

Health Care: The Foundation of a Thriving Economy

60th Annual Colorado Business Economic Outlook Forum

December 9, 2024

Donna Lynne, CEO



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Setting the Stage

- A closer look at health care and the economy
- History of health care in Colorado: milestone moments
- Health care today: modern medicine, affordable care act, COVID-19 pandemic and unwind
- Visioning the next 60 years...and beyond
- Answering your questions

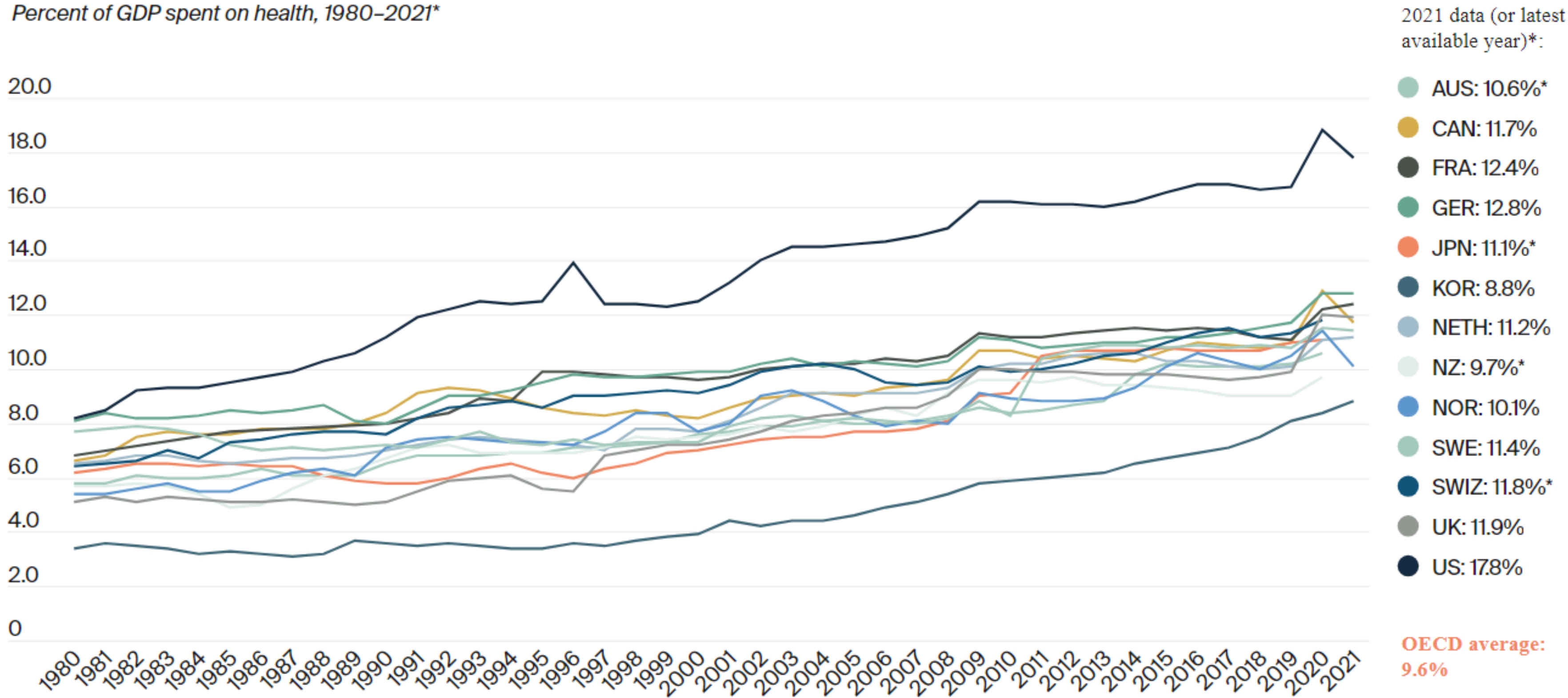


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The Global Story

The U.S. is a world outlier when it comes to health care spending.

Percent of GDP spent on health, 1980–2021*



How the U.S. Compares to Other OECD* Countries

- The U.S. spends 17.8% GDP; nearly twice as much as average OECD country
- U.S. spending is four times higher than South Korea
- Of the 52 OECD countries, 39 have spending in the single digits
- The next closest countries are Switzerland and Germany
- The U.S. spends \$11,912; Germany \$7,382 and Switzerland \$7,139
- Since 1980 the gap between U.S. health spending and other countries has widened

* OECD – Organization for Economic Cooperation and Development



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Quality of U.S. Health Care Vs. Other Countries

