



Colorado Hospital Industry Update

Q2 2025

Financial and Utilization Trends



Key Takeaways



- **Colorado hospitals are in financial distress:** Nearly 70% ended 2024 with unsustainable margins as expenses outpace revenues, leaving less room for investment in patient care or infrastructure.
- **Charity care and uncompensated care are rising:** Hospitals are shouldering growing burdens as more Coloradans lose coverage and turn to hospitals as the safety net.
- **Government payers now dominate but underpay:** Medicare and Medicaid make up over 60% of hospital coverage, yet reimbursement falls billions short of actual care costs.
- **H.R. 1 will make a bad situation worse:** The law will cut more than \$10 billion from hospital financing over five years and will likely cause 100,000+ Coloradans to lose Medicaid coverage.
- **The result:** More people will lose coverage, hospitals will face deeper financial losses, and patients' access to care will be at serious risk.

The Road Ahead: The H.R. 1 Storm



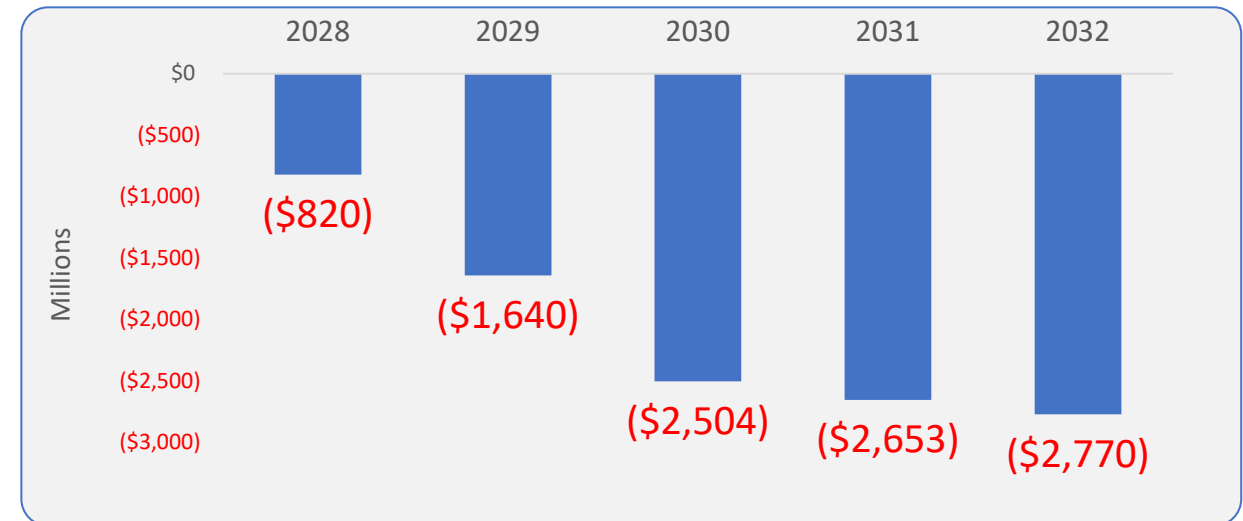
H.R. 1 Items Impacting Medicaid

- Provider Fee programs
 - No new programs and freeze on existing programs
 - Phase down of current programs beginning in 2028
- Medicaid work requirements beginning in 2027
- State Directed Payment (SDP) programs
 - New programs to begin at lower funding rates (Medicare rates)
 - Phase down of existing SDP programs beginning in 2028

