



February 25, 2025

House Health and Human Services Committee
200 E Colfax Rm 307
Denver, CO 80203

RE: House Health and Human Services Committee Public Hearing on HB25-1174

Dear Chair Brown and Honorable Members of the House Health and Human Services Committee,

Thank you for the opportunity to provide testimony **in support of [HB25-1174](#)**, which will save state and small business employees money on health care while also strategically investing in the health care safety net. United States of Care (USofCare) is a non-partisan, non-profit organization working to ensure [everyone](#) has access to quality, affordable health care, regardless of health status, social need, or income. We work in states across the country to develop pragmatic policy solutions that are designed to respond to people's needs. In Colorado, USofCare has worked with state partners to expand access to coverage and improve health care affordability; we often highlight the pioneering work of this legislature on coverage and health equity initiatives in our work in other states to make the case for thoughtful legislation that addresses people's chief health care concerns.

Source of financial strain

Despite meaningful progress on health coverage and affordability initiatives, Colorado is facing significant budget constraints that require careful examination of all [state expenditures](#), particularly as healthcare costs continue to rise. With [over half](#) the cost of state employee group benefit plans paid from the general fund, it's fiscally responsible to ensure taxpayers and state employees are getting fair value from hospitals and health systems.

While hospital industry advocates may assert that 70% of Colorado hospitals operate below financial sustainability thresholds, this characterization requires context. As both the 2025 [HCPF](#) and [NASHP](#) hospital cost reports show, there is tremendous variation in profit by hospital type. When essential access hospitals—which are specifically exempted from this legislation—are excluded from analysis, **Colorado hospital systems maintained an average operating margin of 21% in 2023**. Further, Colorado hospitals in aggregate reported [\\$1.5 billion](#) in profits in 2023. Those profits were concentrated in urban, nonprofit tax-exempt hospitals.

These substantial margins are achieved in part through a reimbursement structure that charges state employee health plans and small businesses nearly triple (291%) the [Medicare rate](#) for identical services. This pricing disparity places unhealthy strain on both the state budget and Colorado's working families. In 2023, [over 1 in 10 Coloradans](#) skipped needed primary care, and prescriptions because of cost. Over 650,000 people in Colorado are choosing not to receive the care they need because it's unaffordable.

Proven solution for financial relief

HB25-1174 provides Colorado a solution to address these hospital costs, the resulting health insurance premium increases, and the growing financial burden that Coloradans, employers, and the state pay every year. A recent [non-partisan analysis](#) from Brown University estimates that Colorado could save between \$53 - \$62 million annually through this policy, with hospital margins decreasing by less than half a percentage point.

HB25-1174 is a tailored and measured approach that ensures hospitals are reimbursed at a fair and predictable rate by state employee and small group health plans, while protecting essential access facilities. It thoughtfully exempts critical access and rural hospitals to preserve care in underserved communities, while ensuring [safety net providers](#) are supported as low-income and uninsured Coloradans seek an increasing amount of care at federally-qualified health centers. Further, it provides Colorado a reference-point to contain costs which [many other states](#) are using.

When facing a state budget crisis in 2017, [Oregon](#) successfully implemented an almost-identical policy in their state employee health plan, capping in-network payments to 200% of Medicare and out-of-network payments to 185% of Medicare. By setting this payment cap at double what Medicare pays but below the prices previously paid by their state employee plan, Oregon effectively curbed prices while maintaining provider participation in the network. In fact, Oregon saved [\\$107 million](#) in 2021 using this cost containment method, significantly more savings than original estimates, with a [\\$1.8 million](#) reduction in out-of-pocket spending by state employees. This reduction has allowed Oregon the ability to invest these budgetary savings into other priority health programs, like behavioral health and substance use supports—similar to what’s proposed in HB25-1174.

HB25-1174 will allow Colorado to bring down prices for hospital services while investing in the safety net services that so many Coloradans rely on. **For these reasons, USofCare supports HB25-1174 and respectfully requests a “yes” vote.** We thank the committee for its work on this issue and hope you consider United States of Care as a resource moving forward. Please do not hesitate to reach out if you have any questions.

Sincerely,

Caitlin Westerson
Senior Director of State Policy & Advocacy
cwesterson@usofcare.org