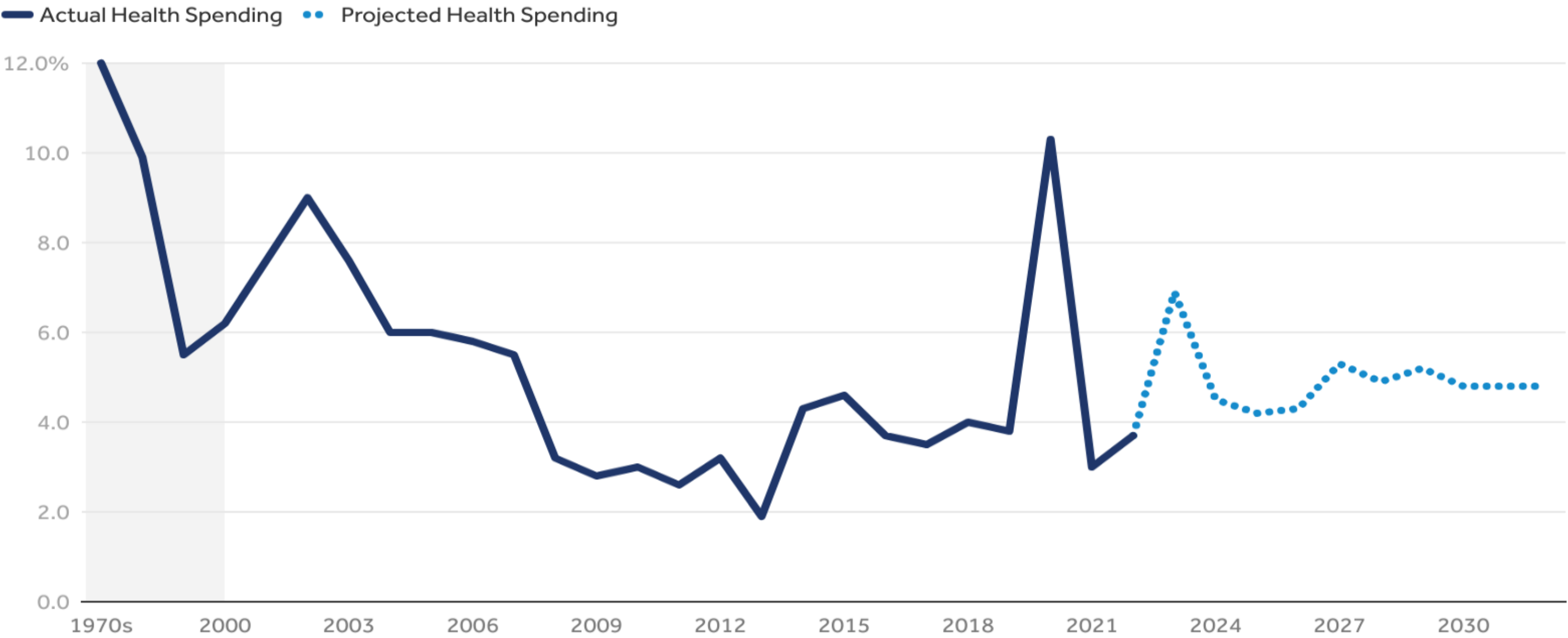
- U.S. spending per capita that is greater than any other country has little impact on quality
- The U.S. has lowest life expectancy at 77 years compared to the 80 years average for other wealthy nations; and provisional 2021 data shows a drop
- The U.S. has the highest rates of avoidable deaths from causes such as diabetes, hypertension and certain cancers
- The U.S. had the highest COVID-19 death rate among high-income countries (2020-2023)
- U.S. infant and maternal deaths are more than triple the rate of most other high-income countries



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Health Care Per Capita Spending in the U.S.

Annual change in per capita health spending, 1970s - 2022; projected 2023 - 2032



Note: Data in grey region represents average growth within decade.

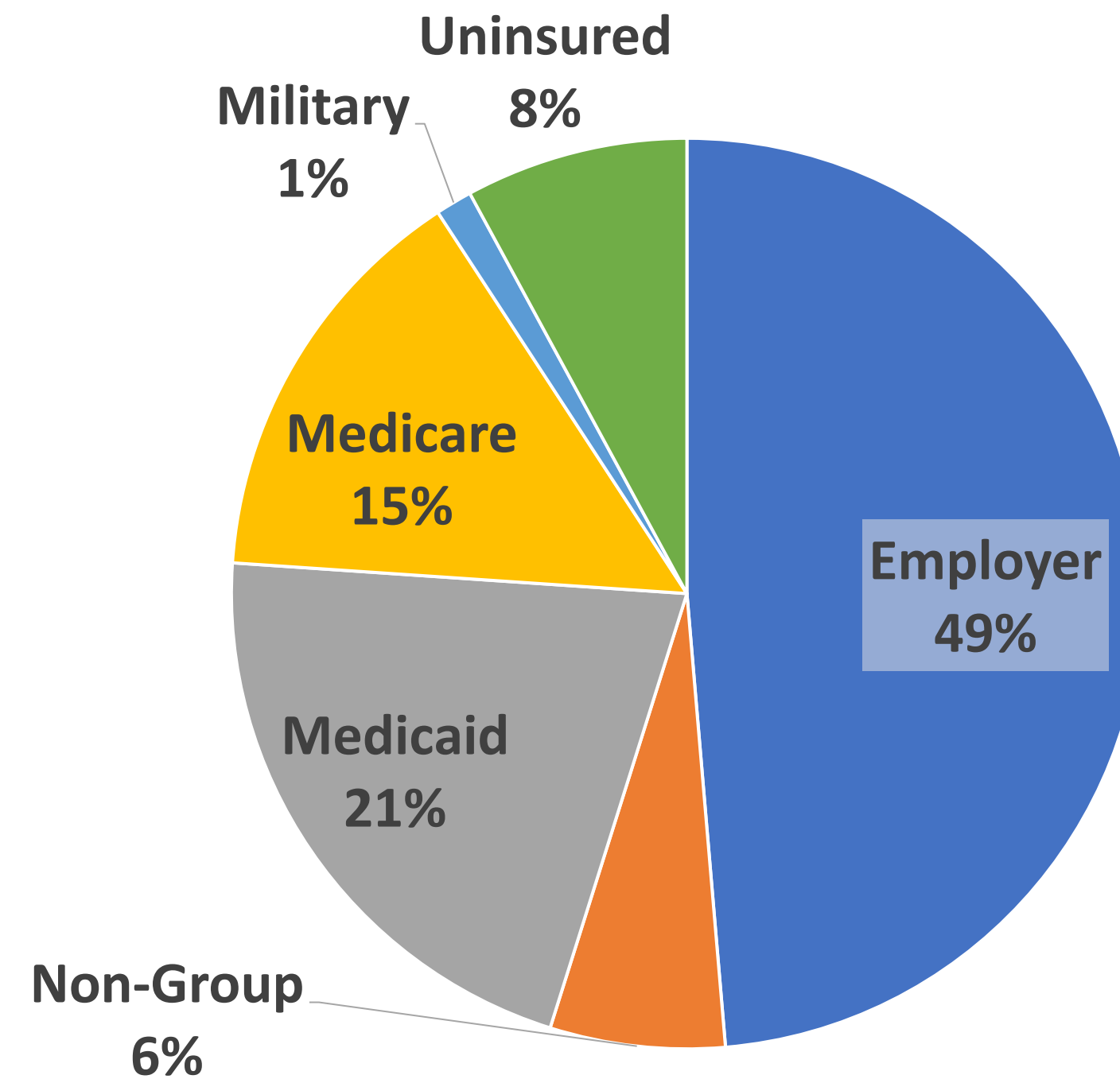
Source: KFF analysis of National Health Expenditure (NHE) data