One Example of H.R. 1 Reduction

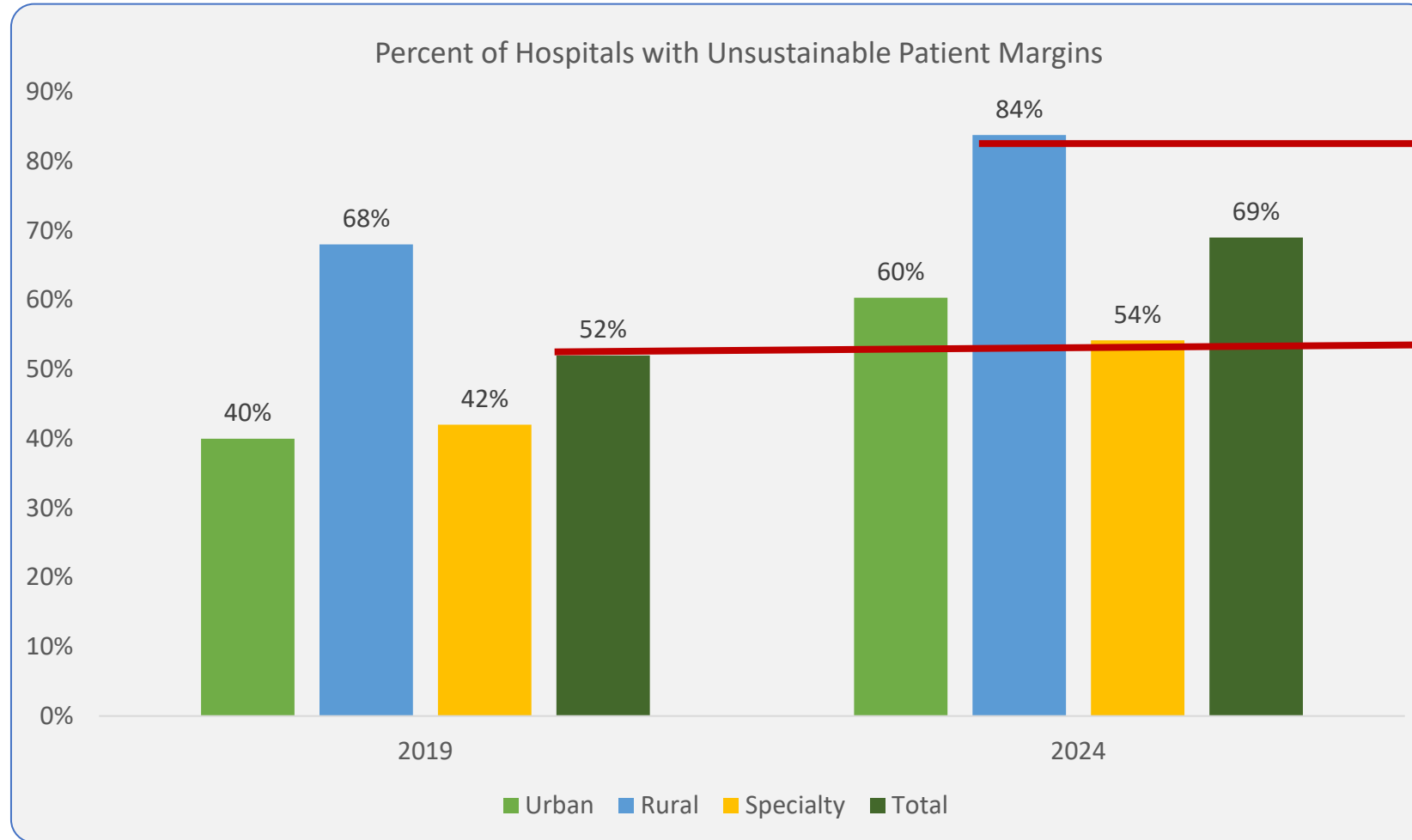
- Provider Fees: phase down from 6% to 3.5%
- Reduced hospital fees results in loss of federal fund matching

