



Colorado Hospital Industry Update

Year-End 2025

Financial and Utilization Trends

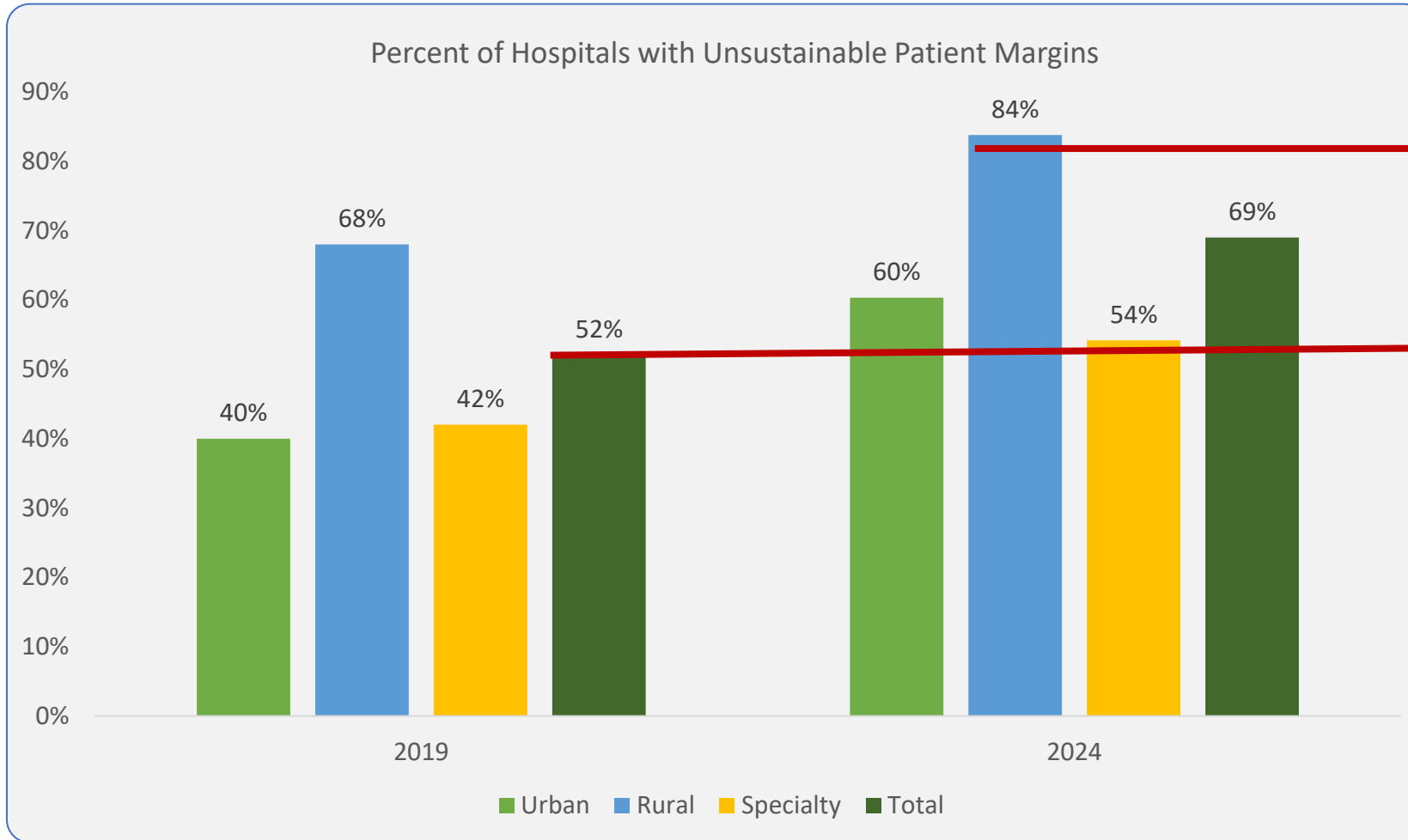


Key Takeaways



- **Despite some claims of recovery, Colorado hospitals remain in financial distress:** Nearly 70% have unsustainable margins as expenses outpace revenues, leaving limited room for investment in patient care or infrastructure.
- **Already in a precarious state, these losses for hospitals will be compounded by additional trends:**
 - **Expenses show no signs of easing:** Operating expenses have averaged 8.9% growth per year since 2021, driven by supplies, labor, and inflation.
 - **Charity care and uncompensated care costs are surging:** Hospitals absorbed \$274 million in uncompensated care in 2025 as more Coloradans lose coverage and turn to hospitals as the safety net.
 - **Government payers dominate and underpay:** Medicare and Medicaid cover more than 60% of patients but pay only about 70 cents for every dollar of care delivered – a shortfall of billions that hospitals must absorb.
 - **Federal budget cuts will make a bad situation worse:** Cuts from H.R. 1 will reduce Colorado’s Medicaid funding by billions of dollars, deepening financial losses, narrowing access to care, and leaving thousands of Coloradans without coverage.

