



MEDICAID WORKS:

Protect Colorado's Health System

Health First Colorado, Colorado's Medicaid program, is a public health insurance program that pays for necessary health care services for low-income Coloradans and those living with disabilities. By investing in health care services and supports, Health First Colorado improves health outcomes, reduces unnecessary costs to the health system, and supports a strong Colorado economy. Health First Colorado is also an efficient program; spending far less than what private insurers pay for enrollees of similar health status.ⁱ

Despite Health First Colorado's successes and efficient use of funds, opponents of Medicaid have proposed drastic cuts to federal funding for the program. Federal Medicaid funding currently comprises 60 percent of Health First Colorado's budget.ⁱⁱ Funding reductions will force Colorado lawmakers to make hard decisions about where to cut eligibility, services, provider rates, or a combination of the three.

To build the case for Medicaid, Colorado Center on Law and Policy has compiled **Medicaid Works**, a series of fact sheets that outline some of the reasons Health First Colorado is so important to our state.

This fact sheet explains why Health First Colorado is critical to the state's health system and how it would be harmed if federal lawmakers drastically cut federal Medicaid funding by rolling back the Affordable Care Act's Medicaid expansion or by converting the program's funding into a block grant or per-capita cap.

Why Health First Colorado is important for Colorado's health system:

- **Federal funding for Health First Colorado gives Colorado the flexibility to invest in improved health outcomes.** Health First Colorado is tailored to meet the needs of low-income children, adults, pregnant women and individuals living with disabilities. Investing in quality health care for these populations improves health outcomes and reduces costs to the system that result when health needs go unmet. Studies have shown that access to Medicaid reduces infant and child mortality rates,ⁱⁱⁱ results in less children ending up in emergency rooms for treatable conditions, and increases the likelihood that children will graduate from high school and pay taxes.^{iv} Health First Colorado also provides long-term services and supports for elderly and disabled Coloradans and improves outcomes while reducing the costs of care. Federal funding, which currently covers a fixed percentage of the costs of providing care regardless of how costs change, makes Colorado's investment in the health of Coloradans possible.

- Federal funding for Health First Colorado gives Colorado the flexibility to reform our health system to improve the value of care.** Federal Medicaid law contains optional provisions and waiver provisions that allow states to design Medicaid programs that meet the needs of their state. Under current law, the federal government is required to cover a percentage of the costs of providing care. It is that guarantee that gives states the flexibility to take advantage of the optional and waiver provisions and invest in health system innovations that reduce costs and improve the value of care. Health First Colorado has taken advantage of a number of optional and waiver provisions to cover more Coloradans and more services. Federal support has also allowed Health First Colorado to invest in the Accountable Care Collaborative redesign, the State Innovation Model (SIM) and other projects that aim to improve coordination of care, integrate physical and behavioral health and improve health outcomes for Health First Colorado enrollees.
- Federal funding for Health First Colorado contributes to the financial sustainability of Colorado hospitals.** Low-income individuals generally do not have resources to pay for the health care services they need. The inability to pay for routine care means that low-income people are forced to forgo care until their conditions are severe and they end up in emergency rooms, which can't turn people away for inability to pay. Emergency and other services provided to low-income individuals that lack health insurance are more likely to go uncompensated. An analysis by the Colorado Hospital Association showed that Colorado's Medicaid expansion alone reduced uncompensated care for Colorado Hospitals by \$380 million.^v Although reimbursement rates in the Medicaid program are low, the Medicaid expansion still reduced unreimbursed hospital care by \$328 million.^{vi} In addition, in response to a letter from the U.S. Senate Finance Committee, the Colorado Hospital Association estimated that a 30 percent cut in federal Medicaid funding would result in a loss of up to \$600 million for Colorado hospitals. Existing proposals to cap federal Medicaid funding aim to reduce the funding by 30 percent.
- Health First Colorado stabilizes and reduces costs in the private insurance market.** For the reasons stated in the previous bullet, lack of access to insurance for low-income populations result in high uncompensated care costs. High uncompensated care costs pressure hospitals and other providers to shift costs to private payers, which, in turn, pass the costs to consumers through higher premiums. Medicaid is therefore critical to controlling private insurance costs.