Peterson-KFF
Health System Tracker

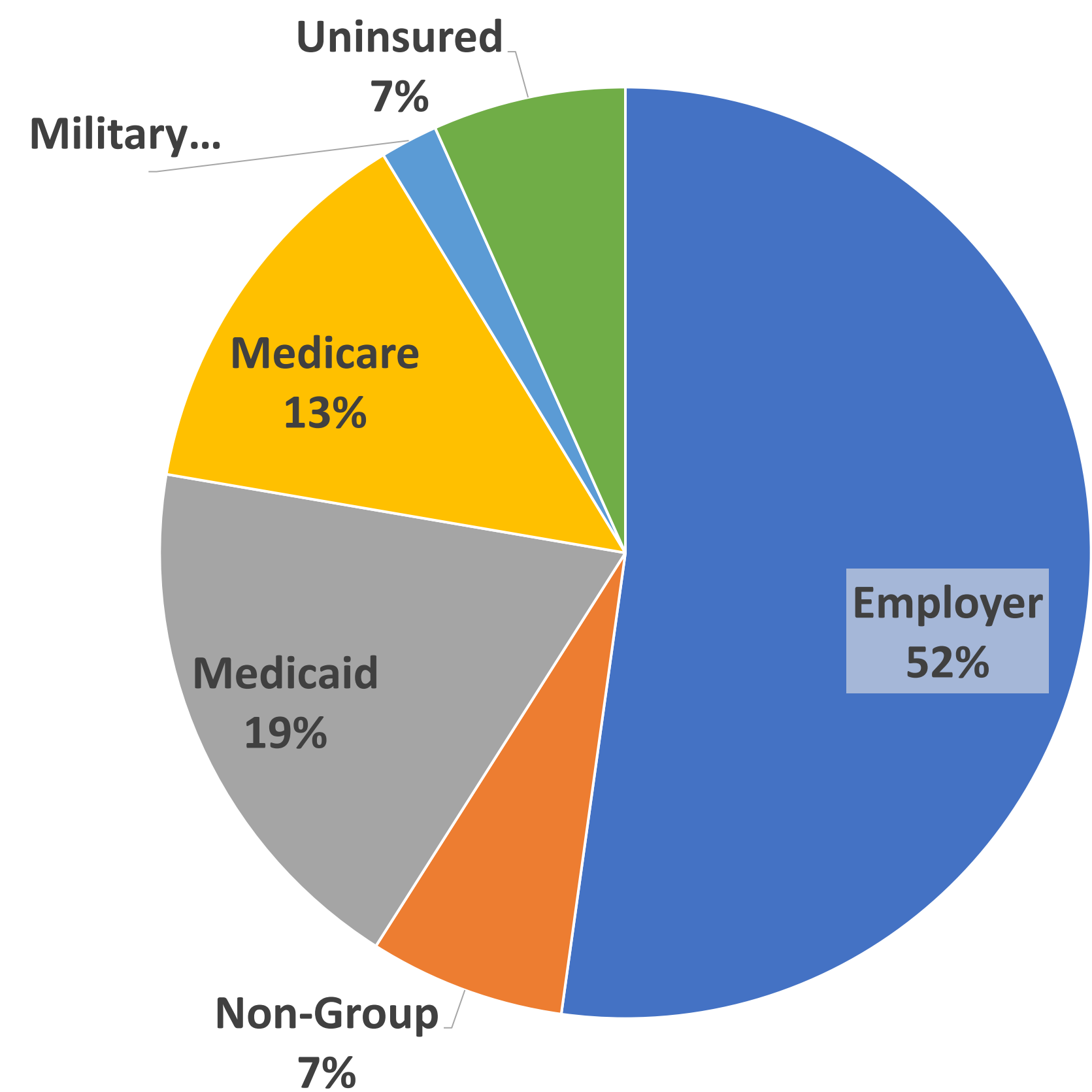


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National Health Coverage



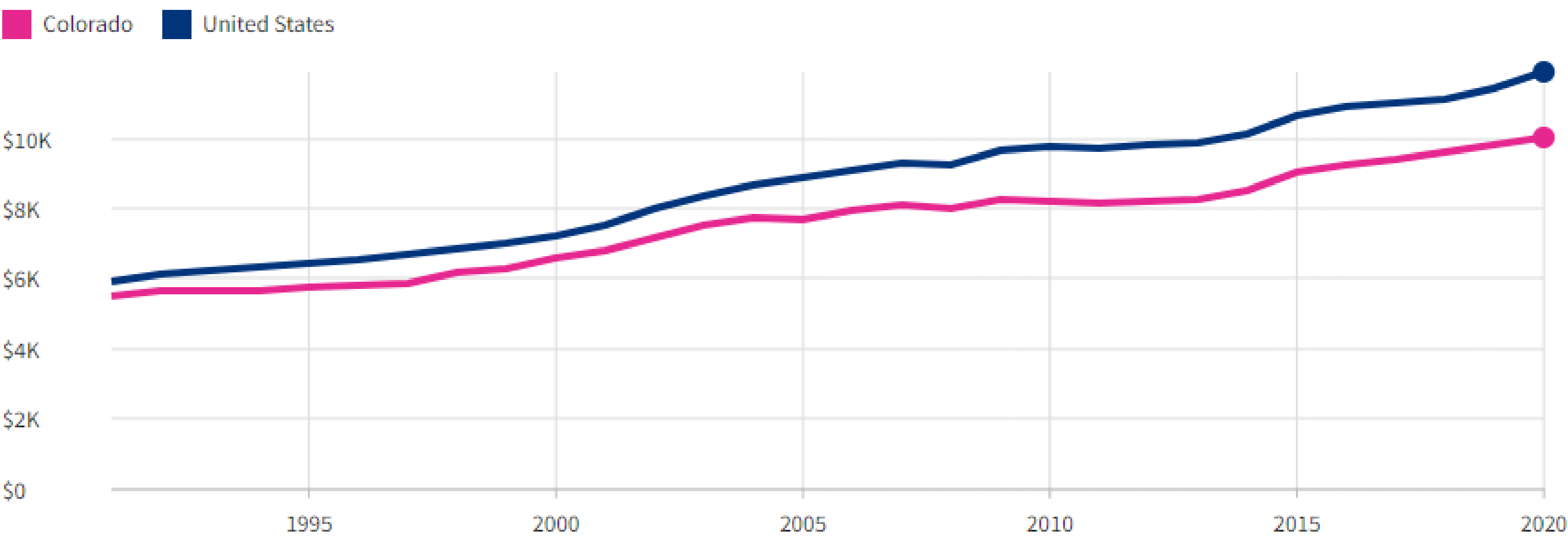
Colorado Health Coverage



Health Care Spending Per Capita in Colorado

Healthcare spending **per capita** in Colorado (inflation-adjusted)

In 2020, \$10,028 was spent on healthcare per Colorado resident.



Source: National Health Expenditure Data

The Good News - Colorado Is One of the Healthiest States

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According to the CDC, Colorado:

- Is one of the most “in shape” states in the country
- Has the lowest obesity rate in the country at 24.2%
- Has the second lowest rate of diabetes at 7.6 diagnoses per 100,000 residents