Reduction in Federal Funding to Colorado



**5 Year Impact:
\$10.4 Billion**

Nearly 70% of Colorado Hospitals Have Unsustainable Margins



Over 80% of all rural hospitals cannot achieve sustainable margins

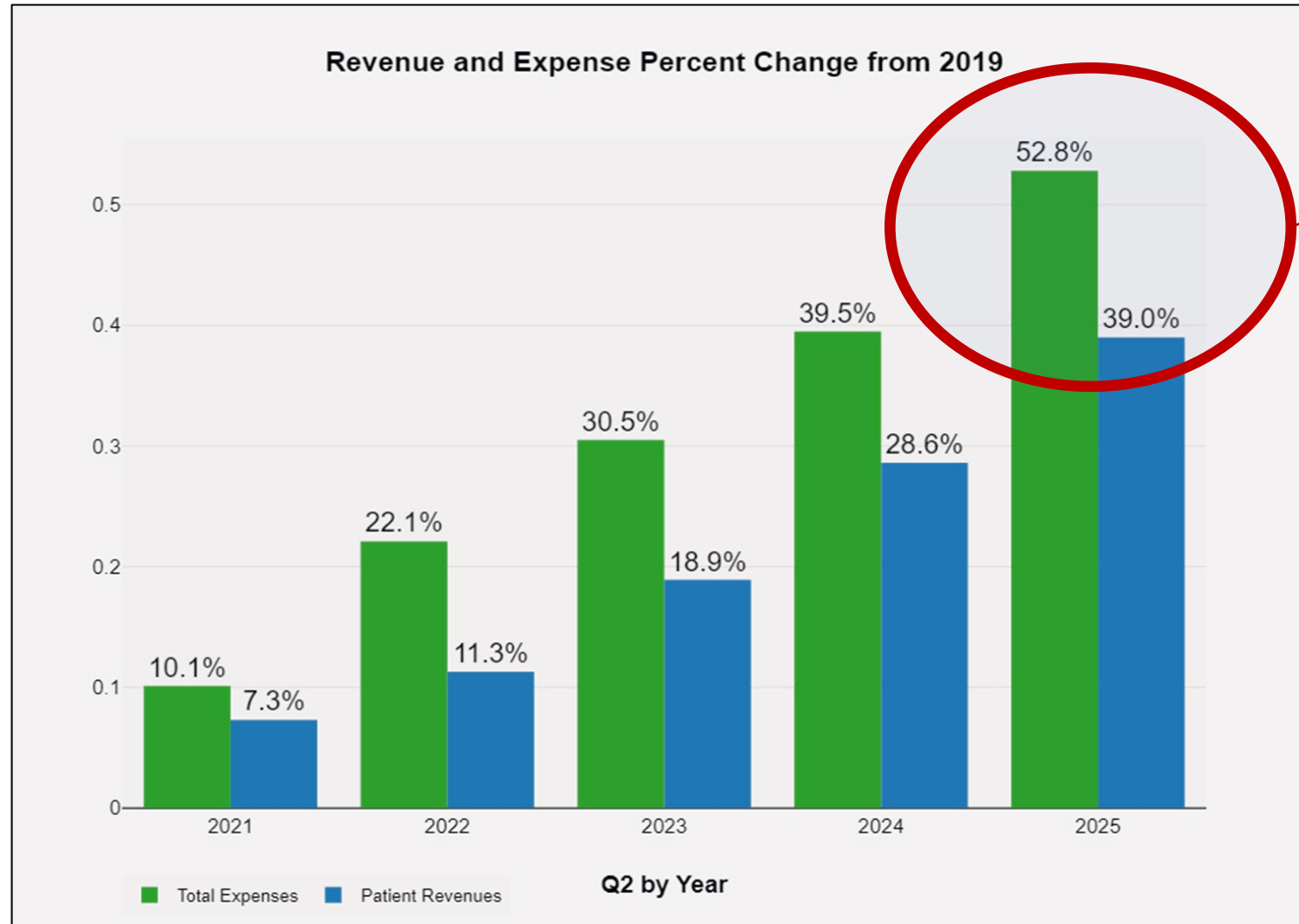
17% more of all hospitals are now unsustainable

Key Takeaways

- Nearly 70% of Colorado hospitals finished 2024 with margins that do not provide for long-term sustainability and investment in patient care.
- Since 2019, sustainable margins have significantly diminished for all types of hospitals, including rural, urban, and specialty.

