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Federal funds will help enroll more people in Medicaid

Hospital fee now law

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Gov. Bill Ritter on Tuesday signed a bill that supporters said would enact the largest expansion of health coverage for the uninsured in Colorado since the state started its Medicaid programs in the 1960s.

"This historic legislation will significantly address the crisis of the uninsured while also reducing uncompensated care and cost-shifting in our health care system," Ritter, a Democrat, said. "This legislation would be groundbreaking in a good economy, but it means even more in a down economy, as Colorado families struggle to make ends meet."

If Colorado receives federal approval, House Bill 1293 will impose a fee on hospitals, generating about \$600 million a year. That money in turn

would be matched by an equal amount in federal funding, expanding Medicaid coverage and other health programs for at least 100,000 more

uninsured people over several years.

About 440,000 Coloradans are covered by Medicaid, and an estimated 800,000 lack any insurance coverage.

Medicaid is a program funded by state and federal dollars that covers the poor and disabled. States began participating in the program in the 1960s, and some offer coverage beyond the minimum level required to participate in the program and receive federal match.

Colorado, compared with most states, has operated a fairly lean Medicaid program, but the hospital fee will significantly expand coverage.

Under the bill, Medicaid eligibility for coverage for children and pregnant women is increased from the current level of 205 percent of the

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federal poverty level, or \$45,202 for a family of four, to 250 percent, or \$55,125 for the same family.

The legislation creates a new program that would allow disabled adults who make up to \$48,735 a year to pay just a portion of their medical costs, with the state picking up the rest.

The bill also allows the state to guarantee Medicaid enrollment for children for up to one year, instead of month-to-month under current law.

And in another first for Colorado, the state would cover single, childless adults at the federal poverty level, or individuals who earn \$10,830 or less per year.

Meanwhile, in a major boon to hospitals, the bill increases their Medicaid payments to the highest-allowable levels and more than doubles payments to them for indigent care.

The bill's provisions will be phased in over two years if federal approval is received. The state must now ask the federal government for permission to levy the fee, but the format has withstood court challenges over the years.

Republicans have said the Medicaid expansion will only increase the federal deficit and have questioned how the cost of the hospital fees will not be shifted onto insured patients. Hospitals argue that, to the contrary, existing cost-shifting will decrease.

The bill says hospitals can't explicitly pass the fees on to insured patients in a line-item on their medical bills. However, Republicans say hospitals will just pass the costs on by subtle increases in existing charges to patients.

It's not clear yet how much the fees are going to be. The bill sets up an oversight board that would recommend how best to impose the fees on hospitals.

More than 20 other states impose fees on hospitals to collect more federal Medicaid money, generating big dollars. Missouri, which has a 5.3 percent tax on hospitals, raised \$652 million in 2007. Minnesota raised an estimated \$433.5 million in 2008 — not including the federal match — in fees levied on hospitals, doctors, surgical centers and wholesale drug distributors.

Colorado Center on Law and Policy analyst Liz Feder called the fee a "really incredible opportunity," perhaps a "once-in-a-generation opportunity."

Colorado designed its legislation after states that passed it more than a decade ago.

"We leave a lot of money that's available at the federal level on the table," she said. "I don't think it's a gimmick at all. It's a state-federal partnership. It's a way of coming up with the state's share."

In Missouri, where the state taxes hospitals, pharmacies and nursing homes, the most recent

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Medicaid budget was only 20 percent general fund money, about 30 percent provider taxes and 50 percent federal funds.

No definitive data exists to prove whether hospitals end up passing the fee onto customers. But many health care experts say the bill tackles another form of cost-shifting that is proved: hospitals pass on the cost of caring for the uninsured to insurance companies and patients.

"The benefit of moving the uninsured to Medicaid far outweighs the minor cost shift of the fee by some hospitals," said Ryan Barker, policy analyst for the Missouri Foundation for Health, a nonprofit organization.

Some critics point out that the hospital fee doesn't increase Medicaid payments to primary care doctors, just hospitals. They say that doesn't do anything to encourage doctors to take more Medicaid patients.

"You have to address that," said Steve ErkenBrack, president of Rocky Mountain Health Plans.

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