And...Colorado is the most active state in the U.S. with only 16.7% of residents not participating in exercise outside of their regular job (Source: America's Health Rankings)



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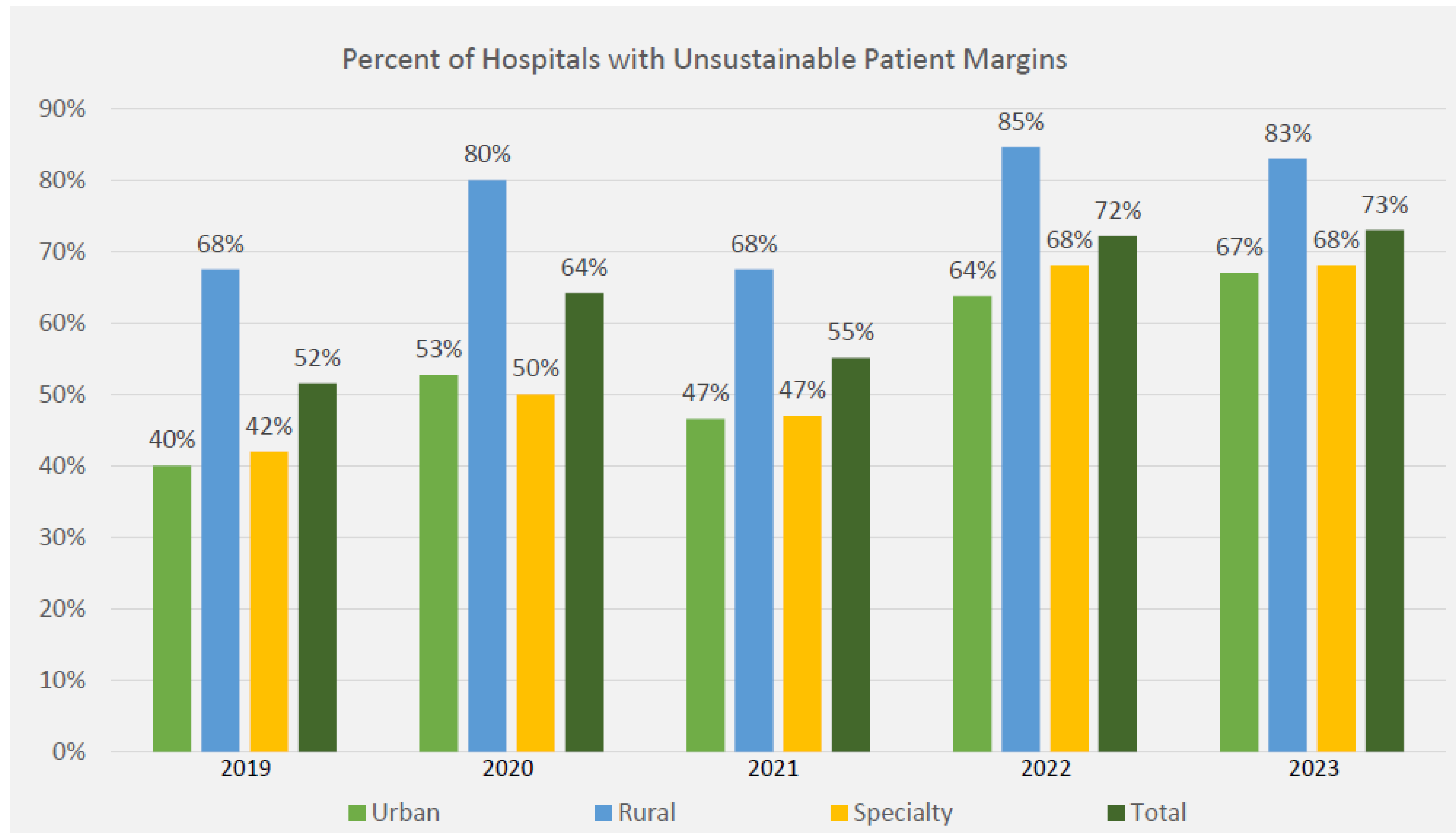
- Margins have fallen significantly compared to pre-pandemic levels.
- More than 70% of Colorado hospitals have operating margins that do not provide for long-term sustainability.
- Expense trends for Colorado hospitals have moderated slightly after near double-digit rates during the past two years.
- Colorado hospitals are providing increased support of uncompensated costs for charity care and undercompensated care for Medicaid and Medicare patients.

