Advent	2019	7.0%	$829M	12.5%	$1,579M
	2020	5.5%	$694M	7.1%	$915M
	2021	6.7%	$995M	9.8%	$1,505M
	2022 Q1,2, & 3	0.1%	$14M	-11.6%	($1,327M)
Centura - CommonSpirit	2019	-4.4%	($645M)	2.1%	$320M
	2020	0.5%	$167M	6.2%	$2,046M
	2021	1.2%	$421M	8.0%	$2,999M
	2022 Q1,2, & 3	-4.8%	($1,226M)	-10.4%	($2,699M)
Children's	2019	6.1%	$83M	14.1%	$210M
	2020	1.7%	$25M	8.2%	$126M
	2021	5.7%	$91M	11.8%	$200M
	2022 Q1,2, & 3	5.3%	$70M	-6.1%	($82M)
Denver Health	2019	4.8%	$54M	10.6%	$127M
	2020	-0.1%	($1M)	8.2%	$99M
	2021	-0.8%	($9M)	1.2%	$15M
	2022 Q1,2, & 3	-3.8%	($36M)	-7.7%	($74M)
HCA - HealthOne	2019	14.1%	$7,218M	6.8%	$3,505M
	2020	14.1%	$7,262M	7.3%	$3,754M
	2021	17.3%	$9,678M	12.4%	$6,956M
	2022 Q1,2, & 3	11.8%	$5,278M	9.4%	$4,188M
SCL (now Intermountain)	2019	5.2%	$148M	12.5%	$387M
	2020	3.6%	$105M	11.1%	$349M
	2021	2.8%	$4M	11.4%	$271M
	2022 Q1,2, & 3	2.8%	$285M	15.1%	$2,160M
UC Health	2019	11.2%	$581M	10.0%	$540M
	2020	6.3%	$329M	14.7%	$845M
	2021	8.7%	$533M	16.5%	$1,124M
	2022 Q1,2, & 3	3.5%	$168M	-18.3%	($882M)

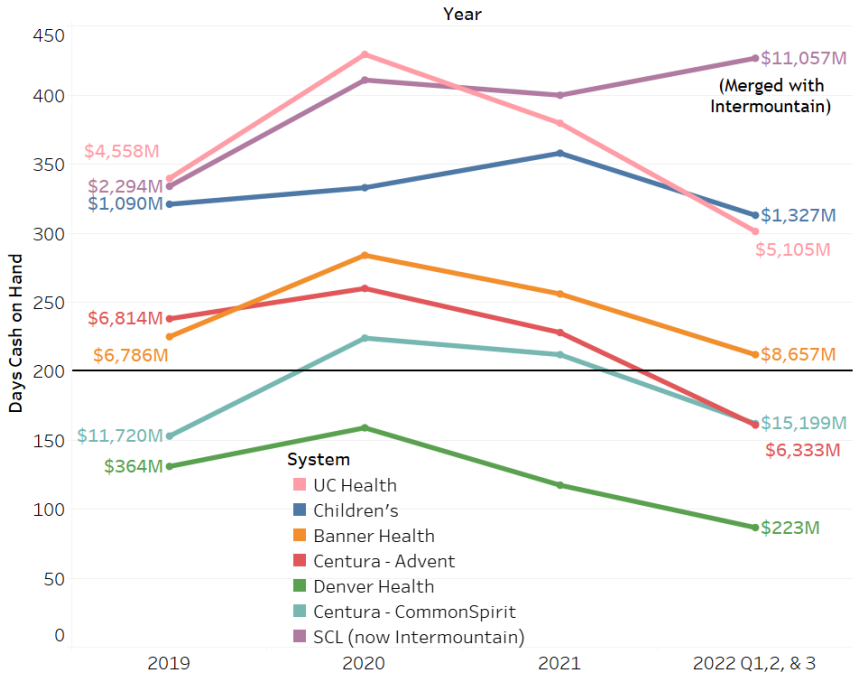
- UCHealth's total losses through 2022 Q3 compared to their operating gain illustrated in Figure 4 are an outlier. UCHealth's investment portfolio includes 49.6% reserve investment in equities, 10.9% in mutual bond funds, and 10.5% in corporate bonds which may contribute to larger swings in investment gains and losses. This, combined with their investment fund's relative size, generates outlier swings in total profits.[15] UCHealth total profits were above statewide norms in previous years (8.3% and 7.9% medians in 2019 and

[15] University of Colorado Healthcare investment portfolio distribution, as of June 2022. Data available online from Electronic Municipal Market Access (EMMA) https://emma.msrb.org/.

2020 respectively)[16], which may indicate that the organization benefited from similar investment policies in the preceding bullish years before the 2022 bear market.

Investment market recovery is expected and is evident in Q4, 2022.[17] Multiple reports and statements from hospitals and rating agencies also indicate that 2023 will show improvements in hospital margins.[18] The following Figure 6 demonstrates the change in reserves from 2019 through Q3 2022.

Figure 6: Consolidated National System Days Cash on Hand and labels for Dollar Reserve amounts for 2019, 2020, 2021 and 2022 through September[19]



[16] *Hospital Insights Report*, HCPF | Colorado Department of Health Care Policy & Financing. (March 2022) Retrieved March 13, 2023, from https://hcpf.colorado.gov/hospital-reports-hub

[17] Herman, B. (2023, February 24). *Hospital Systems' investment income perked up at end of 2022*. STAT. Retrieved March 6, 2023, from https://www.statnews.com/2023/02/27/hospital-investment-income-perked-up/

[18] Hudson, C. (2023, January 12). *Fitch: 2023 could be turning point for nonprofit Health Systems*. Modern Healthcare. Retrieved March 6, 2023, from https://www.modernhealthcare.com/finance/fitch-nonprofit-health-system-2023

[19] HealthONE is an affiliate of HCA, and like other systems, its hospitals shift excess cash to the managing company. HCA is a public company and often spends accumulated cash on stock repurchases, relying instead on credit lines and other debt agreements for short-term liquidity. These shares could be resold in the future for additional funds but are not reflected in days cash on hand, meaning that days cash on hand is not a meaningful representation of liquidity for HCA-HealthONE.