Note: 2019 and 2024 data obtained from HCRIS database. Complete data is not yet available for 2025

Expense Trends Remain Higher than Revenue Increases

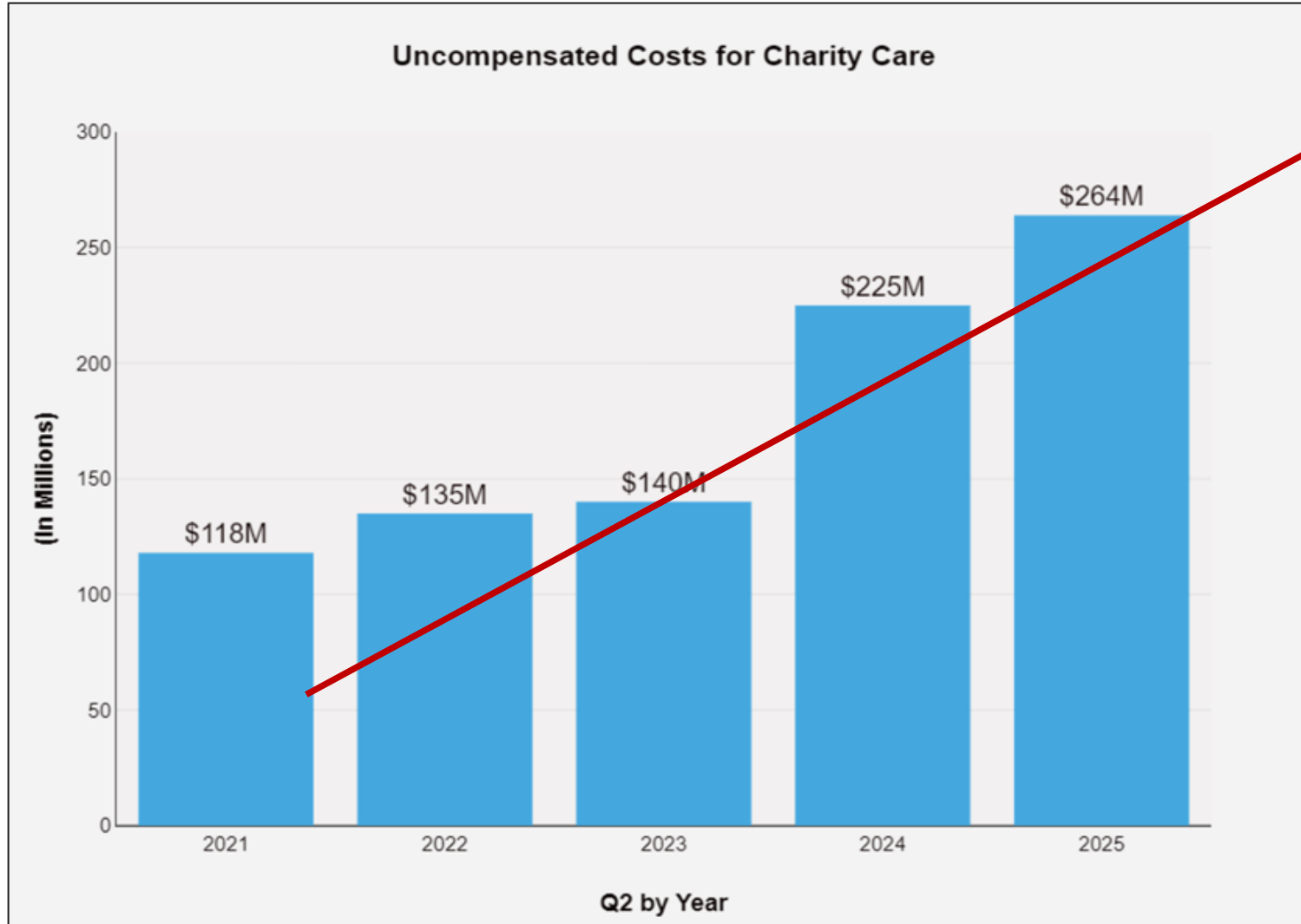


**13.8%
difference**

Key Takeaways

- Operating revenues are not keeping pace with expenses. In 2025, the difference has increased by 2.9 percentage points, resulting in a decrease in operating margin.
- Unfortunately, reduced and unsustainable operating margins may constrain future investments and/or result in service line closures, both of which have been experienced by hospitals already in 2025.

