



**COLORADO**  
Department of Health Care  
Policy & Financing

Department of Health Care Policy & Financing  
1570 Grant Street  
Denver, CO 80203

January 15, 2020

Governor Jared Polis  
136 State Capitol  
Denver, CO 80203

Dear Governor Polis:

Enclosed, please find the Department of Health Care Policy and Financing's legislative report, Hospital Expenditure Report.

*Section 25.5-4-402.8, C.R.S. requires the Department, on or before January 15, 2020, and on or before January 15 each year thereafter, the state department shall submit the annual hospital expenditure report to: the public health care and human services committee of the house of representatives, or any successor committee; the health and human services committee of the senate, or any successor committee; the joint budget committee of the general assembly; the governor; and the state board.*

*In addition, Section 25.5-1-703, C.R.S., enacted with the adoption of HB 19-1320, requires the Department to include a summary of the hospital community benefit implementation reports submitted by hospitals to the Department.*

This report details the activities the Department has undertaken to implement HBs 19-1001 and 19-1320 to date. An addendum to this report will be submitted before the end of FY 2019-20 when the detailed data from hospitals has been collected and analyzed.

If you require further information or have additional questions, please contact Nina Schwartz, Department of Health Care Policy and Financing at 303.866.6912.

Sincerely,

Kim Bimestefer  
Executive Director

KB/jj

Enclosure(s): Health Care Policy & Financing 2020 Hospital Expenditure Report



CC: Elisabeth Arenales, Senior Health Policy Advisor, Governor's Office  
Legislative Council Library  
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John Bartholomew, Finance Office Director, HCPF  
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Stephanie Ziegler, Cost Control and Quality Improvement Office Director, HCPF  
Rachel Reiter, External Relations Division Director, HCPF  
Nina Schwartz, Legislative Liaison, HCPF





**COLORADO**  
Department of Health Care  
Policy & Financing

Department of Health Care Policy & Financing  
1570 Grant Street  
Denver, CO 80203

January 15, 2020

The Honorable Daneya Esgar  
Joint Budget Committee  
200 East 14<sup>th</sup> Avenue, Third Floor  
Denver, CO 80203

Dear Representative Esgar:

Enclosed, please find the Department of Health Care Policy and Financing's legislative report, Hospital Expenditure Report.

*Section 25.5-4-402.8, C.R.S. requires the Department, on or before January 15, 2020, and on or before January 15 each year thereafter, the state department shall submit the annual hospital expenditure report to: the public health care and human services committee of the house of representatives, or any successor committee; the health and human services committee of the senate, or any successor committee; the joint budget committee of the general assembly; the governor; and the state board.*

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Sincerely,

Kim Bimestefer  
Executive Director

KB/jj

Enclosure(s): Health Care Policy & Financing 2020 Hospital Expenditure Report



CC: Senator Dominick Moreno, Vice-Chair, Joint Budget Committee  
Representative Chris Hansen, Joint Budget Committee  
Representative Kim Ransom, Joint Budget Committee  
Senator Bob Rankin, Joint Budget Committee  
Senator Rachel Zenzinger, Joint Budget Committee  
Carolyn Kampman, Staff Director, JBC  
Eric Kurtz, JBC Analyst  
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Nina Schwartz, Legislative Liaison, HCPF





**COLORADO**  
Department of Health Care  
Policy & Financing

Department of Health Care Policy & Financing  
1570 Grant Street  
Denver, CO 80203

January 15, 2020

The Honorable Jonathan Singer, Chair  
House Public Health Care and Human Services Committee  
200 E. Colfax Avenue  
Denver, CO 80203

Dear Representative Singer:

Enclosed, please find the Department of Health Care Policy and Financing's legislative report, Hospital Expenditure Report

*Section 25.5-4-402.8, C.R.S. requires the Department, on or before January 15, 2020, and on or before January 15 each year thereafter, the state department shall submit the annual hospital expenditure report to: the public health care and human services committee of the house of representatives, or any successor committee; the health and human services committee of the senate, or any successor committee; the joint budget committee of the general assembly; the governor; and the state board.*