Figure 6 above and Figure 7 below demonstrate that reserves have returned to pre-pandemic levels for most hospital systems in the state, with Centura-Advent and Denver Health having more substantial decreases. Reductions in reserves are also partially due to hospitals' repayment of Medicare Advance Payments, for example, UCHealth repaid over $400 million in 2022.

Figure 7: Consolidated National System Reserves for 2019, 2020, 2021 and 2022 through September

System	Year	Days Cash on Hand	Dollar Reserves
Banner Health	2019	225	$6,786 M
	2020	284	$8,924 M
	2021	256	$9,904 M
	2022 Q1,2, & 3	212	$8,657 M
Centura - Advent	2019	238	$6,814 M
	2020	260	$7,977 M
	2021	228	$8,224 M
	2022 Q1,2, & 3	161	$6,333 M
Centura - CommonSpirit	2019	153	$11,720 M
	2020	224	$17,910 M
	2021	212	$18,978 M
	2022 Q1,2, & 3	162	$15,199 M
Children's	2019	321	$1,090 M
	2020	333	$1,121 M
	2021	358	$1,384 M
	2022 Q1,2, & 3	313	$1,327 M
Denver Health	2019	131	$364 M
	2020	159	$441 M
	2021	117	$381 M
	2022 Q1,2, & 3	87	$223 M
SCL (now Inter mountain)	2019	334	$2,294 M
	2020	411	$2,910 M
	2021	400	$3,122 M
	2022 Q1,2, & 3	427	$11,057 M
UC Health	2019	340	$4,558 M
	2020	430	$6,189 M
	2021	380	$6,074 M
	2022 Q1,2, & 3	301	$5,105 M

HCPF's 2022 preview of profits and reserves (through Q3) shows most of Colorado's major hospital systems maintained their reserves through this historic COVID-19 pandemic chapter, despite decreased operating margins and large fluctuations in total profits from previous years.

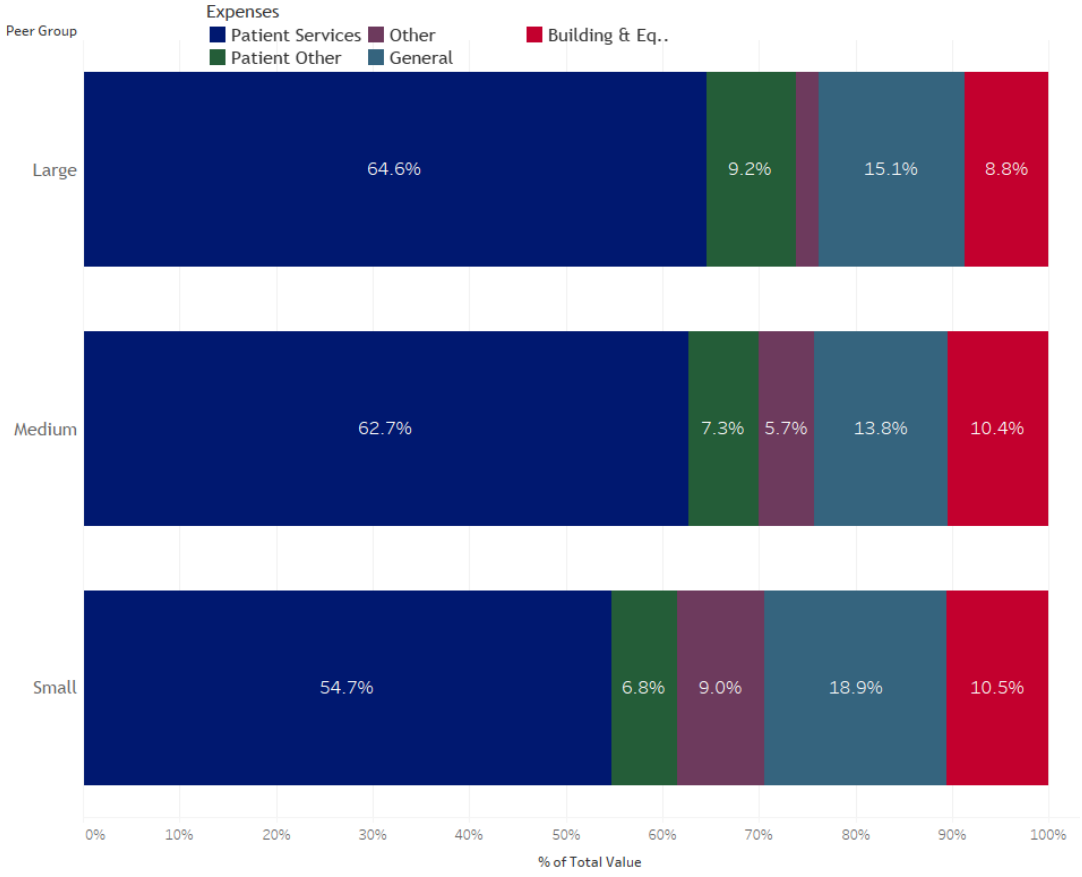
HCPF's 2022 preview data on rural and independent hospitals is limited. Decreased operating margins are expected based on this preview of consolidated systems; the scale of these declines will be further illuminated as data becomes available.

Denver Health's decreasing days cash on hand reserve, at 87 days through Q3, is concerning. Denver Health is the state's largest safety net hospital and therefore paramount to

Medicaid, CHP+ and care for uninsured Coloradans. HCPF is therefore supportive of comprehensive and thoughtful policy changes and investments into Denver Health to ensure its financial turnaround and sustainability given its dominant public payer mix, its safety net importance to Colorado, and limited historic commercial business.