Charity Care Continues to Increase

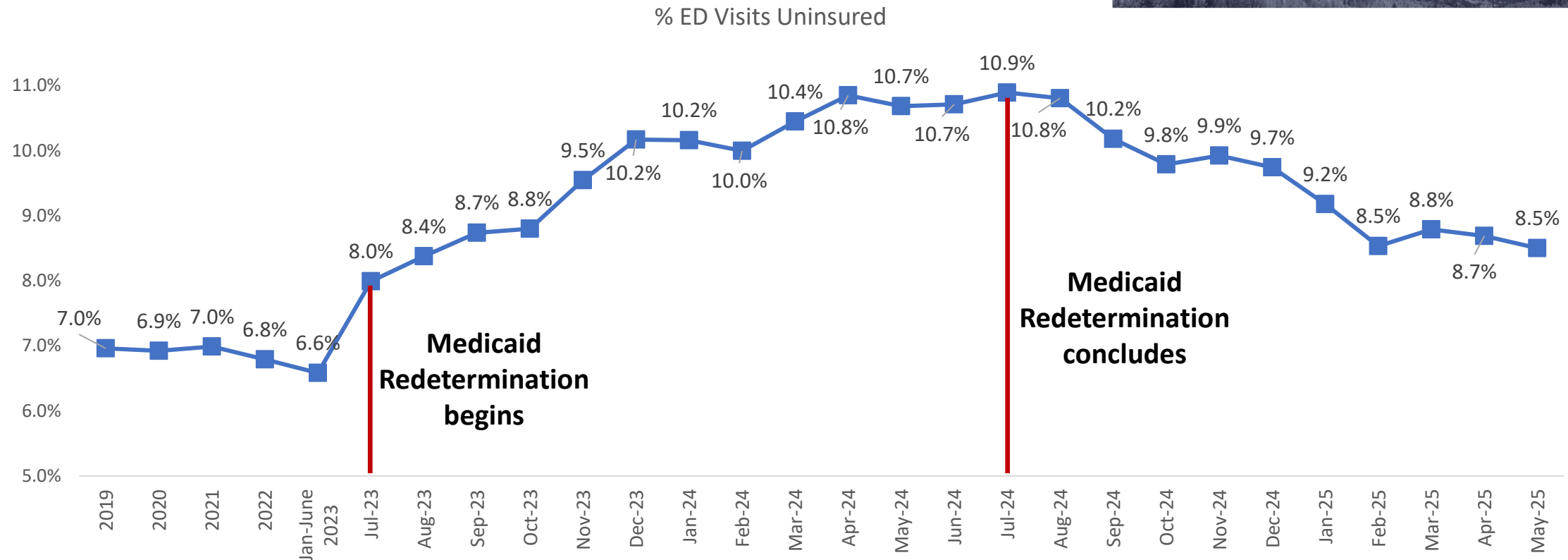


- **123% increase since 2021**
- **Over 30% per year**

Key Takeaways

- Charity care costs are escalating rapidly, up an additional 17% in Q2 2025 after nearly 60% increase in 2024.
- The increase in uncompensated charity care costs are related to the rise in uninsured patients and continued growth of the Hospital Discounted Care program.
- The number of uninsured patients will increase as elements of H.R. 1 take effect, like Medicaid work requirements and more frequent redetermination requirements.