Nearly 70% of Colorado Hospitals Have Unsustainable Margins

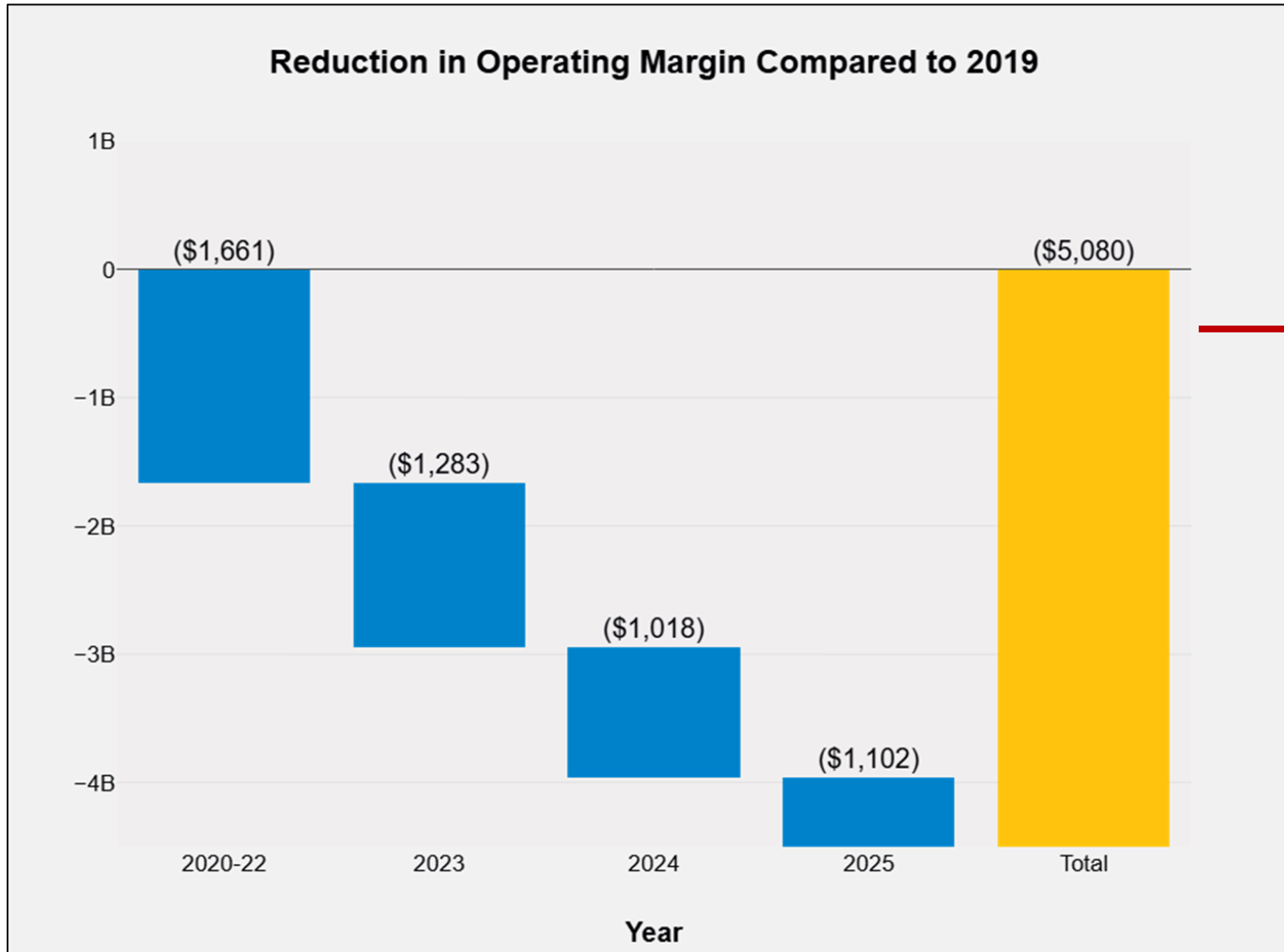


More than 80% of rural hospitals cannot achieve sustainable margins.

Of all hospitals, 17% more are now unsustainable than in 2019.

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

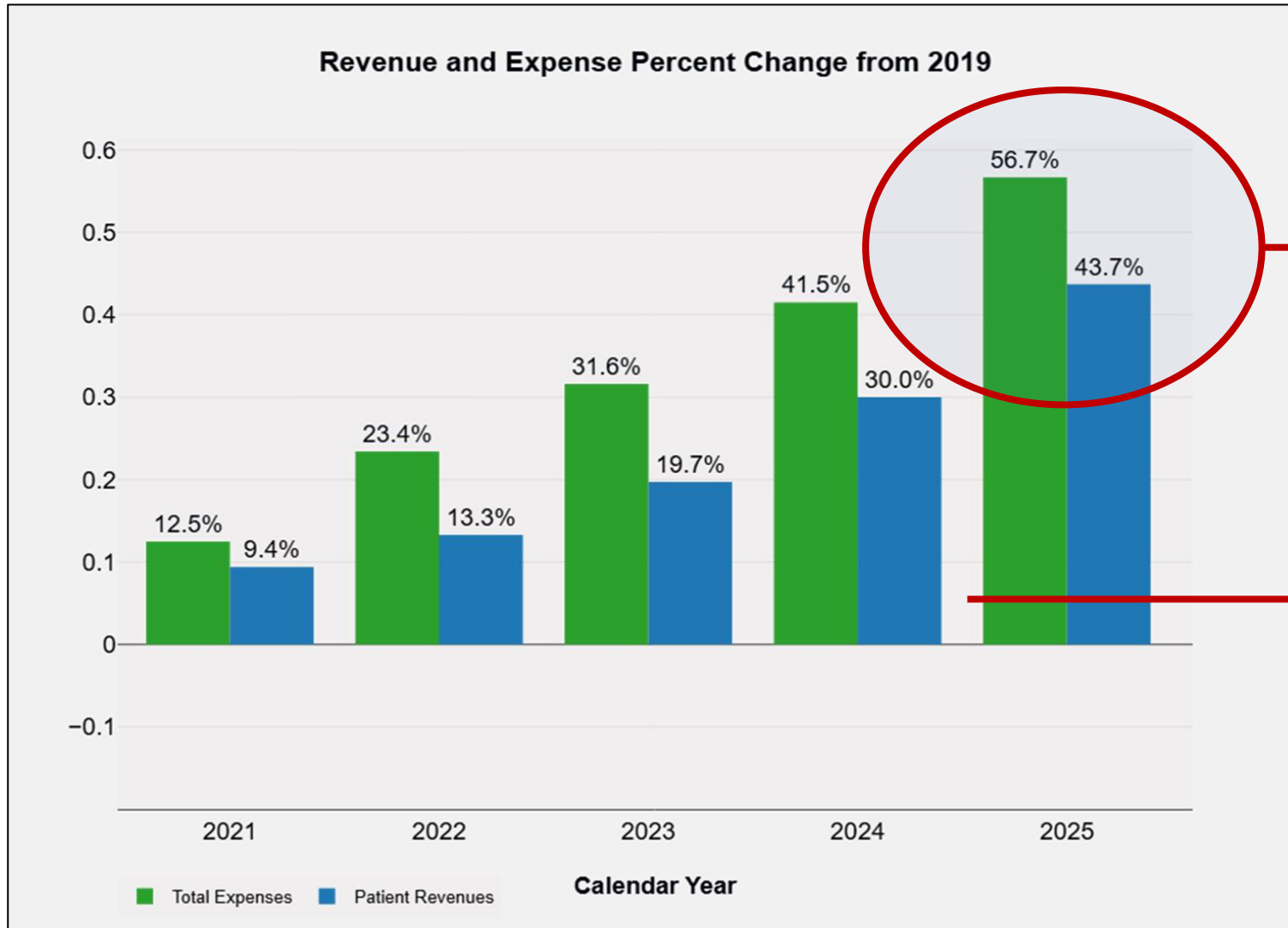
Operating Margin Continues to Fall Short of Pre-Pandemic