- Colorado Hospital Association Q3 2024 Report



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Unsustainable Margins



History of Health Care in Colorado

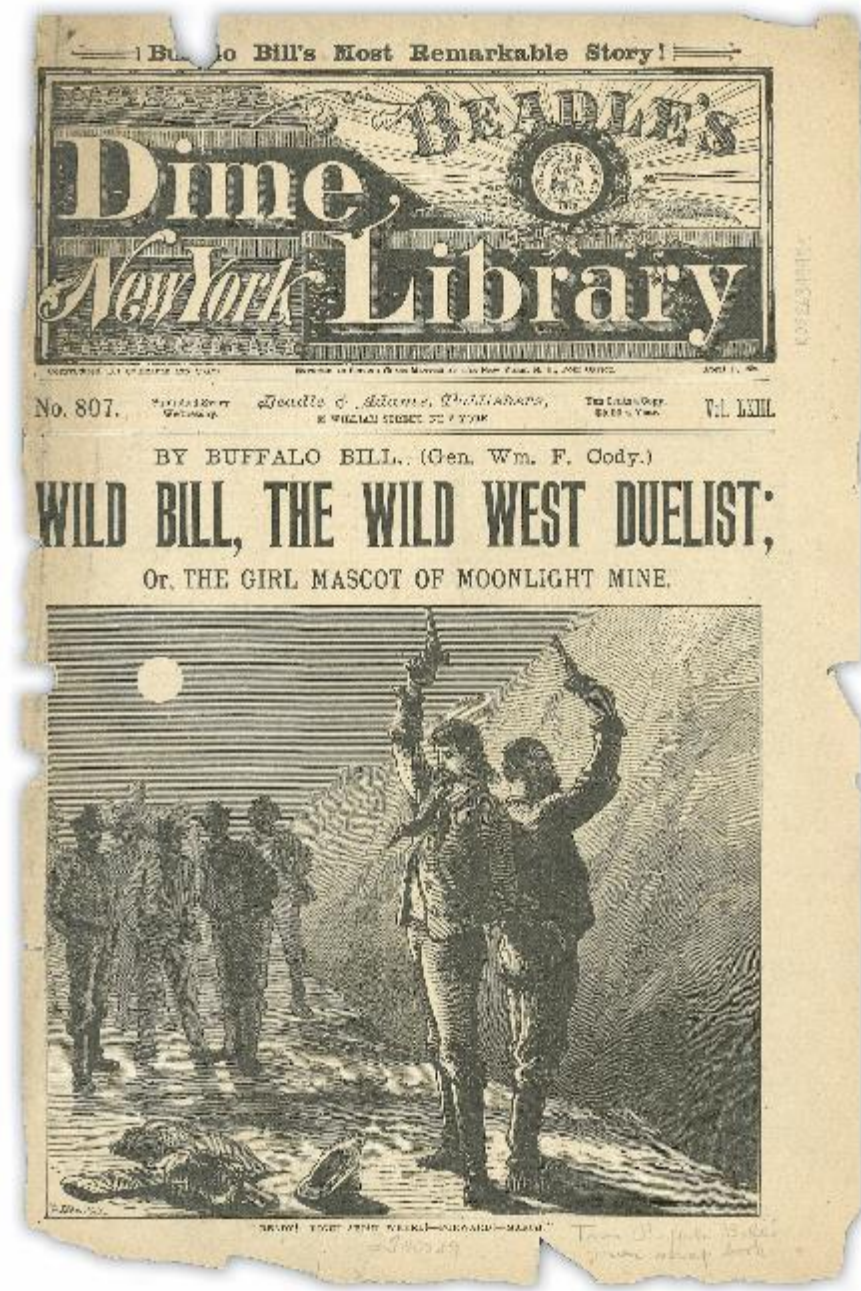
“Under the rough and ridiculous circumstances of life in the Rocky Mountains there was something exciting and vital, full of rude poetry: the heartbeat of the West as it fought its way upward toward civilization.” - Wallace Stegner



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In the 1860's...

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Dueling was still popular and would remain so until the end of the Civil War in 1865.



In 1860, Denver was a fledgling frontier town situated on the confluence of the Platte and Cherry Creek.

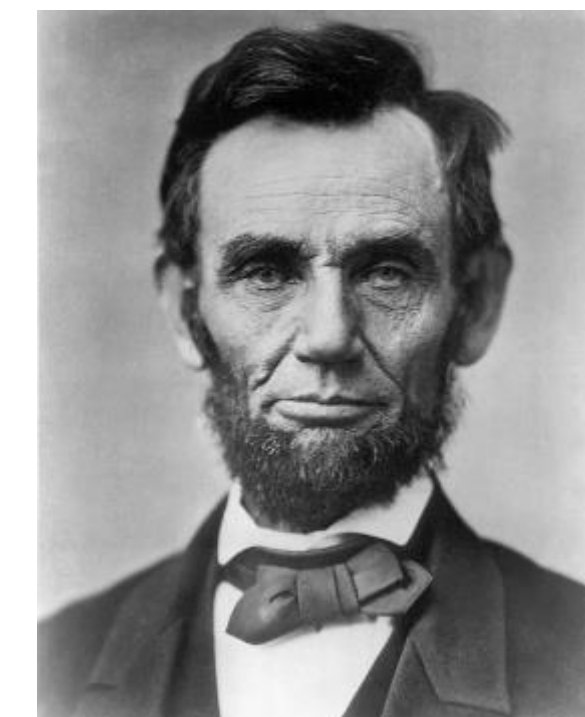
Colorado had not yet become a state.



Larimer Street in 1860.



The Gold Rush was on. Gold was first discovered in the Tin Cup District of Gunnison County.