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Sincerely,

Kim Bimestefer  
Executive Director

KB/jj

Enclosure(s): Health Care Policy & Financing 2020 Hospital Expenditure Report



CC: Representative Dafna Michaelson Jenet, Vice Chair, Public Health Care and Human Services Committee  
Representative Yadira Caraveo, Public Health Care and Human Services Committee  
Representative Lisa Cutter, Public Health Care and Human Services Committee  
Representative Serena Gonzales-Gutierrez, Public Health Care and Human Services Committee  
Representative Sonya Jacquez Lewis, Public Health Care and Human Services Committee  
Representative Lois Landgraf, Public Health Care and Human Services Committee  
Representative Colin Larson, Public Health Care and Human Services Committee  
Representative Larry Liston, Public Health Care and Human Services Committee  
Representative Kyle Mullica, Public Health Care and Human Services Committee  
Representative Rod Pelton, Public Health Care and Human Services Committee  
Representative Emily Sirota, Public Health Care and Human Services Committee  
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Nina Schwartz, Legislative Liaison, HCPF





**COLORADO**  
Department of Health Care  
Policy & Financing

Department of Health Care Policy & Financing  
1570 Grant Street  
Denver, CO 80203

January 15, 2020

The Honorable Susan Lontine, Chair  
House Health and Insurance Committee  
200 E. Colfax Avenue  
Denver, CO 80203

Dear Representative Lontine:

Enclosed, please find the Department of Health Care Policy and Financing's legislative report, Hospital Expenditure Report.

*Section 25.5-4-402.8, C.R.S. requires the Department, on or before January 15, 2020, and on or before January 15 each year thereafter, the state department shall submit the annual hospital expenditure report to: the public health care and human services committee of the house of representatives, or any successor committee; the health and human services committee of the senate, or any successor committee; the joint budget committee of the general assembly; the governor; and the state board.*

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Sincerely,

Kim Bimestefer  
Executive Director

KB/jj

Enclosure(s): Health Care Policy & Financing 2020 Hospital Expenditure Report



CC: Representative Yadira Caraveo, Vice Chair, Health and Insurance Committee  
Representative Mark Baisley, Health and Insurance Committee  
Representative Susan Beckman, Health and Insurance Committee  
Representative Janet Buckner, Health and Insurance Committee  
Representative Dominique Jackson, Health and Insurance Committee  
Representative Kerry Tipper, Health and Insurance Committee  
Representative Kyle Mullica, Health and Insurance Committee  
Representative Matt Soper, Health and Insurance Committee  
Representative Brianna Titone, Health and Insurance Committee  
Representative Perry Will, Health and Insurance Committee  
Representative Mary Young, Health and Insurance Committee  
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Nina Schwartz, Legislative Liaison, HCPF





**COLORADO**  
Department of Health Care  
Policy & Financing

Department of Health Care Policy & Financing  
1570 Grant Street  
Denver, CO 80203

January 15, 2020

The Honorable Rhonda Fields, Chair  
Senate Health and Human Services Committee  
200 E. Colfax Avenue  
Denver, CO 80203

Dear Senator Fields:

Enclosed, please find the Department of Health Care Policy and Financing's legislative report, Hospital Expenditure Report.

*Section 25.5-4-402.8, C.R.S. requires the Department, on or before January 15, 2020, and on or before January 15 each year thereafter, the state department shall submit the annual hospital expenditure report to: the public health care and human services committee of the house of representatives, or any successor committee; the health and human services committee of the senate, or any successor committee; the joint budget committee of the general assembly; the governor; and the state board.*

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Sincerely,

Kim Bimestefer  
Executive Director

KB/jj

Enclosure(s): Health Care Policy & Financing 2020 Hospital Expenditure Report



CC: Senator Faith Winter, Vice Chair, Health and Human Services Committee  
Senator Larry Crowder, Health and Human Services Committee  
Senator Jim Smallwood, Health and Human Services Committee  
Senator Joann Ginal, Health and Human Services Committee  
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Nina Schwartz, Legislative Liaison, HCPF





**COLORADO**

**Department of Health Care  
Policy & Financing**

Department of Health Care Policy & Financing  
1570 Grant Street  
Denver, CO 80203

January 15, 2020

Amanda Moorer, President  
Medical Services Board  
1570 Grant Street  
Denver, CO 80203

Dear Ms. Moorer:

Enclosed, please find the Department of Health Care Policy and Financing's legislative report, Hospital Expenditure Report.