Operating margins continue to deteriorate by more than \$5 billion from 2019.

Data obtained from CHA Databank reported through December 2025

Expense Growth Remains Higher than Revenue Increases

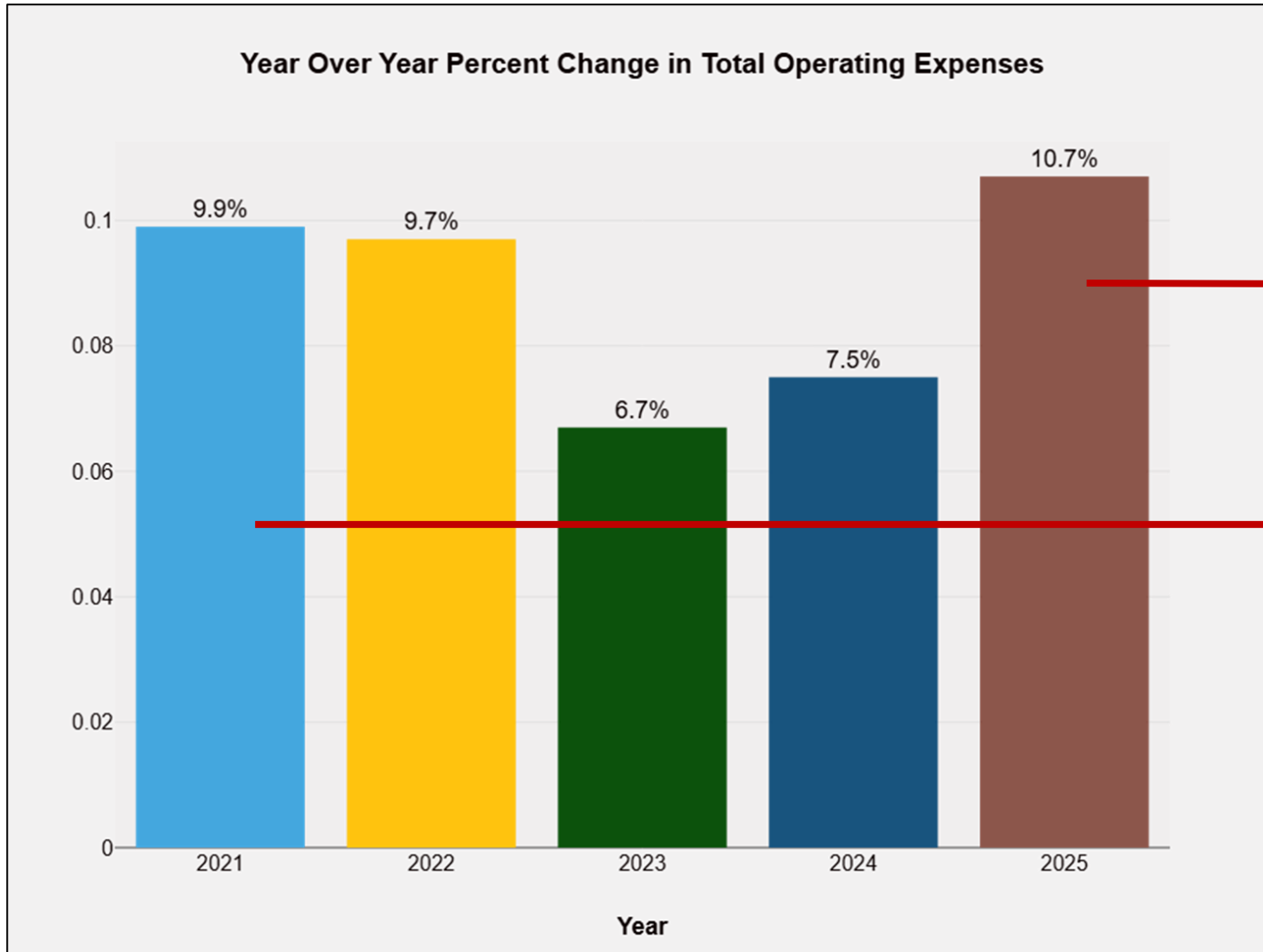


Expenses are increasing faster than revenues, resulting in deteriorating operating margins, which decreased by 13% points since 2019.

Additional 1.5% deterioration compared to 2024.