As we secure optics into Colorado's rural hospitals, we expect the need for additional transformational investment as well as emerging strategies that enable rural hospitals to share administrative supports and expenses, such as IT infrastructure, human resources, revenue cycle management, purchase of supplies, etc. - all with the goal of reducing administration costs and driving more sustainable margins going forward. Figure 8 shows operating expense mix, which demonstrates small hospitals' larger portion of administrative costs. While larger hospital systems have benefited from mergers and acquisitions that enable more efficient financing of the typical administrative expenses necessary to run any hospital, rural hospitals are not in a position to share such expenses without changes in policy.

Figure 8: 2021 Operating Expense Mix by Peer Group, from 2023 Hospital Expenditure Report[20]



Legislative Hospital Reports

The three hospital transparency reports released in January 2023 use self-reported data submitted and reviewed by Colorado hospitals. A copy of the template that hospitals use to submit data can be found on HCPF's Hospital Transparency and Hospital Community Benefit Accountability websites. Per statutory requirements, the hospitals have an opportunity to review their financial and utilization data before the Hospital Expenditure Report is released, while the CHASE board approves the CHASE Report before it is released. HCPF develops the legislative reports using data the hospitals submit and certify.

[20] 2023 Hospital Expenditure Report, p. 29. Retrieved from https://hcpf.colorado.gov/sites/hcpf/files/2023%20Hospital%20Expenditure%20Report.pdf. The above graph displayed the percent of each category of operating expenses broken down by hospitals peer groups. Administrative expenses are included within General; however, some did include those within Other. Primarily our small hospitals correspond with our rural and Critical Access Hospital throughout the state.

Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Report

The CHASE report is one of three legislative reports HCPF released in January 2023. It examines the effects of additional CHASE payments and expanded coverage facilitated through CHASE, on hospital financial measures among payer types.

Key Findings:

- CHASE provided $457 million in increased reimbursement to hospital providers from October 2021 to September 2022, reducing Medicaid underpayments and achieving a key objective of CHASE.
- As seen in Table 5:
    - While the need to cost shift to private insurance (commercial coverage) has dramatically decreased, hospital profits from care provided to patients covered by private insurance have continued to grow - increasing by 111% since 2009 - the year before the CHASE payments began - as patient revenues grew faster than the cost of care.
    - The increase in Medicaid payments from $0.54 cents on the dollar of hospital costs in 2009 compared to $0.80 in 2021 is also significant, reflecting an opportunity to reduce the cost shift to commercial payers.
    - “Overall” profits in 2021 (1.05) closely parallel pre-pandemic profits in 2019 at 1.07.

Table 5: Payment to Cost ratios by Payer Type for All Colorado Hospitals

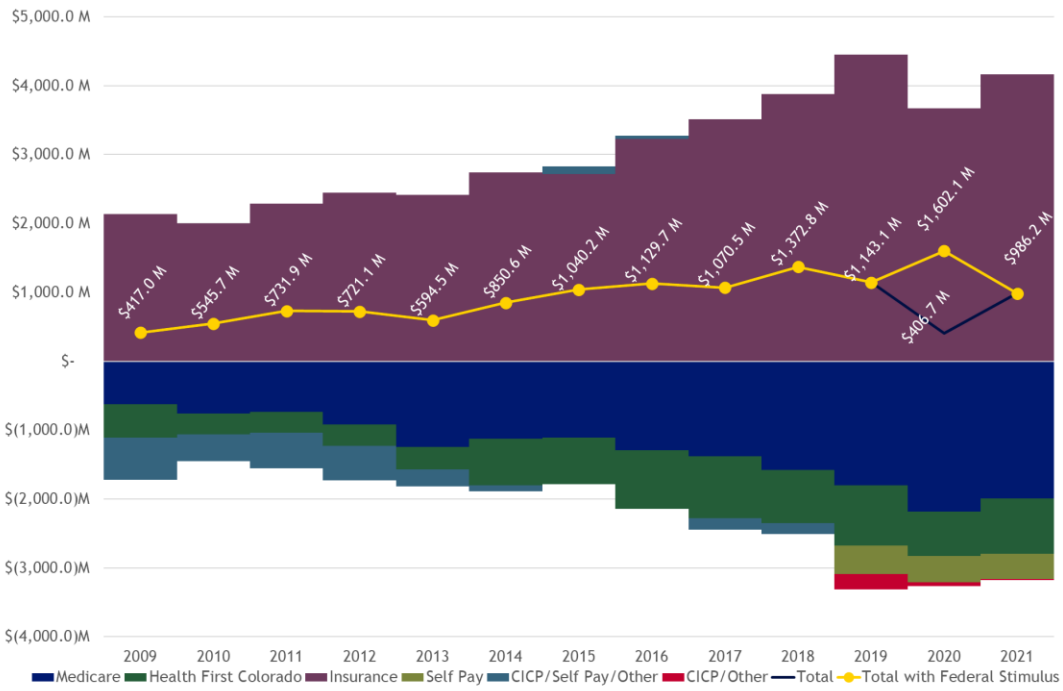
Year	Medicare	Health First Colorado	Insurance	Self Pay/CICP/ Other	Self Pay	CICP/ Other	Overall
2009	0.78	0.54	1.55	0.52			1.05
2010	0.76	0.74	1.49	0.72			1.06
2011	0.77	0.76	1.54	0.65			1.07
2012	0.74	0.79	1.54	0.67			1.07
2013	0.66	0.80	1.52	0.84			1.05
2014	0.71	0.72	1.59	0.93			1.07
2015	0.72	0.75	1.58	1.11			1.08
2016	0.71	0.71	1.64	1.05			1.08
2017	0.72	0.72	1.66	0.85			1.07
2018	0.70	0.77	1.70	0.88			1.09
2019	**0.72**	**0.75**	**1.85**		**0.26**	**0.71**	**1.07**
2020	**0.67**	**0.83**	**1.66**		**0.43**	**0.94**	**1.02**
2020 w/ stimulus	**0.74**	**0.89**	**1.73**		**0.49**	**1.01**	**1.09**
2021	**0.73**	**0.80**	**1.72**		**0.35**	**0.99**	**1.05**

- CHASE reduced hospital uncompensated care costs and the need for hospitals to shift these costs to commercial payers by both increasing Medicaid reimbursement and by providing additional health care coverage.
    - CHASE increased Medicaid reimbursement from $0.54 cents on the dollar of hospital costs to $0.80 cents on the dollar of hospital cost.