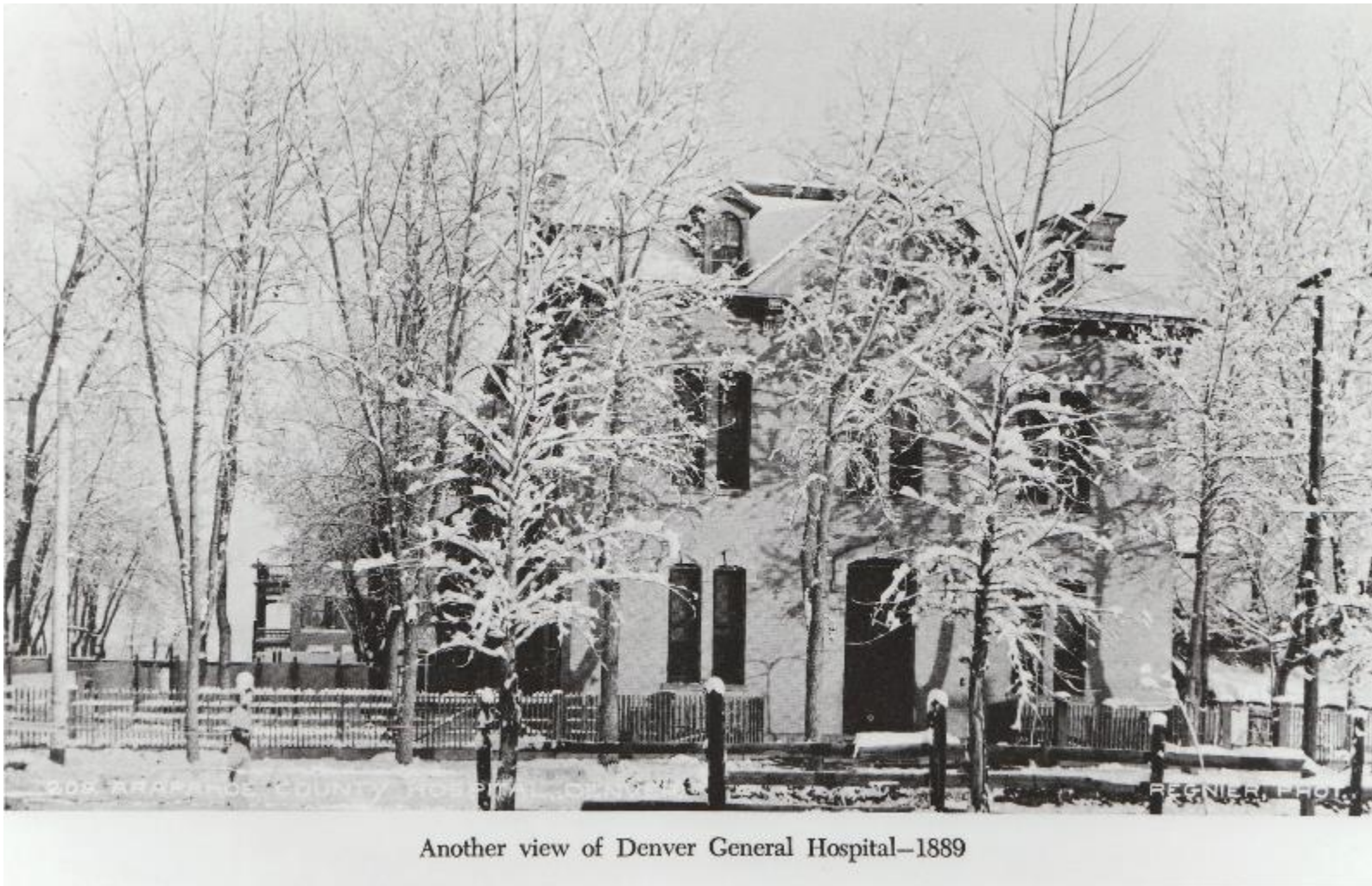


Abraham Lincoln was running for President.



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The Early Years of Denver Health