Data obtained from CHA Databank reported through December 2025

Operating Expense Trends by Year

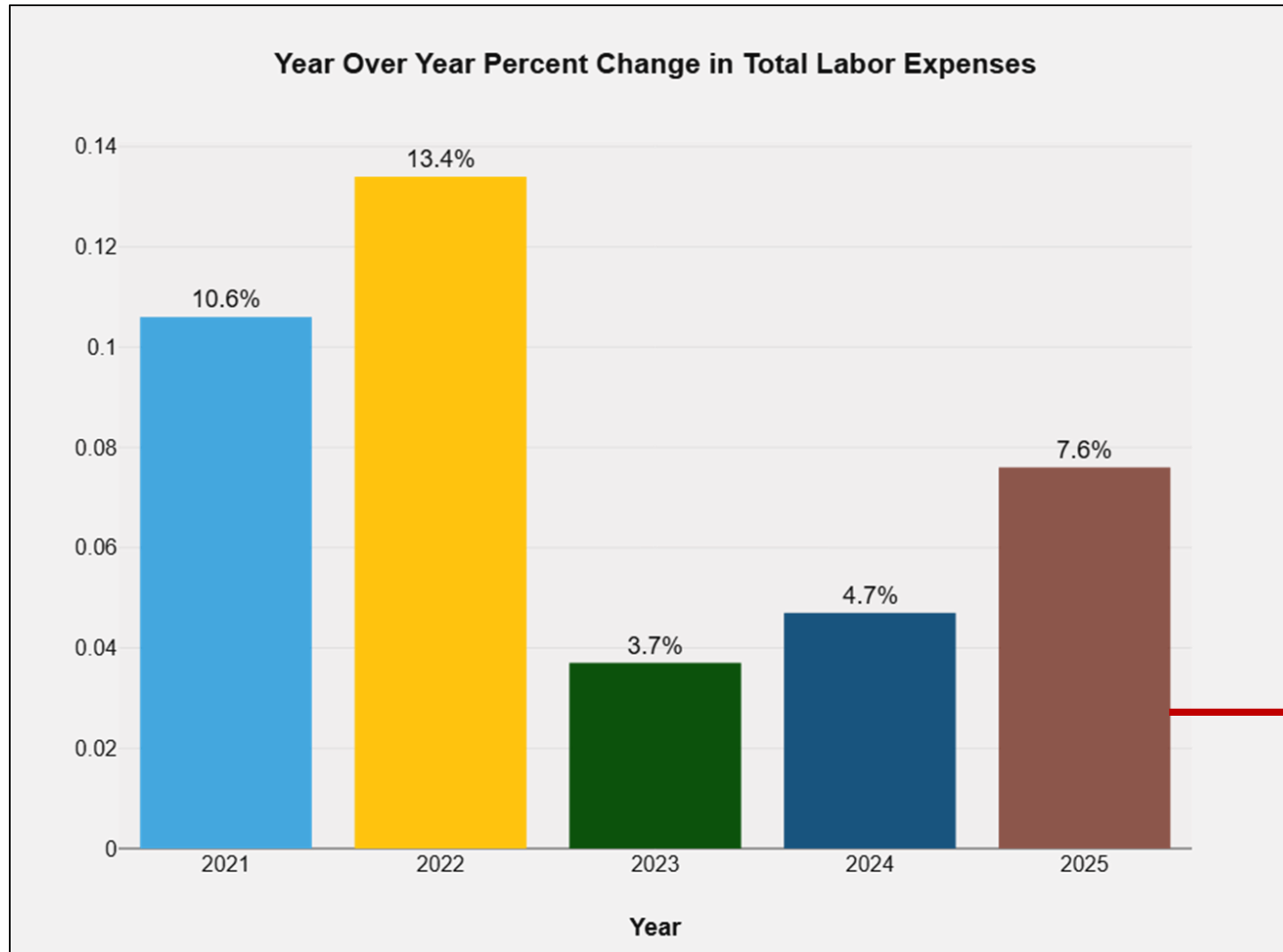


Operating expense trends are running at the highest level over the last 5 years.

Operating expenses have averaged 8.9% per year since 2021.