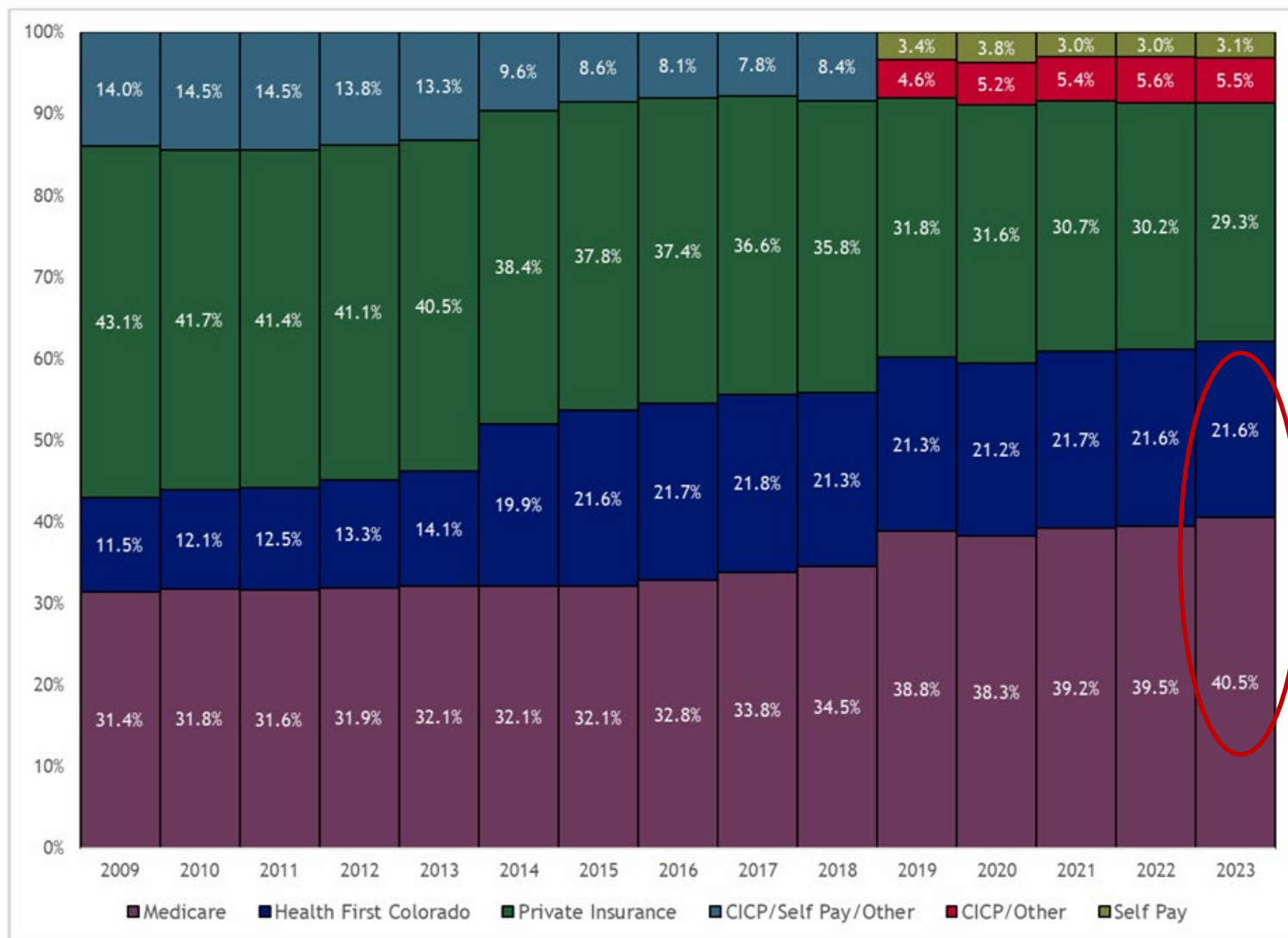
Uninsured Emergency Room Visits



Key Takeaways

- While the uninsured rate of patients in the ED has moderated since peaking in July 2024, associated with patients losing coverage during Medicaid unwind, rates remain 20% higher than pre-COVID baselines.
- In total, nearly 15,000 patients ended up in the ED without insurance in May 2025.
- This number may worsen again if more people lose Medicaid coverage or forgo private insurance due to higher premiums without the federal premium enhanced tax credits.

