



Who Pays for Hospital Care



Hospitals treat everyone who comes through their doors, regardless of their ability to pay for services. This is a federal requirement for some services including emergency care, but also a point of pride for Colorado hospitals as cornerstone institutions in their communities. Perhaps the largest consideration in the finances of a hospital is: ***Who pays for the services?***

Commercial Health Insurance

Hospitals are paid by private health insurance or self-insured companies to treat patients obtaining coverage through the commercial markets. Examples include ACA individual plans, small group plans, and large group coverage (e.g., major corporation).



Medicaid Financing

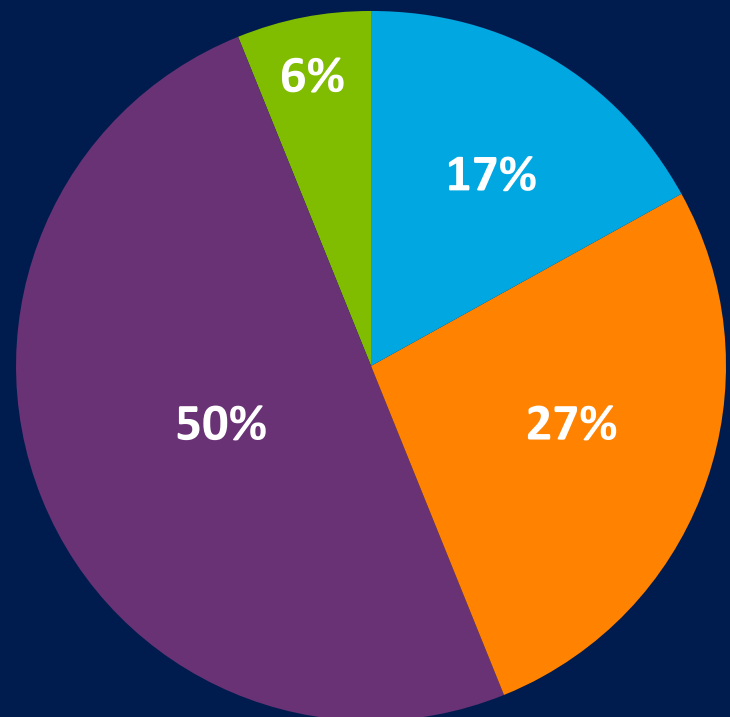
Medicaid is a publicly funded health insurance option available to low-income residents who qualify. All states' Medicaid programs are funded jointly by the state and federal government, and each state's program is managed differently. Colorado's Medicaid program, named **Health First Colorado**, is administered by the **Colorado Department of Health Care Policy & Financing (HCPF)**. In November 2022, there were approximately **1.7 million** Coloradans were enrolled in Medicaid, and the program's total expenditures were **\$8.1 billion**.

Medicare Financing

Medicare is a publicly funded health insurance option available to people aged 65+ and younger people with disabilities. It is administered by the federal government through the Centers for Medicare & Medicaid Services (CMS). In 2021, Medicare covered approximately 64 million people in the United States. Total expenditures in 2020 were **\$829.5 billion**. This money comes from the two Medicare Trust Funds.



Proportion of Colorado Market, 2021



- Commercial Health Insurance
- Medicare
- Medicaid
- Self Pay/Other



Colorado Healthcare Affordability and Sustainability Enterprise (CHASE)

The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) – originally established as the Hospital Provider Fee in 2009 – collects fees from hospitals based on their patient volume. This money is then pooled together and receives a matching amount from the federal government. The pool of money is then redistributed among hospitals based on several factors including but not limited to Medicaid utilization, Medicaid charges, quality of care, and uncompensated care provided. In addition to helping to defray some of the costs of providing uncompensated care, these hospital fees also cover the state's cost for Medicaid expansion. In the 2022 CHASE model, hospitals supported **\$3 billion** in Medicaid expansion.