Data obtained from CHA Databank reported through December 2025

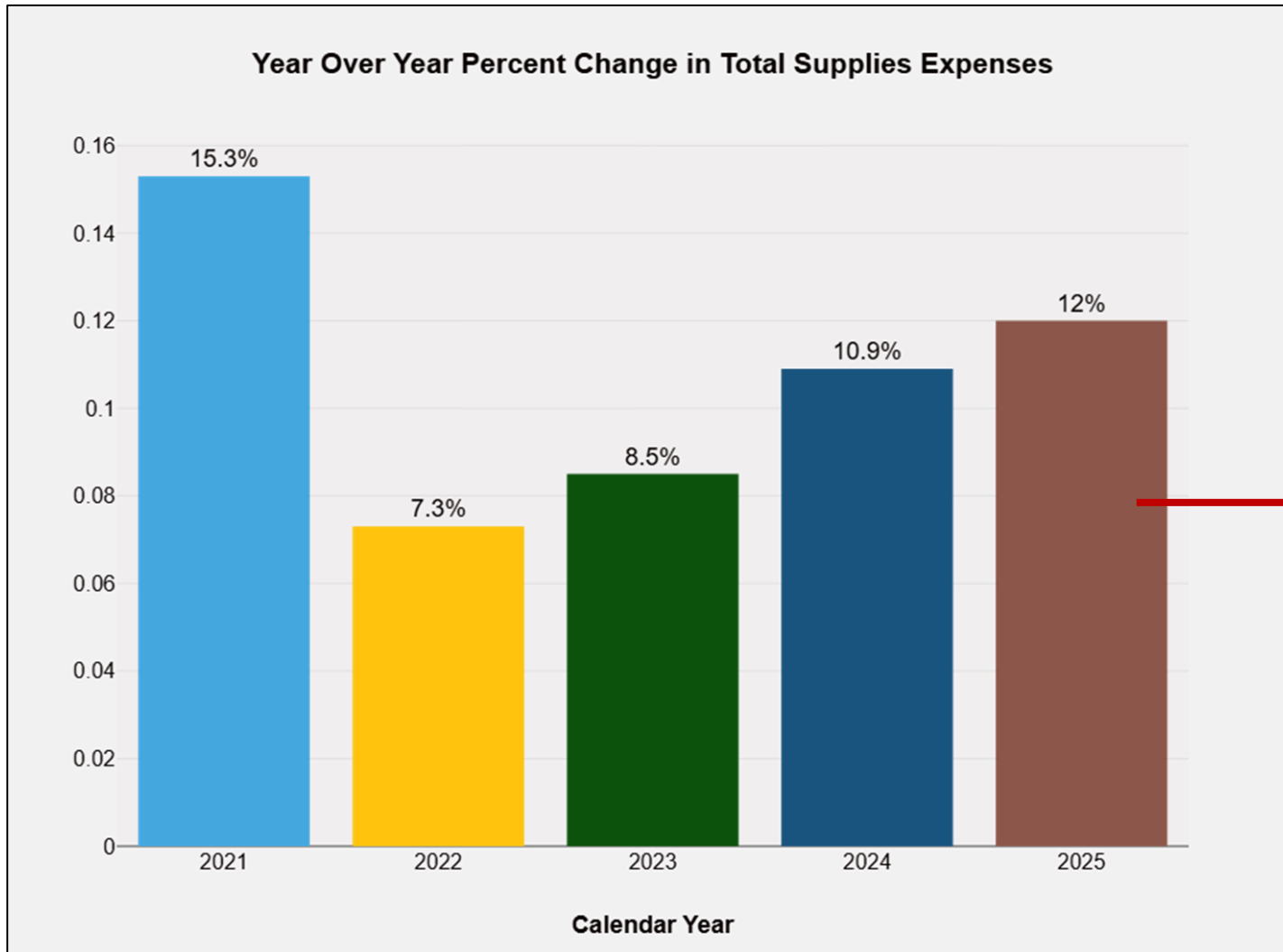
Labor Expense Trends by Year



Labor expense trends are driven primarily by number and mix of employed staff, wage rates, and changes in benefit costs.

Increased patient volumes compared to prior years are also driving higher wage costs in 2025.

Supply Expense Trends by Year

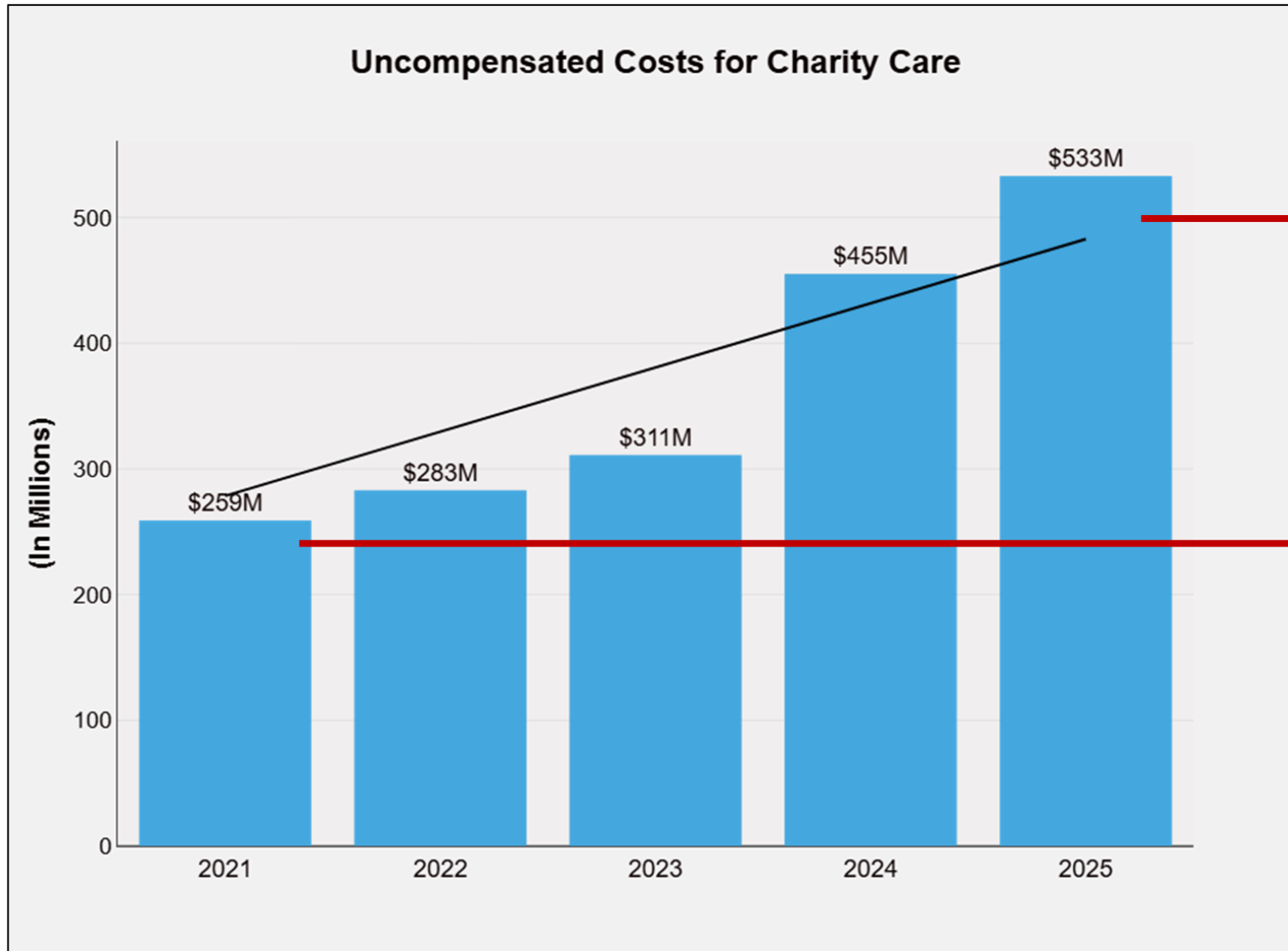


Supply expense includes pharmaceutical purchases, medical supplies, and other supply costs.