- CHASE reduced Colorado's uninsured rate by funding Health First Colorado and Child Health Plan *Plus* expansion populations for more than 668,000 Coloradans. Notice in Table 6 that the Self Pay payer group reimburses $0.35 on the dollar of hospital costs.

- In Figure 9 below, hospital patient revenues grew faster than operating expenses, as displayed as the yellow and blue line, leading to growing profits and margins through 2021.
  - The reports illustrate that the $1.2 billion in federal stimulus paid to hospitals in 2020 more than offset the reduction in profits the hospitals would have reported.
  - Despite the historic impacts of COVID-19 on Colorado hospitals, their patient revenues have continued to rise as operating expense growth has slowed, resulting in profits of $986.2 million in 2021.

Figure 9: Colorado Hospitals Payment Less Cost



- **Launch of the Hospital Transformation Program (HTP)**
  - The HTP was the first major Value Based Payment (VBP) effort for hospitals in Colorado Medicaid, converting the CHASE payments into VBPs.
  - The program pursues goals of improved hospital quality and affordability through the implementation of statewide and local initiatives and related measures.

- With the implementation of HTP, which began in 2020, more than 97% of CHASE supplemental Medicaid payments are value based. It is arguably the largest VBP in the state of Colorado, across all payers and providers, creating value not just to Medicaid members but for all Coloradans, as hospitals improve their overall quality and affordability performance.

- **Saved hospitals $152 million in healthcare affordability and sustainability fees by using an enhanced federal medical assistance percentage methodology**

If the enhanced federal medical assistance percentage methodology were not used, hospitals would have had to pay $152 million more in healthcare affordability and sustainability fees to receive the same $1.6 billion in supplemental payments. This increased net benefit is to support Hospital Transformation Program (HTP) efforts. HTP goals include transformative affordability and quality efforts through initiatives taken by hospitals that positively impact all Coloradans. In total, switching to this enhanced FMAP methodology has saved Colorado hospitals a total of $420 million in healthcare affordability and sustainability fees over the last three years. That is $127 million in FFY 2019-20, $141 million in FFY 2020-21, and $152 million in FFY 2021-22.

Hospital Expenditure Report

The Hospital Expenditure report is the second of the three reports HCPF published in January 2023. This report investigates many different hospital financial and expense measures.

Key Findings:

- **Overall, hospital patient revenues have grown faster than operating expenses leading to growing profits and margins.**
  - Net patient revenue grew from $12.1 billion to roughly $19.8 billion between 2014 to 2021, an increase of 63.8%.
  - The Colorado population grew by 8.7% during the same period 2014 to 2021, according to the Colorado State Demographer.
  - Colorado hospitals have seen historic growth in net patient revenues between 2014 and 2021, while not including the $1.2 billion in federal stimulus that Colorado hospitals received throughout the COVID-19 pandemic.
  - Total operating expenses increased on average $1.057 billion per year or 7.2% between 2014 and 2021. During the same period, on average net patient revenue grew $1.105 billion each year or 7.3% a year.
  - Between 2020 and 2021, net patient revenue increased by $1.83 billion, an increase of 10.2%.

- The disparity between inpatient utilization for small (14.4%) and large hospitals (47.5%) highlights the importance of differing sustainability strategies for rural hospitals, such as investing in rural hospital clinics and outpatient capabilities and divesting in rural hospital inpatient services where appropriate.

Community Benefit and Accountability Report

The Community Benefit and Accountability Report is the third legislative report HCPF released in January 2023. The research in this report focuses on hospitals' community benefit expenditures, estimated tax exemption and reserve/profit amounts by hospital.

Key Findings:

- In this reporting period, submissions indicate that hospitals invested 7% of their patient revenues in the community. Yet, the data provided to HCPF lacked sufficient detail to understand how community investment dollars are being spent. Investments by category are as follows:
    - Free or reduced-cost health care services, i.e., charity care: $239 million, 25% of total.
    - Programs addressing health behaviors or risks: $533 million, 55% of total.
    - Programs that addressed social determinants of health: $76 million, 8% of total.
    - Other investments that addressed community identified needs: $117 million, 12% of total.

- Hospital mergers and acquisitions over the last decade have resulted in large system dominance across the Colorado front range. System profits are displayed in Table 7.

- Colorado's urban and system-affiliated hospitals maintained a median of 225 days cash on hand (reserves) in 2019 compared to 245 days in 2021, representing a 9% increase in reserves through the pandemic.
    - This illustrates that hospital reserves have increased compared to pre-pandemic levels and that the larger systems did not dip into their "rainy-day" funds as much as would have been forecasted given the magnitude of the pandemic, which is the purpose of reserves.