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The Case for Public Health

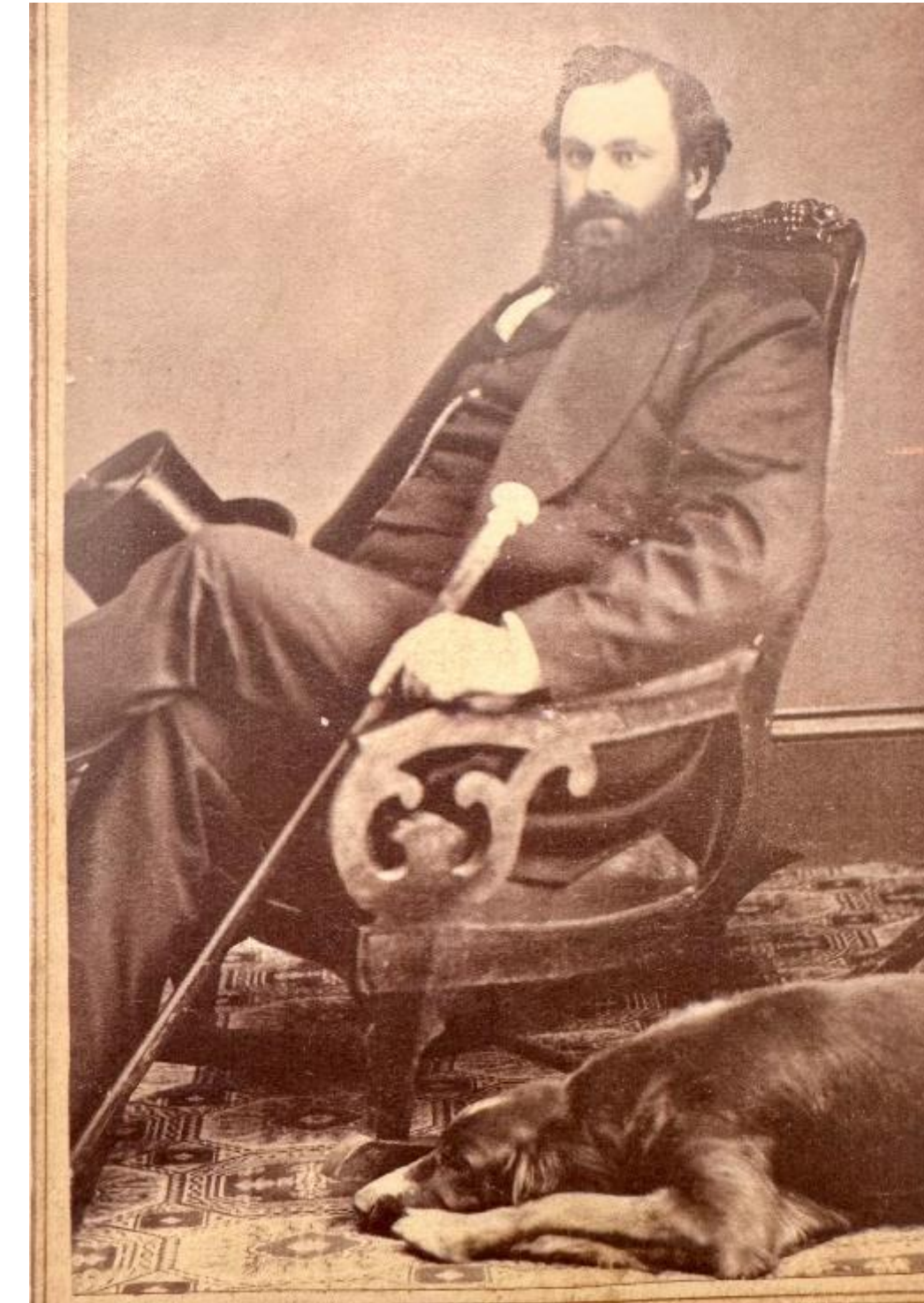
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As Dr. Bancroft patrolled the downtown streets, nearly everything he saw seemed to him to be vehicles for transporting **mysterious germs that causes so much illness**, including lemonade stands bearing, '**disease in every draught**' and 'fermenting vegetables that were likely to cause '**derangements of the stomach and bowel.**'

-Healers and Hellraisers: Denver Health's First 150 Years

"The outhouses were **disgustful to refinement, pernicious to the city's good reputation** and actually criminal in the establishment and the progress of **many a case of disease.**"

-The Rocky Mountain News



Dr. Frederick Bancroft led the efforts to clean up Denver's water, soil and air.
Image from 1869.



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Public Health Diseases in the Late 19th/Early 20th Centuries

Cholera

Typhoid

Yellow Fever

Whooping Cough

Tuberculosis

Smallpox

Diphtheria

Scarlet Fever

Sexually transmitted diseases

Infectious diseases associated with poor nutrition, sanitation, infant and maternal health and unsafe workplaces.



60 Years Ago...The Great Society and the Birth of Medicare and Medicaid

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“No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings that they have so carefully put away over a lifetime.”

-President Johnson

US President Lyndon B Johnson signs the 1965 Medicare bill, with former President Harry Truman sitting next to him; looking on are Lady Bird Johnson, Vice President Hubert Humphrey, and Bess Truman.

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The Great Society and the Birth of Community Health Centers

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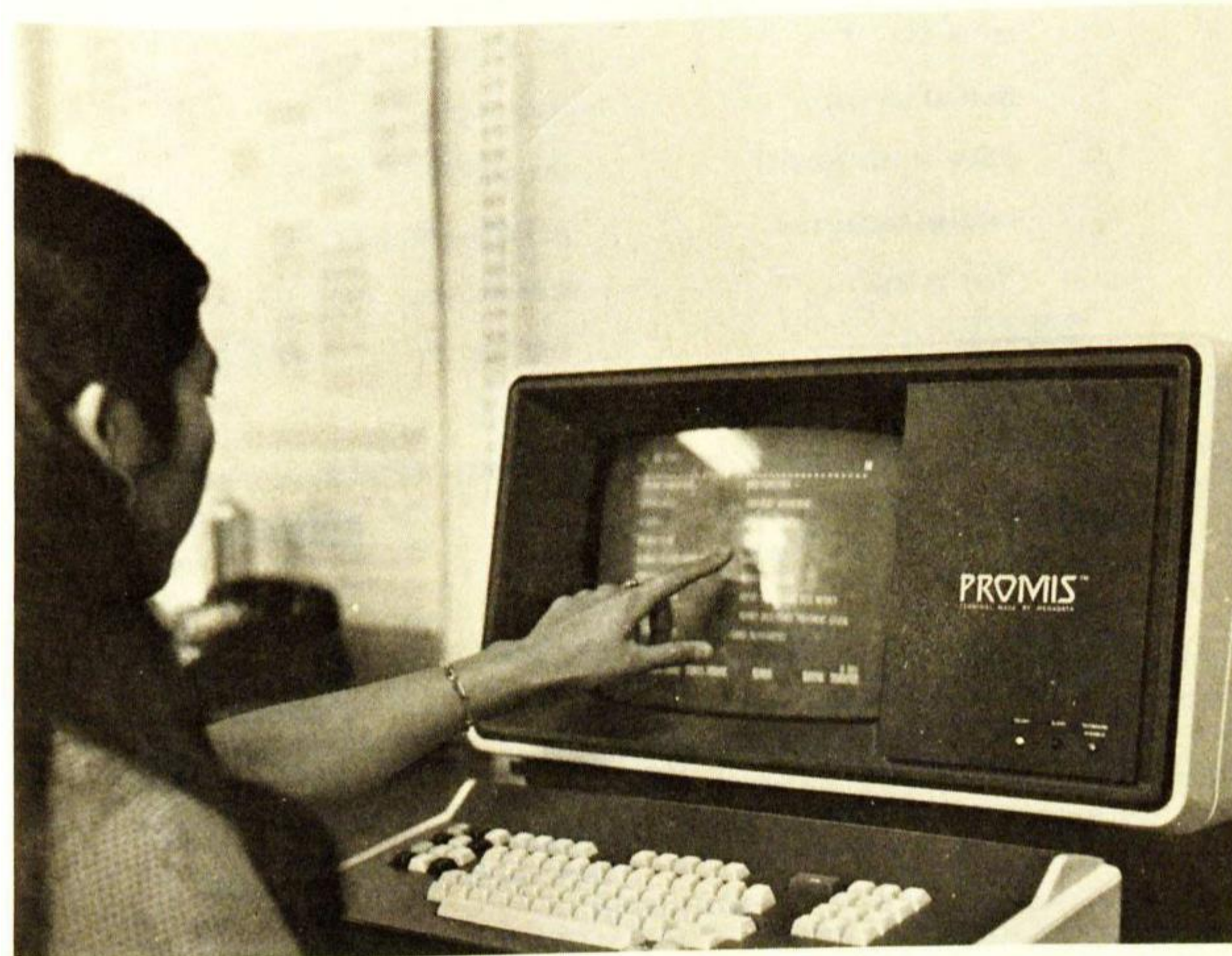
The Eastside Family Health Center opens in 1966 and is busy from the start. United States Senator Ted Kennedy visits soon after. Eastside is the nation's second community health center.