*Section 25.5-4-402.8, C.R.S. requires the Department, on or before January 15, 2020, and on or before January 15 each year thereafter, the state department shall submit the annual hospital expenditure report to: the public health care and human services committee of the house of representatives, or any successor committee; the health and human services committee of the senate, or any successor committee; the joint budget committee of the general assembly; the governor; and the state board.*

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Sincerely,

Kim Bimestefer  
Executive Director

KB/jj

Enclosure(s): Health Care Policy & Financing 2020 Hospital Expenditure Report



CC: David Pump, Vice-President, Medical Services Board  
Christy Blakely, Medical Services Board  
Martha Cecile Fraley, Medical Services Board  
Patricia Lynn Givens, Medical Services Board  
Simon Hambidge, Medical Services Board  
Bregitta Hughes, Medical Services Board  
Jessica Hughes, Medical Services Board  
Charolette Lippolis, Medical Services Board  
An Nguyen, Medical Services Board  
Donna M. Roberts, Medical Services Board  
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Rachel Reiter, External Relations Division Director, HCPF  
Nina Schwartz, Legislative Liaison, HCPF



# Hospital Expenditure Report

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January 15, 2020

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## I. Executive Summary

The Department of Health Care Policy & Financing (the Department) prepares this report pursuant to the enactment of House Bill (HB) 19-1001 codified at §25.5-4-402.8, C.R.S. (2019) and HB 19-1320 codified at §25.5-1-703, C.R.S. (2019). This annual report, called the Hospital Expenditure Report, will “detail uncompensated hospital costs<sup>1</sup> and the different categories of expenditures, by major payer group<sup>2</sup>, made by hospitals in the state” as well as a summary of the hospital community benefit implementation reports submitted by hospitals to the Department

Following the enactment of HB 19-1001, the Department engaged in stakeholder outreach, rule development, and collection of available historical data from hospitals to implement this bill. As part of our initial request to hospitals, hospitals provided audited financial statements and Medicare Cost Reports submitted to the federal Centers for Medicare and Medicaid Services (CMS) pursuant to 42 C.F.R. § 413.20 for hospital fiscal years 2012 through the most recently available.

Going forward, all Colorado Hospitals shall submit their Medicare Cost Report within thirty (30) days after submission to CMS and audited financial statements within one-hundred-twenty (120) days after the end of the hospital’s fiscal year to the Department. In, addition hospitals shall report detailed information about utilization metrics, additional financial metrics, and acquisitions of other hospitals or physician groups during the reporting year.

This Hospital Expenditure Report contains:

1. The implementation of HB 19-1001, Hospital Transparency Measures to Analyze Efficacy of Hospital Delivery System Reform Incentive Payments, which includes:
  - a. The Department’s rule making process,

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<sup>1</sup> Uncompensated Care is defined as “costs incurred by the hospital for providing inpatient and outpatient hospital services for which the hospital is not compensated. Retrieved from <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Paper-Based-Manuals-Items/CMS021935>, Chp. 40.

<sup>2</sup> Major payer groups in the state of Colorado are Medicare, Medicaid, Commercial (Employer-sponsored), Self-pay, Financial Assistance Programs, and the Colorado Indigent Care Program (CICP).



- b. The soft-launch of data collection,
  - c. Creation and preparation of the Department's data collection tool, and
  - d. An outline for future Hospital Expenditure Reports.
- 2. The implementation of HB 19-1320, Health Care Providers' Accountability to Communities.
  - a. An overview of the legislative requirements,
  - b. The Department's rule making process, and
  - c. Information about future reports.

## **II. Hospital Transparency Measures to Analyze Efficacy of Hospital Delivery System Reform Incentive Payments Implementation**

### **A. Rule Making Process**

With the passage of HB 19-1001, the Department began in earnest to engage with stakeholders and develop rules for the Hospital Expenditure Report. Rules were heard for initial and final hearings with the Medical Services Board in its October 2019 and November 2019 meetings, respectively. The rules were approved and became effective December 30, 2019 and are codified in the Code of Colorado Regulations, at 10 CCR 2505-10, §8.4000. These rules clarify the procedure for hospitals to submit documents and additional reports to the Department, clarify reporting requirements for health and hospital systems, and define hospitals exempt from reporting, which are long-term care, psychiatric, and inpatient rehabilitation hospitals.

Finally, the rules clarify the reporting requirements for hospital utilization and acquisition data, including methods hospitals might utilize for fulfilling this requirement for the historical data for this requirement for hospitals fiscal years 2012 to the present.

### **B. Initial Data Request and Collection**

As HB 19-1001 became effective, the Department began requesting historical financial data including audited financial statements and Medicare Cost Reports for the previous seven (7) fiscal years.

The Department communicated these requests through its Constant Contact listservs which have proved to be an effective way to communicate

with most Colorado hospitals. The Department in conjunction with the Colorado Hospital Association (CHA), a representative group for Colorado hospitals and hospital system communities, are working to ensure that all communications with Colorado hospitals detailed in the bill are effective and direct.

In the process of collecting historical financial and Medicare Cost Report data, the Department found that clarification was needed for reporting of financial statements for hospitals that are operated within a health or hospital system.