Table 7: 2021 Colorado Hospital Patient and Total Profits by System[21,22]

Hospital System	Patient Service Net Income (Patient Profit)	Patient Services Profit Margin	Net Income (Total Profit)	Total Profit Margin
Banner Health	($26,835,998)	-4.4%	($10,450,322)	-1.6%
Centura Health Adventist	$89,184,924	6.8%	$130,155,607	9.5%
Centura Health CommonSpirit	$281,517,813	11.5%	$379,039,503	14.8%
Children's Hospital	($14,020,281)	-1.0%	$105,749,674	6.6%
SCL Health[16]	$17,260,720	0.9%	$109,064,455	5.2%
UCHealth	$442,906,492	8.5%	$1,694,878,340	26.1%
Independents / San Luis Valley	($53,315,394)	-1.9%	$443,477,018	9.2%
Total without HealthONE	**$736,698,276**	**4.7%**	**$2,851,914,276**	**14.5%**
HealthONE	$626,310,467	20.8%	$559,169,000	18.5%
Total All Hospitals	**$1,363,008,743**	**7.2%**	**$3,411,083,276**	**15.1%**

Most of the costs that nonprofit, tax-exempt hospitals consider community benefits, including Medicaid shortfall and charity care costs, are the same types of costs also incurred by for-profit, tax paying hospitals. Additionally the Department's analysis shows commercial insurance more than covers Colorado hospitals' Medicare and Medicaid shortfalls and charity care, resulting in a profit per patient of $1,181 in 2021. Excluding the tax paying HealthONE hospital system, Colorado nonprofit, tax-exempt hospitals reported $737 million in profits on patient services and reported total profits of $2.9 billion in 2021. It is important to note that community benefits are not paid for out of profits; rather profits are made *after* community benefit expenses are accounted for.

Opportunities

Health care affordability remains a major challenge for Colorado families, businesses, government programs and taxpayers. Therefore, partnerships to achieve the Polis-Primavera Administration's quest to Save People Money on Health Care remains a top priority. Collectively, the state will continue to invest in policies, strategies and innovations to

[21] Data reported by hospitals to HCPF pursuant to HB 19-1001, Hospital Transparency Measures to Analyze Efficacy. Methodology for profits can be found in the Appendix J Definitions

[22] Patient service net income (profit) and patient services profit margin excludes Denver Health Medical Center's figures. Denver Health Medical Center categorizes a significant portion of total revenues into other operating revenues, which are not counted towards patient service revenues. Other operating revenues influence calculated costs for patient service profit; thus, Denver Health Medical Center's patient services profit is not displayed to avoid misleading the reader. Since total profit and total profit margin are not calculated in this manner, those figures are displayed.

achieve this critical goal and in transparency tools that enable us to hold each other accountable while illuminating future policy priorities.

Given the shared goals of health care affordability and community investment, this bulletin - as a summary of the three January 2023 legislative reports and new breakeven tools - offers the following policy considerations and opportunities:

- Partner on strategies to promote high-quality, affordable hospital care including examining opportunities to reduce hospital commercial prices and lower hospital costs.
- Improve the impact of nonprofit, tax exempt hospital community investment dollars through increased transparency into actions, investments, programs and results supported by each hospital's community benefit dollars compared to identified community needs. This additional information could inform shared efforts between hospitals and communities, such as investing in behavioral health or social determinant supports like housing and food.

- In order to have a better understanding of the hospitals' tax exemption benefit compared to their community benefit spending, the General Assembly should direct the Office of the State Auditor, working in conjunction with the Colorado Department of Revenue, to the best of its ability, to estimate the value of all federal, state and local taxes for reporting hospitals as defined in Section 25.5-1-701, C.R.S. Such a report should compare the estimated value of each reporting hospital's tax exemptions to its investment in addressing community health needs as set forth in Section 25.5-1-703(3)(d)(I)(C), C.R.S.

- Increase public investment in rural, independent and safety-net hospitals to increase access to meet patient and community demands, keep care local wherever possible and stabilize rural providers as an important employer and care provider in their communities. Such investments may be structured to incent high-quality care, health equity and improved affordability.

- Improve transparency by ensuring compliance with price transparency law and more timely hospital financial data to enable free, fair, competitive marketplaces and analysis that is more current to keep up with rapidly changing economic landscapes.

- Hospitals are not fully compliant with the reporting requirements in the Hospital Expenditure Report or pro forma IRS form 990 Schedule H information for individual hospitals that are part of a hospital system, This includes reporting inconsistently or failing to report some or all required data elements. The General Assembly should consider establishing corrective action and financial penalties for non-compliance.

- Additional information is needed to provide comprehensive transparency insights. The General Assembly should consider requiring hospitals to report such additional information, as requested by the Department, such as historic provider group acquisitions, all provider affiliation agreements rather than just new acquisitions, executives' total compensation and what executives are incented to deliver, planned or new construction, capital outlays, and changes in service offerings.
- To improve hospitals' accountability to the communities they serve, the General Assembly should establish a requirement for hospitals to directly tie community-identified needs to community benefit expenditures while prioritizing those voiced needs and reporting how they have done so to the Department.
- To ensure hospital community benefit investments impact community health, the General Assembly should consider requiring hospitals to regularly and meaningfully evaluate the impact of their community benefit investments on community health.
- To ensure that hospital funding that came from Colorado communities are invested to meet the needs of Colorado communities, the General Assembly should consider establishing a requirement that profits earned by Colorado hospitals remain in Colorado and that all Colorado hospital reserves reported year ending 2021 remain in Colorado. This recommendation addresses the reality that Colorado hospital prices and profits are ranked in the top 10 nationally, that such hospitals are part of national systems which can today, without limit, siphon monies earned from prices paid directly or indirectly by Coloradans and their employers to further expansions and investments outside of Colorado.

APPENDIX

Appendix A: Hospital Expenditure Report Executive Summary

For the comparison period of 2014 to 2021, hospital patient revenues have grown faster than operating expenses leading to growing profits and margins. In this timeframe, overall net patient revenue, total operating expenses, and uncompensated care have all increased. Looking specifically at uncompensated care, the hospitals' data show that charity care was the primary driver of increases in uncompensated care, while bad debt leveled off or decreased for some peer groups.