Trends remain escalated due to inflation pressures, tariffs, and other cost drivers.

Data obtained from CHA Databank reported through December 2025

Charity Care Continues to Increase

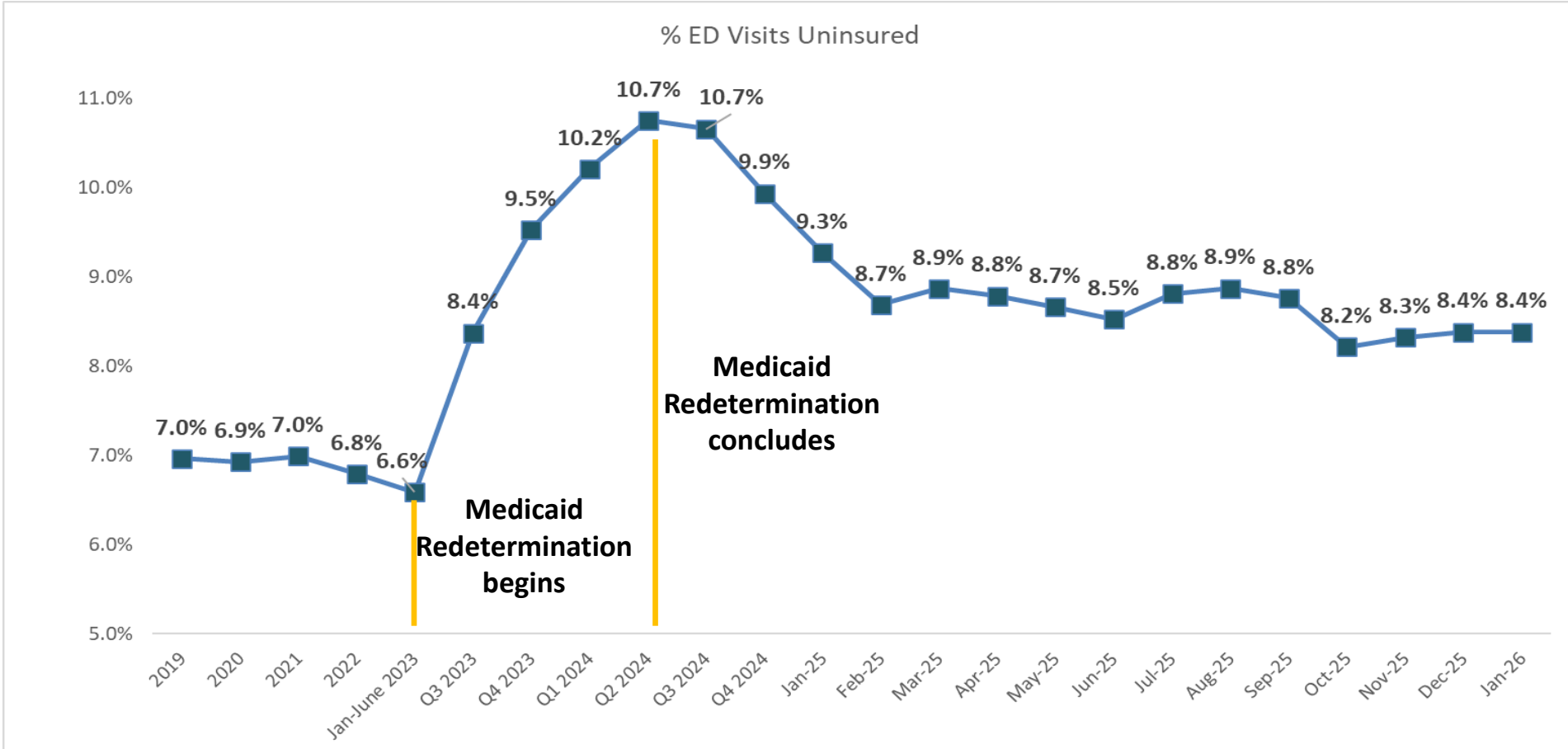


Charity/uncompensated care increased \$78 million (17% increase) compared to 2024.

\$274 million (106% increase) in charity/uncompensated compared to 2021.

