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# Colorado Hospital Association Statement on Cost Shift Report Release

**GREENWOOD VILLAGE, COLO.** – Jan. 23, 2020 – Colorado hospitals recognize that the cost of health care for many Coloradans is unsustainably high and are actively working on solutions for improving affordability.

Cost shift exists because of chronic underfunding of state and federal public health care programs – namely Medicare and Medicaid. Cost shift in Colorado continues to be an issue, largely due to these factors:

- Government payers, that pay less than what it costs to provide care (Medicare 70%, Medicaid 77%) now cover more than 60% of Coloradans who receive hospital care. The aging of Colorado's population has driven significant growth in Medicare, which now under reimburses hospitals by 30 cents for every dollar spent on care.

- Particularly over the past decade, uncertainty and instability in the market and in state and federal public policy is driving hospitals to be fiscally conservative in order to ensure access to high quality care in the future.

- It's true that many Colorado hospitals have improved profit margins in the past year. This is partially a function of Colorado's strong economy and unprecedented population growth. Much of the improvement referenced in today's report came as Colorado's vulnerable hospitals improved their overall financial condition and are operating closer to the national sustainability threshold of 4%. Margin improvement is also due to hospitals working to control their costs as they work to address affordability and operate during a time of great uncertainty. This is critical in an environment where hospitals are seeking to assure access to quality health care. There also continues to be wide variation in margins throughout the state, which is a function of payer mix, services provided and local economic environment.

- It's also important to remember that the profitability numbers being cited are highly inflated as they do not take into account many expenses such as taxes, hospital-owned physician practices, and training the next generation of providers.

This report is distracting from the unintended, yet predicted, consequences of the state's own policies. For example, the state's reinsurance program – touted as saving consumers 20% on average – has also caused prices to increase for some consumers, and now the state is attempting to unlawfully force hospitals to pay $40 million dollars one year early. This has the potential to endanger the care hospitals provide in some communities across the state.

Lastly, the data in this report does not reflect the work of hospitals to reduce the cost of care for Coloradans since Governor Polis took office, including funding the state's reinsurance program and providing relief to Colorado consumers through 2019's legislation eliminating surprise billing, among other efforts. The most recent report from the Commonwealth Fund shows Colorado ranking 9th best in the country for health insurance premiums.

Hospitals have been good partners in addressing costs with the Polis administration and are disappointed that the state doesn't acknowledge its role in driving cost shift. The under-reimbursement by government payers has driven cost shift by more than $1 billion increase since 2010.

Colorado needs solutions that improve affordability of care; these solutions should be approached carefully – CHA and its member hospitals are working with Colorado's legislators to create such solutions.

**About Colorado Hospital Association**

Colorado Hospital Association (CHA) is the leading voice of Colorado's hospital and health system community. Representing more than 100 member hospitals and health systems throughout the state, CHA serves as a trusted, credible and reliable resource on health issues, hospital data and trends for its members, media, policymakers and the general public. Through CHA, Colorado's hospitals and health systems work together in their shared commitment to improve health and health care in Colorado.

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