Uncompensated Care

Uncompensated care is a combination of:

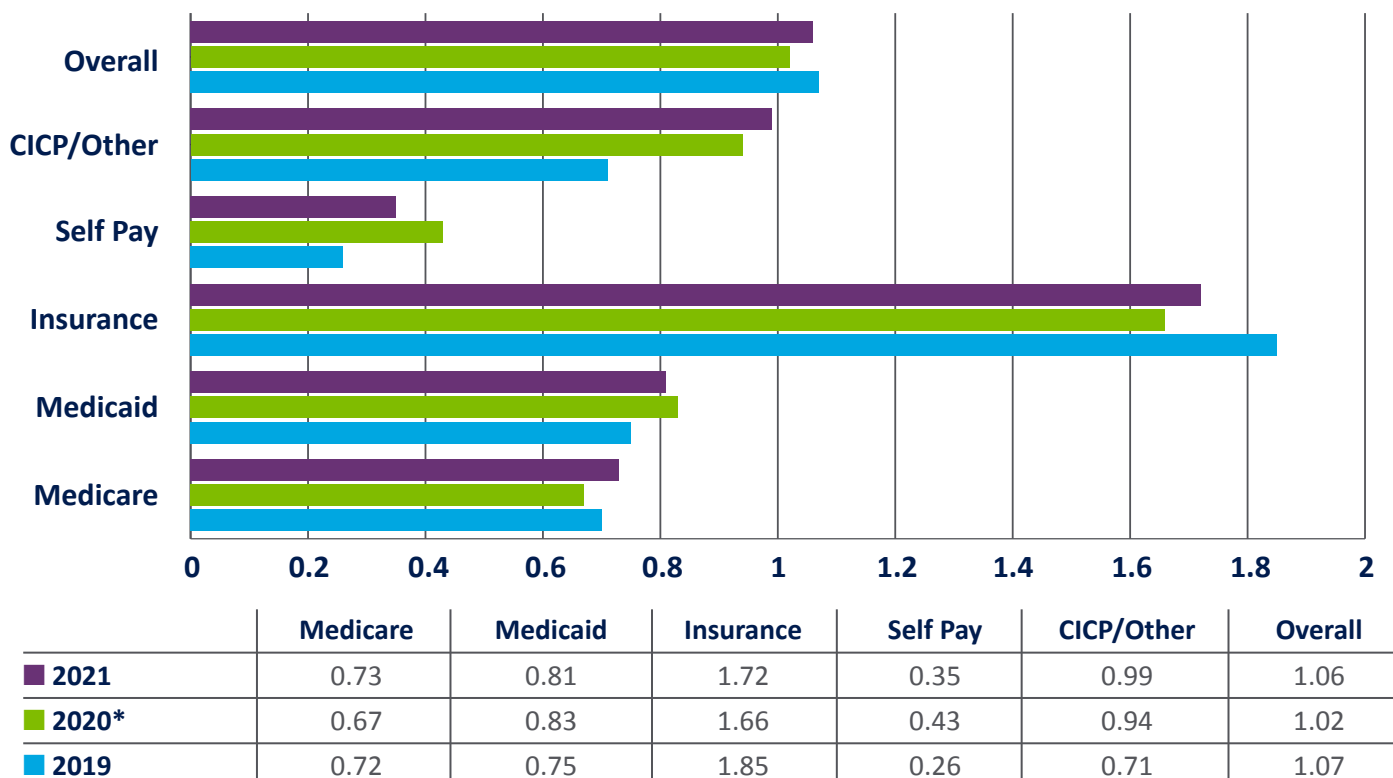
- “Charity care” – care provided to low-income patients unable to pay their medical bills and who qualify under the state's hospital discounted care law;
- “Bad debt” – care provided to patients who are subsequently unwilling or unable to pay the amount owed and do not qualify for charity care; and
- “Undercompensated care” – the gap between what it costs to provide patient care and what is reimbursed by government programs.

What is the cost shift?

Due to uncompensated care, and because public programs such as Medicare and Medicaid pay hospitals at rates less than the cost of providing care, hospitals must help cover the reimbursement gap. They do this in part by setting rates for privately insured individuals and businesses that can ensure the viability of critical health care services in Colorado.

This cost shift and how it ultimately evens out in the market is measured each year by HCPF in something called the payment-to-cost ratio. Put simply, this is how much hospitals receive in total reimbursements for every dollar of services provided. For every dollar of services provided in 2021, hospitals made six cents to reinvest into things such as expanding critical services, strengthening the workforce, regulatory compliance, and upgrades to costly medical equipment.

COLORADO HOSPITALS PAYMENT-TO-COST RATIO



*COVID-related federal funding not included in 2020 figures