



The Colorado Option Plan:

Modeling the Impacts of Government Price Controls in Health Care

MAY 2020

HOUSE BILL 20-1349:

Legislation introduced during the 2020 Colorado legislative session proposed a significant expansion for the role of government within health care. HB20-1349 proposed creating the Colorado option plan, a first in the nation reform based around government-set prices and required participation by hospitals and insurance carriers. *This is the third study CSPR has released on a public option proposal in Colorado.*

KEY FINDINGS:

Roughly **335,000 Coloradans – or 5% of the state’s population** – would likely enroll in the Colorado option by 2024. Despite being justified as a necessary proposal for Colorado’s uninsured population, **only 18,000 enrollees or 5.3% would join from the ranks of the uninsured. 317,000 enrollees – or 89% of participants - would migrate from existing private insurance plans to the Colorado option plan.** Because the Colorado option mandates lower hospital reimbursement rates than the rates private health plans currently provide, the financial ramifications of the state government-controlled plan are significant.

Hospitals would be faced with a critical choice: CUT services and access to care or PASS the costs of the Colorado option plan to all others.

CUT Costs

Hospitals would face revenue cuts **growing from \$536 million to \$1.1 billion per year** over the first three years.

- **4,800 health care workers in the hospital industry could lose their job** – that’s roughly 7% of all hospital sector jobs in Colorado.



PASS on Costs

Hospitals may be forced to pass along the costs of the Colorado option plan to other consumers. This **cost shift could amount to a more than 5% increase in hospital costs** for commercial payers who are not in the Colorado option plan.

- This additional cost on employers and workers would create a drag on the state economy, causing a **net loss of 6,400 jobs and \$619 million in personal income in single year.**



Rural Hospitals Hit Harder



- Rural hospital’s revenue losses could be up to 6.26%.
- More than **double the loss of hospitals in urban areas.**

Read the full report and all previous research on the proposed public option health care plan at:

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