Department staff collaborated with CHA and hospital leadership to find the most effective way for hospitals to deliver needed information while also minimizing the burden of providing information that would not be readily available.

### **C. Utilization and Acquisition Report**

In addition to the Medicare Cost Reports and audited financial statements, hospitals shall also annually provide the Department a Utilization and Acquisition Report, which will detail utilization metrics, financial data (used to corroborate the financial statements provided), and information on the acquisition of other hospitals and physician groups in the reporting period.

The Department has worked with CHA, hospital partners, and outside consultants to produce the Utilization and Acquisition Report form, incorporating stakeholder feedback to improve the form, provide specific definitions, and to promote consistent data reporting amongst hospitals.

Where possible, the Department minimizes administrative burden for hospitals when completing the Utilization and Acquisition Report. CHA operates its own utilization and financial report called the CHA DATABANK Program<sup>3</sup>. CHA uses the DATABANK Program to benchmark hospitals within Colorado amongst themselves and with hospital outside of the state. The

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<sup>3</sup> CHA DATABANK is an online program available to Colorado Hospital Association members and serves as a centralized location for the collection and analysis of hospital utilization and financial data. Retrieved from: <https://cha.com/data-reporting/databank/>

program also provides, “data useful to hospitals in monitoring their operational performance, [and] it is an essential tool for CHA to advocate on behalf of the membership”. In order to ease the administrative burden to Colorado hospitals who have already participated in the DATABANK Program, the Department’s rules include the option to submit DATABANK Program data as an alternative to submitting the Department’s Utilization and Acquisition Report for the seven years’ historical data. Though the data present in the DATABANK Program will not contain every line item detailed in HB 19-1001, the Department has authorized that submission of DATABANK Program data will fulfill the “good faith effort” to complete the Utilization and Acquisition Report. The Department will continue to work with CHA and hospital partners directly to reduce administrative burden of hospitals where possible.

### **III. Addendum and Subsequent Reports**

#### **A. Addendum to this Report**

Data collection is still currently underway; therefore, at the time of this report, the detailed comparison of “uncompensated hospital costs and the different categories of expenditures” described in HB 19-1001 is not currently available. An addendum to this report, which will detail the data collected from hospitals, will be provided when the requested data is delivered and analyzed. The Department anticipates this addendum will be completed by the end of the state fiscal year, June 2020.

#### **B. Outline for Subsequent Annual Reports**

On October 22, 2019, the Department, in its duty to consult with the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board on the development of the Hospital Expenditure Report, reported on the status of implementing HB 19-1001 and presented and received feedback on a proposed outline for the annual Hospital Expenditure Report.

The proposed outline for the Hospital Expenditure Report is as follows:

##### **1. Executive Summary**

This section will include an Overview and a Key Findings subsection. In this section simplified, overall data and general

trends will be detailed. The body of the report will delve deeper into the analysis of that data.

## **2. Introduction**

The introduction section will be comprised of two subsections: Purpose, which will detail the purpose of the Hospital Expenditure Report as detailed in HB 19-1001, and Background to the Hospital Expenditure Report, which will mirror the implementation described above.

## **3. Methodology**

The Department will provide the system of methods it used for collecting, compiling, and analyzing data. The methodology section will also include subsections detailing various ways in which hospitals were peer grouped for like-hospital comparison. Namely the Department will peer group hospital in accordance with the Hospital Transformation Program (HTP)<sup>4</sup> and the Colorado Division of Insurance's (DOI) Regions<sup>5,6</sup>. Additionally, all

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<sup>4</sup> HTP designates three peer groups of hospitals based on licensed bed numbers. One, hospitals with beds between one (1) and twenty-five (25); Two, hospitals with beds between twenty-six (26) and ninety (90); and finally, hospitals with beds ninety-one (91) and above.

<sup>5</sup> The state is divided into nine geographic areas for individual and small group health insurance. Health insurance companies can differentiate their premiums between the geographic areas. The Affordable Care Act (ACA) required states to create geographic areas, recognizing that different areas had different providers, healthcare costs and patterns. Each area must have similar healthcare costs within its region. Retrieved from: <https://www.colorado.gov/pacific/dora/news/division-insurance-completes-geographic-rating-area-study>

### **A. <sup>6</sup> See Appendix Overview**

HB 19-1320 requires non-profit tax-exempt general hospitals, Denver Health Medical Center, and University of Colorado Hospital to complete a community health needs assessment every three years and an annual community benefit implementation plan every year. These hospitals will be required to report this information to the Department including community benefits, costs, and shortfalls in the preceding year.

limitations present within the data will be detailed within this section for transparency.