Hospital data also show that Colorado hospitals are providing more services through outpatient than inpatient settings. This is most notable in smaller and rural hospitals.

- Overall, hospital patient revenues have grown faster than operating expenses leading to growing profits and margins. This profit growth has occurred even with the recent growth in charity care and the growing number of patients covered by public health insurance. Specifically, Medicaid and Medicare payer mix grew 1.5% points from 2020 to 2021 whereas commercial payer mix decreased by 0.9% points. Hospital Expenditure Report Executive
    - Net patient revenue grew from $12.1 billion to roughly $19.8 billion between 2014 to 2021, an increase of 63.8% and an average annual increase of 7.3%. Between 2020 and 2021, net patient revenue increased by $1.83 billion, an increase of 10.2%.
    - Total operating expenses grew from $11.7 billion to $19.1 billion between 2014 and 2021, an increase of 63.3% and an average annual increase of 7.2%. Between 2020 and 2021, total operating expense increased by $1.12 billion, increasing 6.2% from $17.8 billion in 2020 to $19.1 billion in 2021.
    - Comparatively, the Colorado population grew by 8.7% during the same period 2014 to 2021, according to the Colorado State Demographer.
    - These increases to patient revenues from 2014 to 2021 occurred even with the limitation on elective services and general underutilization of hospitals due to the COVID-19 pandemic. Between 2020 and 2021, hospital patient revenues saw historic growth while operating expenses grew less than they have in any year since 2015.
    - In 2021, contracted labor expenses grew by 115.3%, or $286.1 million. The Department will continue to monitor and conduct further analysis of the impacts of the COVID-19 pandemic, along with supply chain and inflation challenges that may be impacting the hospital workforce.
- As a whole, uncompensated care saw a decrease starting in 2015 through 2018 but started to rise again between 2019 and 2021. The rise in uncompensated care was

primarily driven by increases in charity care, while bad debt has leveled off since 2019.

- Uncompensated care charges increased overall by 6.7% from 2020 to 2021, or approximately $122.1 million. Of the two components of uncompensated care (bad debt and charity care), the data shows that from 2020 to 2021, bad debt decreased by 1.6% overall, or approximately $12.1 million, whereas charity care increased by 12.2%, or approximately $134.2 million.
- In 2021, there was $481.8 million in total uncompensated care costs[23], a decrease of 2.4% from 2020. Charity care made up $292.7 million, or 60.8%, and bad debt costs made up $189.0 million, or 39.2%. Self-pay represented the largest portion of uncompensated costs in 2021, with $306.9 million, or 63.7%.
- In 2021, total bad debt costs were $189.0 million. The majority of bad debt costs were in the Denver region at $91.9 million, or 48.6%, which is served by the state's largest safety net hospital, Denver Health Medical Center, where 51% of Coloradans reside.[24]

- Total operating expenses, or costs, which includes all expenses related to the operations of the hospitals, have continued to grow consistently over the 2014 to 2021 period.
- Total operating expenses increased on average $1.057 billion per year or 7.2% between 2014 and 2021. During the same period, on average net patient revenue grew $1.105 billion each year or 7.3% a year.
  - In 2021 patient expenses were 72.9% of operating expenses, with 66.5% for patient services and 6.4% for other patient related expenses. Between 2020 and 2021, patient services increased 9.1%. Building and major equipment expenses increased $130.9 million, or an increase of 8.1% from 2020 to 2021.
  - When added to operating expenses, uncompensated care costs represent 2.5% of operating expenses in 2021.
- Between 2020 and 2021, hospital peer groups had the following findings:
  - The breakdown of expenses for large hospitals remained about the same between 2020 and 2021.
  - A greater proportion of the large hospital peer group's operating expenses were allocated for patients at 73.8%, while the small hospital peer group's proportion of expenses allocated as for patients was the lowest at 61.5%.
  - The small hospital peer group has the largest proportion of other expenses at 18.9% and general and administration with 9.0%.

[23] Costs are calculated using a cost to charge ratio that is applied to the respective charges. Charges are the billed amounts from hospitals. For more information, please see the appendix to the report for a full list of definitions.

[24] Denver DOI region includes Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties. Source: 2021 county population data from the Colorado State Demography Office.

- On average, in 2021, inpatient care represented 29.6% and outpatient care represented 67.5%; however, larger hospitals are, on average, providing far more inpatient services than their smaller peers.
    - The disparity between inpatient utilization for small (14.4%) and large hospitals (47.5%) highlights the importance of differing sustainability strategies for rural hospitals, such as investing in rural hospital clinics and outpatient capabilities and divesting in rural hospital inpatient services where appropriate. Future transparency analysis could review specific rural hospital utilization patterns to highlight where such opportunities are most evident.
- The payer mix analysis illustrates shifts in payer mix from commercial to Medicare and Medicaid public programs, but that shift was not equal between hospital groups.
    - Over the period 2014 through 2021, commercial dropped from 36.5% to 30.7%, while public payers represented by Medicare and Medicaid grew from 55.1% to 60.9%. Over the period 2014 through 2021, the payer mix for the public program Medicare and Medicaid decreased from about 65% to 60.6% while their commercial payer mix increased from about 28% to 29%. Conversely, the medium and large hospital groups have seen a more significant drop in commercial, from 46.6% to 36.3% and from 35.7% to 30.3%, respectively while their public payer Medicaid and Medicare mix increased from 47.4% to 57% and 55.7% to 61.2%, respectively.