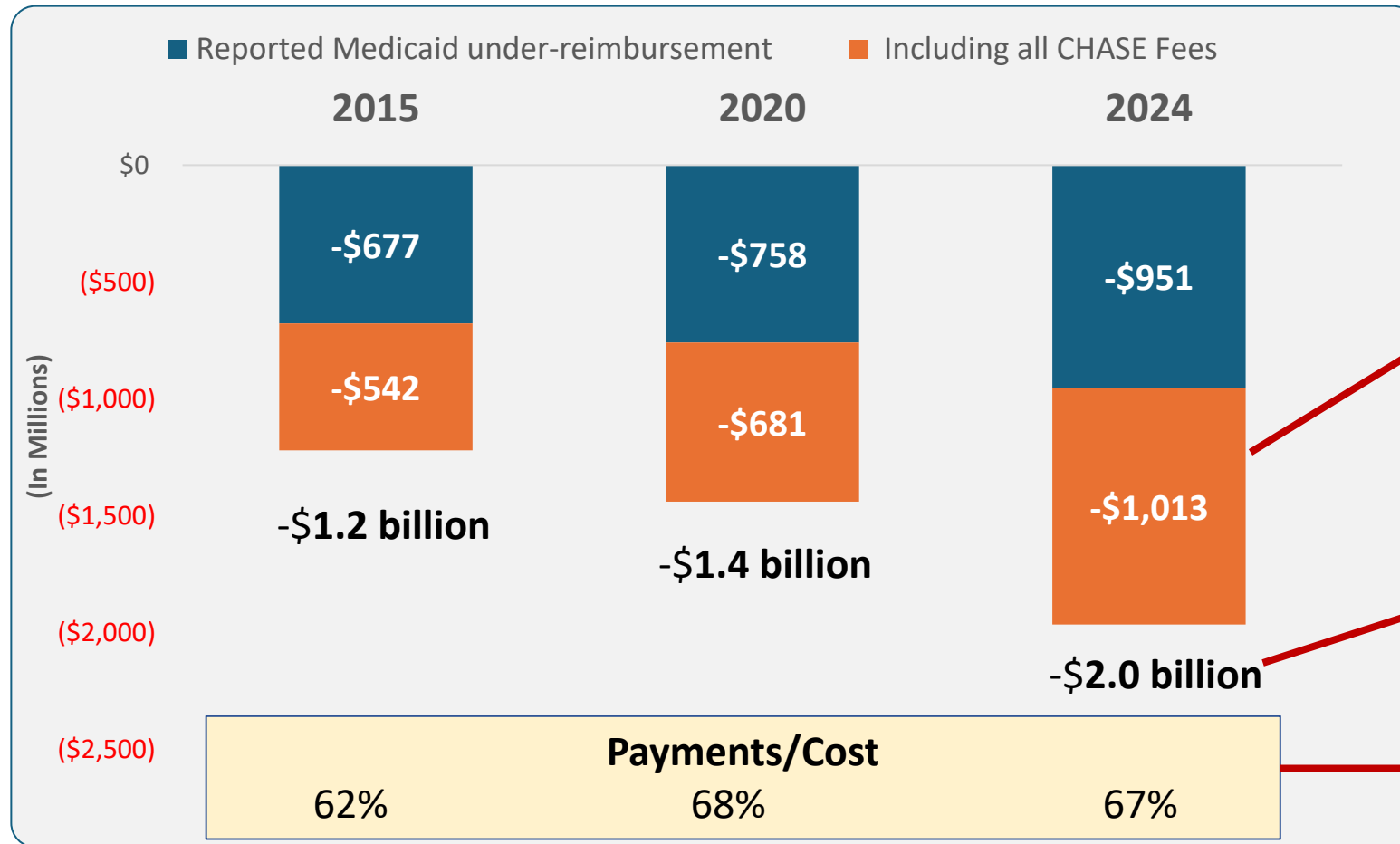
Data obtained from CHA Databank reported through December 2025

Uninsured Emergency Room Visits



Although the rate of uninsured patients has improved since the end of redetermination, it has not returned to baseline and remains 20% above 2019.

Underpayment for Medicaid Services



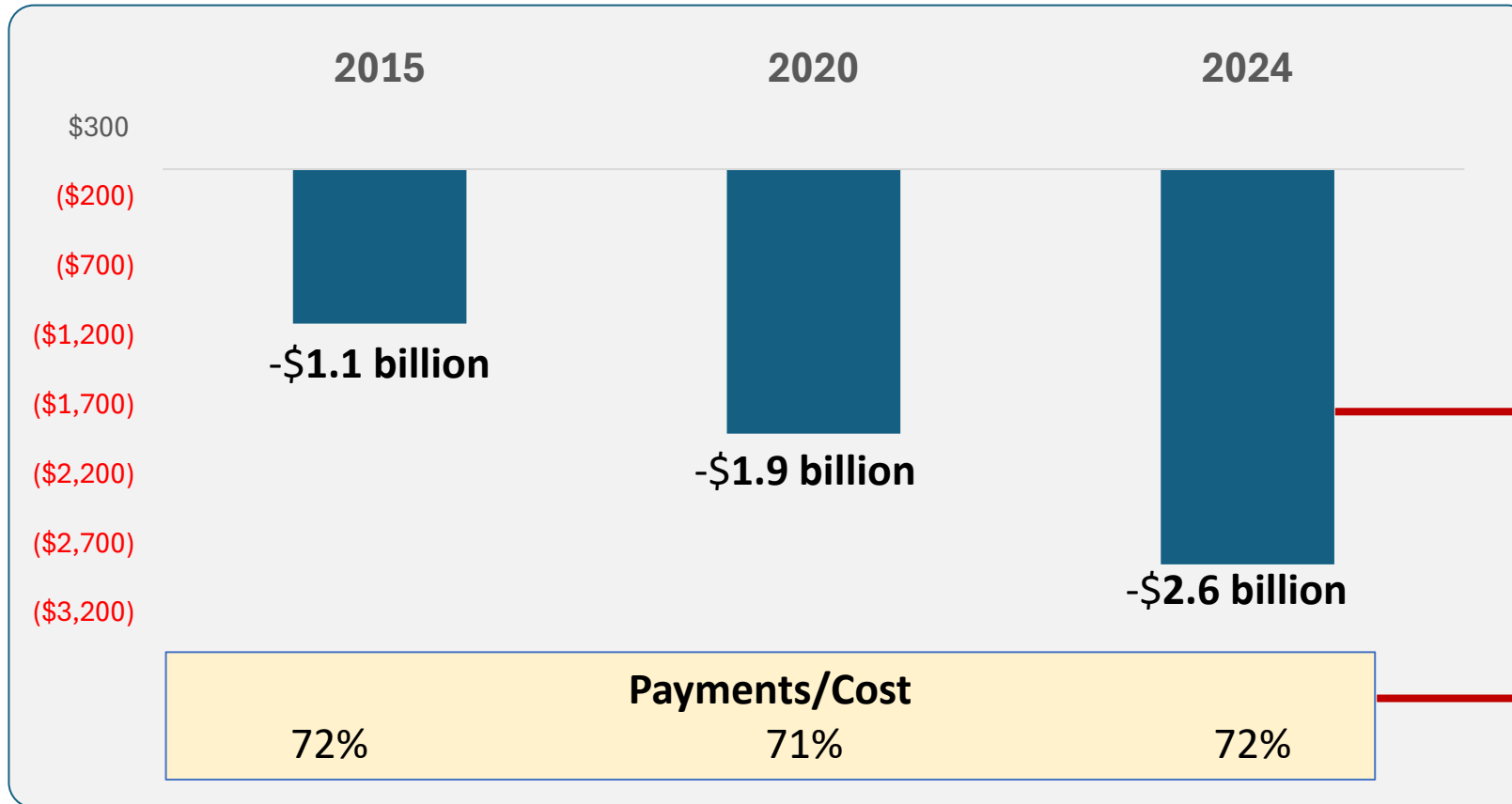
Public reporting excludes most of the CHASE fees in Medicaid hospital costs.