Government Payer Share Is Growing



Medicaid and Medicare are more than 62% of coverage

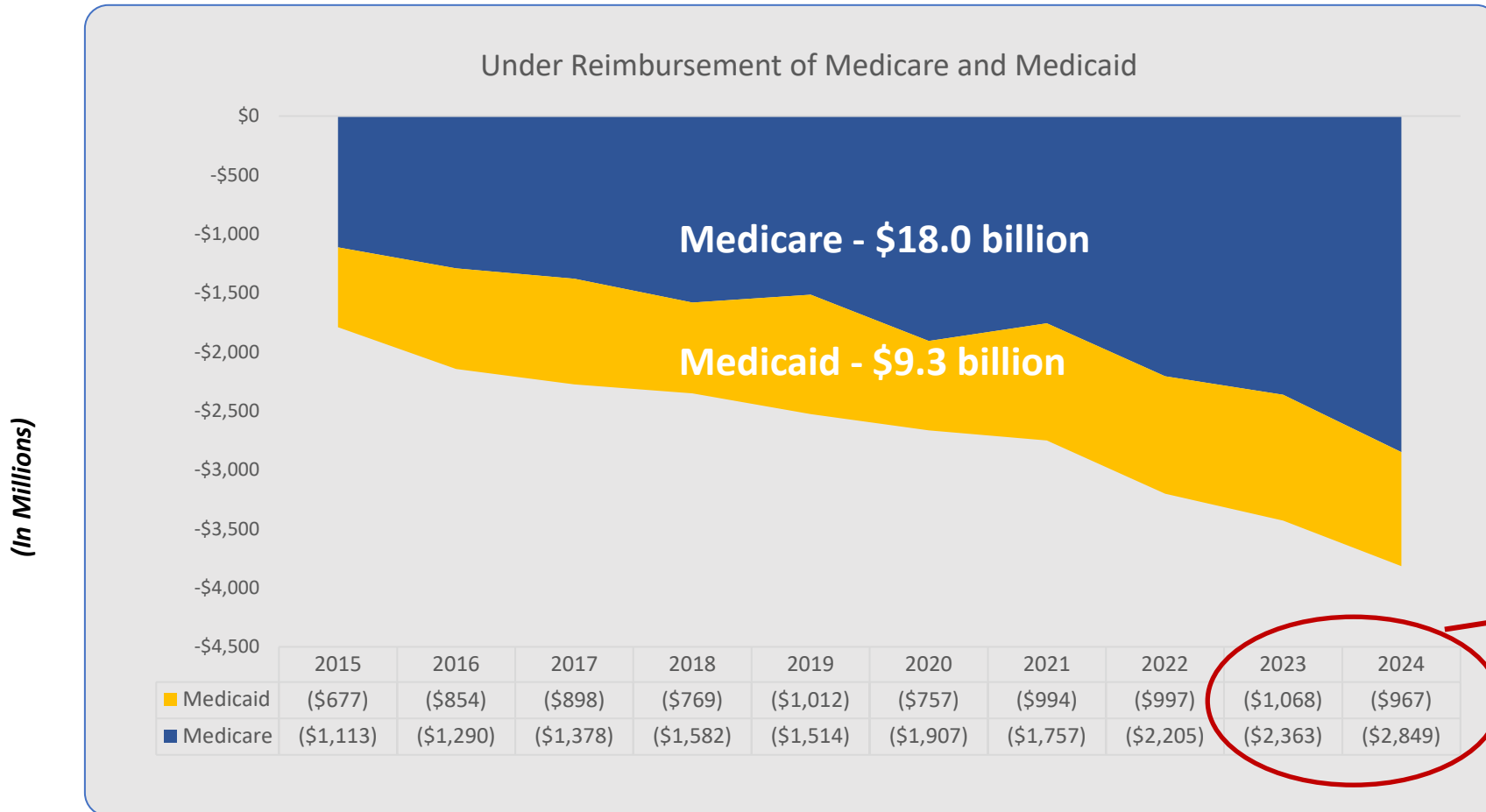
Key Takeaways

- The number of hospital patients covered by government payers has increased significantly since 2009.
- The share of commercial payer coverage has diminished.
- Hospitals have an increased reliance on government payers that are decreasing reimbursement. This increases the cost shift to commercial plans, which results in higher premiums for patients.

2009-19 data obtained from CHA Databank

2019-23 data computed from HCPF Hospital Financial Transparency Report

Growing Shortfall in Government Payer Reimbursement



Key Takeaways

- At an escalating rate, Medicare and Medicaid reimbursement falls short of the cost of caring for patients.
- In 2024, the amount totaled over \$3.8 billion, a \$385 million increase over the prior year.

**\$3.8 billion shortfall in 2024;
\$385 million increase from
2023**

2013-23 Data obtained from 2025 CHASE Annual report
2024 Estimates Computed from CHA Databank, 2025 Data not yet available