#### **4. Uncompensated Care**

For this section the Department will examine each of the major payer groups and detail how each group contributes to overall Uncompensated Care. For each payer groups, the Department will additionally examine how Bad Debt<sup>7</sup> and Charity Care<sup>8</sup> comprise Uncompensated Care. This section will analyze Uncompensated Care not as a portion of total expenses, but as its own area of analysis.

#### **5. Expenditure Categories**

The Hospital Expenditure Report will primarily detail the overall expenses of hospitals by their different categories. These categories will include, but will not be limited to: Inpatient Expenses, Outpatient Expenses, Administrative Expenses, Capital Construction Expenses, Maintenance Costs, Capital Expenditures, Personnel Services, Costs of Uncompensated Care (this section will analyze Uncompensated Care as a portion of total expenses),

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Each reporting hospital must convene a public meeting at least once a year that will be used to seek feedback on the hospital's community benefit activities and the hospital's community benefit implementation plan.

### **B. Rule Making Process**

With the passage of HB 19-1320, the Department began in earnest to engage with stakeholders and develop rules detailing the hospitals' activities and reporting requirements. Rules were heard for initial and final hearings with the Medical Services Board in its December 2019 and January 2020 meetings, respectively. The rules were approved and will become effective March 2, 2020 and will be codified in the Code of Colorado Regulations, at 10 CCR 2505-10, §8.5000. These rules define key terms, detail the annual public meeting requirements, and details the meeting and reporting requirements for reporting hospitals. for a visualization of the DOI regions.

<sup>7</sup> Charges for health services for which a hospital determines the non-Medicare patient has a financial responsibility to pay, but the non-Medicare patient does not pay. Retrieved from: <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Paper-Based-Manuals-Items/CMS021935>, Chp 40.

<sup>8</sup> Charity care and uninsured discounts result from a hospital's policy to provide all or a portion of services free of charge to patients who meet the hospital's charity care policy or FAP. Retrieved from: <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Paper-Based-Manuals-Items/CMS021935>, Chp 40.



and any other expenses that fall outside of the categories mentioned above. Where appropriate, the Department will also detail how these expenditures are allocated to major payer groups. For instance, Inpatient Expenses will show how payments from Medicaid, Medicare, Commercial, Self-Pay, Financial Assistance Programs, and CICP make up the total of Inpatient Expenses.

HB 19-1001 also stipulates that the Department may determine “Other Expenditure” categories. At this time, the Department does not have any other named categories; however, after the data is reviewed, the Department will provide further clarity on “Other Expenditures.”

#### **6. Appendices**

The Department will provide all relevant appendices, namely a compiled chart of all reported hospital data and the complete list of definitions for the report’s components.

## **IV. Health Care Providers’ Accountability to Communities Implementation**

### **A. Overview**

HB 19-1320 requires non-profit tax-exempt general hospitals, Denver Health Medical Center, and University of Colorado Hospital to complete a community health needs assessment every three years and an annual community benefit implementation plan every year. These hospitals will be required to report this information to the Department including community benefits, costs, and shortfalls in the preceding year.

Each reporting hospital must convene a public meeting at least once a year that will be used to seek feedback on the hospital’s community benefit activities and the hospital’s community benefit implementation plan.

### **B. Rule Making Process**

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hearings with the Medical Services Board in its December 2019 and January 2020 meetings, respectively. The rules were approved and will become effective March 2, 2020 and will be codified in the Code of Colorado Regulations, at 10 CCR 2505-10, §8.5000. These rules define key terms, detail the annual public meeting requirements, and details the meeting and reporting requirements for reporting hospitals.

### **C. Subsequent Reports**

Hospitals will submit their first reports to the Department in July 2020 including:

- A report on public meetings held,
- The hospital's most recent Community Health Needs Assessment,
- The hospital's Community Benefit Implementation Plan for the upcoming year,
- A copy of the hospital's most recent submitted form 990 to the Federal Internal Revenue Service including Schedule H, and
- A description of investments made that were included in Parts I, II, and III of Schedule H of form 990.

Information reported by each hospital will be posted to the hospital's public website and be made available at the Department's webpage created for this purpose at

<https://www.colorado.gov/pacific/hcpf/hospital-community-benefit-accountability>.

In the next report due January 15, 2021, the Department will provide a summary of the hospital reports submitted pursuant to HB 19-1320 including hospital community benefits as a percentage of total expenses, hospital investments in community identified health needs, and a summary of each hospital's investments and evidence of how the investment improves community health outcomes.