Costs exceeding payments for Medicaid services are rapidly increasing, nearly doubling since 2015.

For each \$1 of cost, Medicaid pays 67 cents.

Data Sources
 Medicaid under-reimbursement: 2026 CHASE annual report
 CHASE total fee: CHASE Board Documents

Underpayment for Medicare Services



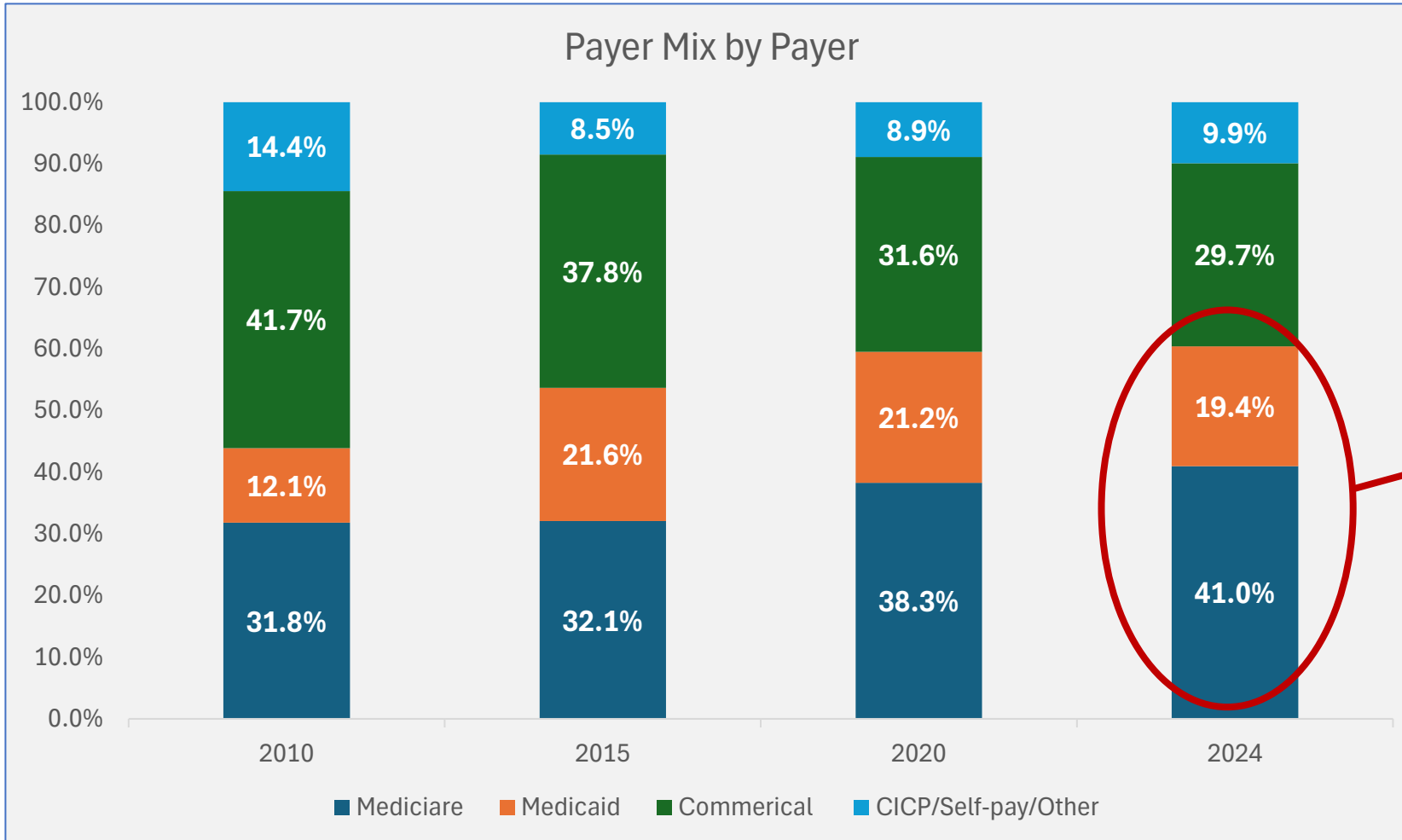
Costs exceeding payments for Medicare services are rapidly increasing, more than doubling since 2015.

For each \$1 of cost, Medicare pays 72 cents.

Data Sources

Medicare under-reimbursement: 2026 CHASE annual report (2024)

Government Payer Share Is Growing



Medicaid and Medicare are more than 60% of coverage, up from 44% since 2010.