Appendix B: Colorado Healthcare Affordability and Sustainability Enterprise Annual Report Executive Summary

Since the inception of the Colorado Healthcare Affordability and Accountability Act and through the implementation of the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE), the hospital provider fee and the healthcare affordability and sustainability fee increased hospital reimbursement an average of more than $410 million per year and substantially increased enrollment in Health First Colorado and CHP+.
From October 2021 through September 2022, the CHASE has:

- **Provided $457 million in increased reimbursement to hospital providers**

Hospitals received more than $1.6 billion in supplemental Medicaid and Disproportionate Share Hospital (DSH) payments financed with healthcare affordability and sustainability fees, including $104 million in hospital quality incentive payments (HQIP). This funding increased hospital reimbursement by $457 million for care provided to Health First Colorado and CICP members with no increase in General Fund expenditures. In addition, of the $2.9 billion in claims paid for Health First Colorado (Colorado's Medicaid program)

and Child Health Plan *Plus* (CHP+) expansion members, approximately 42%, or more than $1.2 billion, were paid to hospitals.

- **Transferred $153.5 million to the state General Fund as a result of an increase in federal funding**

To offset state revenue loss as a result of the COVID-19 pandemic, the federal government has funded $153.5 million of the state's medical assistance program expenditures normally funded by the state General Fund since January 2020 as part of House Bill (H.B.) 20-1385 through the healthcare affordability and sustainability fees.

- **Saved hospitals $152 million in healthcare affordability and sustainability fees by using an enhanced federal medical assistance percentage methodology**

If the enhanced federal medical assistance percentage methodology were not used, hospitals would have had to pay $152 million more in healthcare affordability and sustainability fees to receive the same $1.6 billion in supplemental payments. This increased net benefit is to support Hospital Transformation Program (HTP) efforts. HTP goals include transformative affordability and quality efforts through initiatives taken by hospitals that positively impact all Coloradans. In total, switching to this enhanced FMAP methodology has saved Colorado hospitals a total of $420 million in healthcare affordability and sustainability fees over the last three years. That is $127 million in FFY 2019-20, $141 million in FFY 2020-21, and $152 million in FFY 2021-22.

- **Reduced uncompensated care costs and the need to shift uncompensated care costs to other payers**

The CHASE reduces uncompensated care for hospital providers and the need to shift those costs to private payers by increasing reimbursement to hospitals and by reducing the number of uninsured Coloradans.

  - From 2009 to 2021, hospital payments have grown an average of 6.4% every year and the payment for care provided for Health First Colorado members has particularly improved. Overall, Health First Colorado reimbursements have increased from 54% to 81% of hospital costs.[1] The overall payment to costs in 2021 is 106% of hospital costs, returning to a figure in line with 2019's pre-pandemic overall 107% payment of hospital costs.

  - In 2021, the amount of bad debt and charity care decreased by more than 40% compared to 2013. This sharp reduction in hospitals' uncompensated care follows

the increased reimbursement to hospitals under the CHASE and the reduction in the number of uninsured Coloradans due to the CHASE and the federal Affordable Care Act (ACA). However, 2021 total bad debts and charity care have increased 10.0% from 2019 and by $154.0 million since 2015 or by 58.4%.

- While the need to cost shift to private payers has been dramatically reduced, given the increase in Health First Colorado's reimbursement and the overall bad debt and charity care decreases, a positive impact on cost shifting to private payers is not apparent. Private insurance payments less cost per patient have increased by approximately 111% since 2009 and were 172% of costs in 2021.

Year	Medicare	Health First Colorado	Insurance	Self Pay	CICP/ Other	Overall
2019	0.72	0.75	1.85	0.26	0.71	1.07
2020	0.67	0.83	1.66	0.43	0.94	1.02
2020 w/ stimulus	0.74	0.89	1.73	0.49	1.01	1.09
2021	0.73	0.81	1.72	0.35	0.99	1.06

Reflecting the impact of the pandemic, all payers saw a reduction in patient volume between 2019 and 2020; however, 2021 volumes are returning to more typical pre-pandemic levels. Between 2020 and 2021, patient volume has begun to rise again, increasing by 7.1%.

- Federal stimulus in 2020, which amounted to $1.2 billion, helped hospitals cover revenue losses and increased expenses due to the COVID-19 pandemic, increasing profits above norms.

- **Provided health care coverage through Health First Colorado and Child Health Plan *Plus* for more than 668,000 Coloradans**

As of Sept. 30, 2022, the Department has enrolled the following Health First Colorado and CHP+ members with no increase in General Fund expenditures:

- Approximately 110,000 Health First Colorado parents ranging from 61% to 133% of the federal poverty level (FPL)
- 25,000 CHP+ children and pregnant people ranging from 206% to 250% of the FPL

- 17,000 Health First Colorado working adults up to 450% of the FPL and children with disabilities up to 300% of the FPL
- 516,000 Health First Colorado adults without dependent children up to 133% of the FPL.

- **Launched the Hospital Transformation Program (HTP)**

The Hospital Transformation Program (HTP) is the first major Value-Based Payment (VBP) effort for hospitals in Colorado Medicaid with goals to improve quality and affordability through the implementation of statewide and local measures. Along with the hospital quality incentive payments, with the implementation of HTP more than 97% of CHASE supplemental Medicaid payments are value based. While Medicaid is the payer administering the HTP VBP, it is the entirety of Colorado that benefits from the improved healthcare affordability and quality outcomes that HTP delivers.

- **Maintained low administrative expenditures**

Administrative costs are limited in statute to 3% of the total CHASE expenditures. However, in SFY 2021-22, CHASE operated well below that cap at approximately 1.9%. These administrative costs are only for operating CHASE, benefitting Colorado hospitals through direct payments and coverage expansions, and are not used for other Department administrative expenditures.

Appendix C: Price Transparency Scorecard by Hospital, November 9 2022. Available in Price Transparency postings Evaluation Report.