How funding caps would harm Colorado's health care system:

Currently, federal law requires the federal government to cover at least half of the cost of providing services for those enrolled in Health First Colorado. For individuals covered as a result of the ACA's Medicaid expansion, over 90 percent of costs are covered by the federal government. Capping federal funding for Health First Colorado by converting the funding into a block grant or a per-capita cap would eliminate those guarantees and would drastically reduce federal support for the program over the next several years. Existing proposals to cap Medicaid funding are expected to reduce the federal government's contribution to state Medicaid programs by over \$1 trillion nationwide over the next 10 years, and that is without taking into consideration proposals to cut or eliminate the ACA's Medicaid expansion which brought nearly 1.1 billion federal dollars into the state during the first full fiscal year of the expansion.^{vii}

Federal funds currently make up 60 percent of Health First Colorado's budget. Drastic cuts in that funding will shift the cost of providing care to Colorado and require Colorado lawmakers to substantially increase the General Fund contribution to Health First Colorado or cut eligibility, services, provider rates or a combination of the three.

If faced with these cuts, Colorado lawmakers will need to make hard choices regarding a program that pays for critical health care services for children living in poverty, low-wage workers, older Coloradans and Coloradans living with disabilities. Health First Colorado also provides a critical funding stream for hospitals and other providers that serve low-income Coloradans and other underserved communities.

Reduced funding for Health First Colorado would mean more unmet health need and would likely cause financial hardship for many Colorado providers and put upward pressure on the cost of private insurance.

ⁱ Lisa Clemons-Cope, John Holahan and Rachel Garfield, *Medicaid Spending Growth Compared to Other Payers: A Look at the Evidence*, (Washington, DC: The Kaiser Family Foundation, April 2016) <http://kff.org/report-section/medicaid-spending-growth-compared-to-other-payers-issue-brief/>.

ⁱⁱ Colorado Department of Health Care Policy and Financing, *Joint Budget Committee Hearing: Executive Director's Office*, Slide Presentation (December 14, 2016) <https://www.colorado.gov/pacific/sites/default/files/HCPF%20EDO%20JBC%20Hearing%20Presentation%2012.14.16.pdf>.

ⁱⁱⁱ Janet Currie and Jonathan Gruber. *Health Insurance Eligibility, Utilization of Medical Care, and Child Health*, *The Quarterly Journal of Economics* 111 no. 2 (1996):431-466; Janet Currie and Jonathan Gruber. *Saving Babies: The Efficacy and Cost of Recent Changes in the Medicaid Eligibility of Pregnant Women*, *Journal of Political Economy* 104, no. 6 (1996):1263-1296.

^{iv} Rourke L. O'Brien and Cassandra Robertson, *Medicaid and Intergenerational Economic Mobility*. (Madison, WI: University of Wisconsin-Madison, Institute for Research on Poverty (IRP) Discussion Paper No. 1428-15, April 2015); Sarah Miller and Laura Wherry. *The Long-Term Effects of Early Life Medicaid Coverage*. (Ann Arbor, MI: University of Michigan Working Paper, August 2015); Sarah Cohodes, Daniel Grossman, Samuel Kleiner and Michael M. Lovenheim. *The Effect of Child Health Insurance on Schooling: Evidence from Public Insurance Expansions*. (*Journal of Human Resources*, 2015); David W. Brown, Amanda Kowalski and Ithai Z. Lurie. *Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?* (National Bureau of Economic Research Working Paper, No. 20835, January 2015).

^v Chris Tholen. *Impact of Uncompensated Care and Cost Shift on Private Insurance*, Slide Presentation (Colorado Hospital Association, August 24, 2016), https://leg.colorado.gov/sites/default/files/images/committees/2016/3_-_colorado_hospital_association_presentation.pdf.

^{vi} Id.

^{vii} Edwin Park. *Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States, and Leave Millions More Uninsured*, (Washington, DC: Center on Budget and Policy Priorities, November, 2016), http://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shift-costs-to-states-and-leave#_ftn5.