Marketed Name	System	Hospital type	Downloadable File Quality Rating	Shoppable Service Quality Rating	Overall Quality Rating	Machine Readable	Data Extract Date	Posted or Updated Date	Code	Description	Gross Charges	Discounted Cash	De-identified Minimum	De-identified Maximum	Negotiated Rates	Individual Plans	Display or Estimator Tool	Cash Price
Animas Surgical Hospital		General	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Arkansas Valley Regional Medical Center		Critical Access	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Aspen Valley Hospital		Critical Access	Poor	Good	Poor	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Display	Y
Banner Fort Collins Medical Center	Banner Health	General	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Boulder Community Health		General	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Broomfield Hospital	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Centura Avista Adventist Hospital	Centura Health AdventHealth	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Castle Rock Adventist Hospital	Centura Health AdventHealth	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Littleton Adventist Hospital	Centura Health AdventHealth	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Longmont United Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Mercy Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Parker Adventist Hospital	Centura Health AdventHealth	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Penrose-St. Francis Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura Porter Adventist Hospital	Centura Health AdventHealth	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura St. Anthony Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura St. Anthony North Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura St. Anthony Summit Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura St. Mary-Corwin Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Centura St. Thomas More Hospital	Centura Health CommonSpirit	Critical Access	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Children's Hospital Colorado	Childrens	Children	Poor	Good	Poor	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Tool	Y
Children's Hospital Colorado Springs	Childrens	Children	Poor	Good	Poor	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Tool	Y
Colorado Canyons Hospital and Medical Center		Critical Access	Poor	Good	Poor	Y	Y	Y	Y	Y	Y	N	N	N	N	N	Tool	Y
Community Hospital		General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Delta Health		General	Poor	Good	Poor	Y	N	N	Y	Y	Y	Y	N	N	Y	N	Display	Y
Denver Health Medical Center		General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
East Morgan County Hospital	Banner Health	Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Estes Park Health		Critical Access	Poor	Good	Poor	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Tool	Y
Good Samaritan Medical Center	Intermountain Healthcare	General	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Grand River Hospital District		Critical Access	Poor	Good	Poor	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Tool	Y
Grandview Hospital	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Gunnison Valley Health		Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Haxtun Hospital District		Critical Access	Poor	Good	Poor	Y	N	N	Y	Y	Y	N	N	N	N	N	Tool	Y
Heart of the Rockies Regional Medical Center		Critical Access	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Keefe Memorial Health Service District		Critical Access	Poor	Good	Poor	N	N	N	Y	Y	Y	N	N	N	N	N	Tool	Y
Kit Carson County Health Service District		Critical Access	Poor	Good	Poor	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Tool	Y
Lincoln Community Hospital		Critical Access	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Longs Peak Hospital	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Lutheran Medical Center	Intermountain Healthcare	General	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
McKee Medical Center	Banner Health	General	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Medical Center of the Rockies	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Melissa Memorial Hospital		Critical Access	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Memorial Hospital Central	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y

Marketed Name	System	Hospital type	Downloadable File Quality Rating	Shoppable Service Quality Rating	Overall Quality Rating	Machine Readable	Data Extract Date	Posted or Updated Date	Code	Description	Gross Charges	Discounted Cash	De-identified Minimum	De-identified Maximum	Negotiated Rates	Individual Plans	Display or Estimator Tool	Cash Price
Memorial Regional Health		Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Middle Park Health Kremmling		Critical Access	Fair	Poor	Poor	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	N
Montrose Memorial Hospital		General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Mt. San Rafael Hospital		Critical Access	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
National Jewish Health		General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Display	Y
North Colorado Medical Center	Banner Health	General	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
North Suburban Medical Center	HealthONE	General	Poor	Good	Poor	N	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Tool	Y
OrthoColorado Hospital	Centura Health CommonSpirit	General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Pagosa Springs Medical Center		Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Parkview Medical Center		General	Good	Good	Good	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Pikes Peak Regional Hospital	UCHealth	Critical Access	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Pioneers Medical Center		Critical Access	Good	Poor	Poor	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	N
Platte Valley Medical Center	Intermountain Healthcare	General	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Poudre Valley Hospital	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Presbyterian/St. Luke's Medical Center	HealthONE	General	Poor	Good	Poor	N	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Tool	Y
Prowers Medical Center		Critical Access	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Rangely District Hospital		Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Rio Grande Hospital		Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Rose Medical Center	HealthONE	General	Poor	Good	Poor	N	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Tool	Y
San Luis Valley Health Conejos County Hospital	San Luis Valley	Critical Access	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
San Luis Valley Health Regional Medical Center	San Luis Valley	General	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Sedgwick County Health Center		Critical Access	Poor	Good	Poor	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Display	Y
Sky Ridge Medical Center	HealthONE	General	Poor	Good	Poor	N	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Tool	Y
Southeast Colorado Hospital District		Critical Access	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Southwest Health System, Inc.		Critical Access	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Spanish Peaks Regional Health Center		Critical Access	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
St. Joseph Hospital	Intermountain Healthcare	General	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
St. Mary's Hospital & Medical Center, Inc.	Intermountain Healthcare	General	Fair	Good	Fair	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
St. Vincent General Hospital District		Critical Access	Poor	Good	Poor	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Sterling Regional MedCenter	Banner Health	General	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Swedish Medical Center	HealthONE	General	Poor	Good	Poor	N	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Tool	Y
The Medical Center of Aurora	HealthONE	General	Poor	Good	Poor	N	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Tool	Y
UCHealth Greeley	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
UCHealth Highlands Ranch	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
University of Colorado Hospital	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Vail Health Hospital		General	Poor	Good	Poor	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y
Valley View Hospital		General	Poor	Good	Poor	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Tool	Y
Weisbrod Memorial County Hospital		Critical Access	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Wray Community District Hospital		Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Display	Y
Yampa Valley Medical Center	UCHealth	General	Fair	Good	Fair	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Tool	Y
Yuma District Hospital		Critical Access	Fair	Good	Fair	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Tool	Y