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“Modern” Technology

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Touch-sensitive terminal used for storage and retrieval of patient records in the PROMIS system.



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Health Care Today

“Each year, millions of skiers come to Colorado to experience its superb emergency medical facilities.” - Dave Barry, humorist

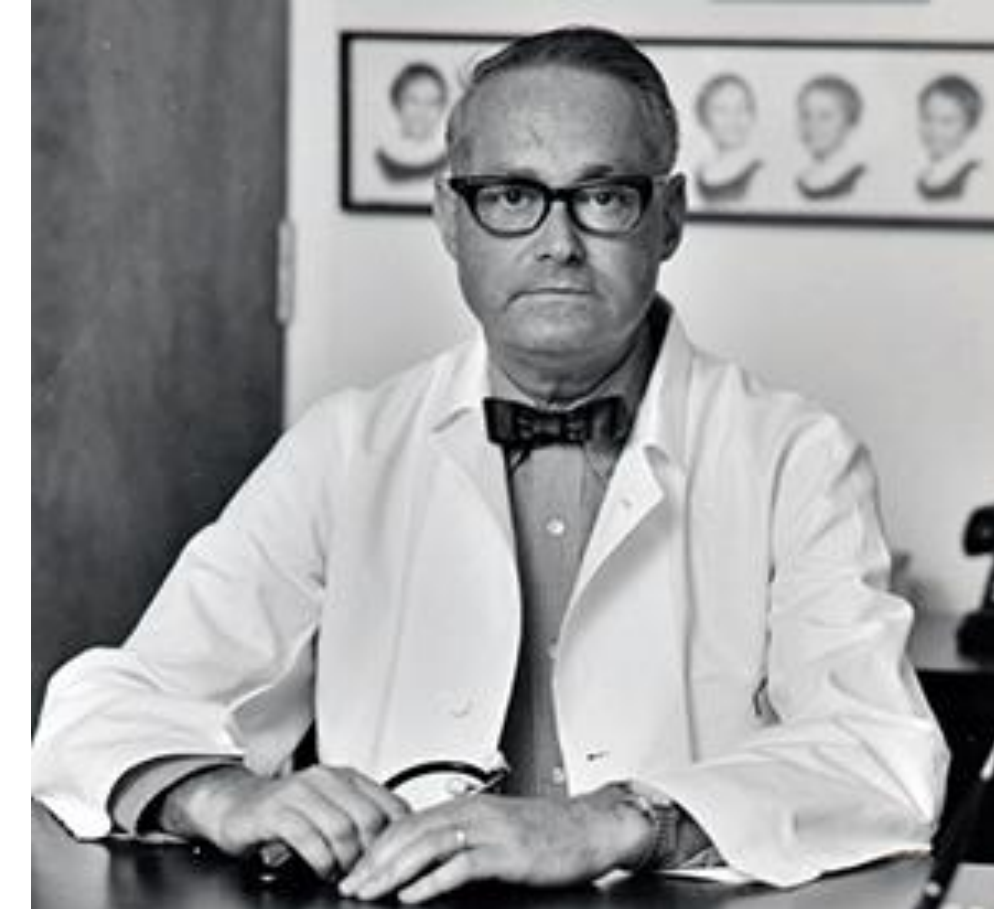


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Rise in Modern Medicine (1980s – 2000)

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- Improved health care systems
- Technology advances considerably
- Milestone moments:
 - Smallpox eradicated after 12-year global vaccination campaign
 - HIV becomes a chronic disease
 - Molecular biology and the ability to harness DNA



Denver pediatrician C. Henry Kempe is nominated for the Nobel Prize for his work to develop a safer smallpox vaccine



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Affordable Care Act - 2010

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“Health care reform is no longer an unmet promise. It is the law of the land.”

President Barack Obama
March 23, 2010



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2020 - Present

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COVID-19 Pandemic



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Public Health Unwind hits Colorado hard

CPR News Colorado dropped Medicaid enrollees as red states have, alarming advocates for the poor

KFF By KFF Health News · Jul. 8, 2024, 3:23 pm

Colorado stands out among the 10 states that have disenrolled the highest share of Medicaid beneficiaries since the U.S. government lifted a pandemic-era restriction on removing people from the health insurance program.

It's the only blue state in a cluster of red states with high disenrollment rates — a group that includes Idaho, Montana, Texas, and Utah — in the Medicaid "unwinding" underway since spring 2023.

Colorado also is the only state that had all the policy ingredients in place to cushion the fallout from the unwinding, according to Medicaid policy analysts at KFF.

But it seems the cushion hasn't been deployed.

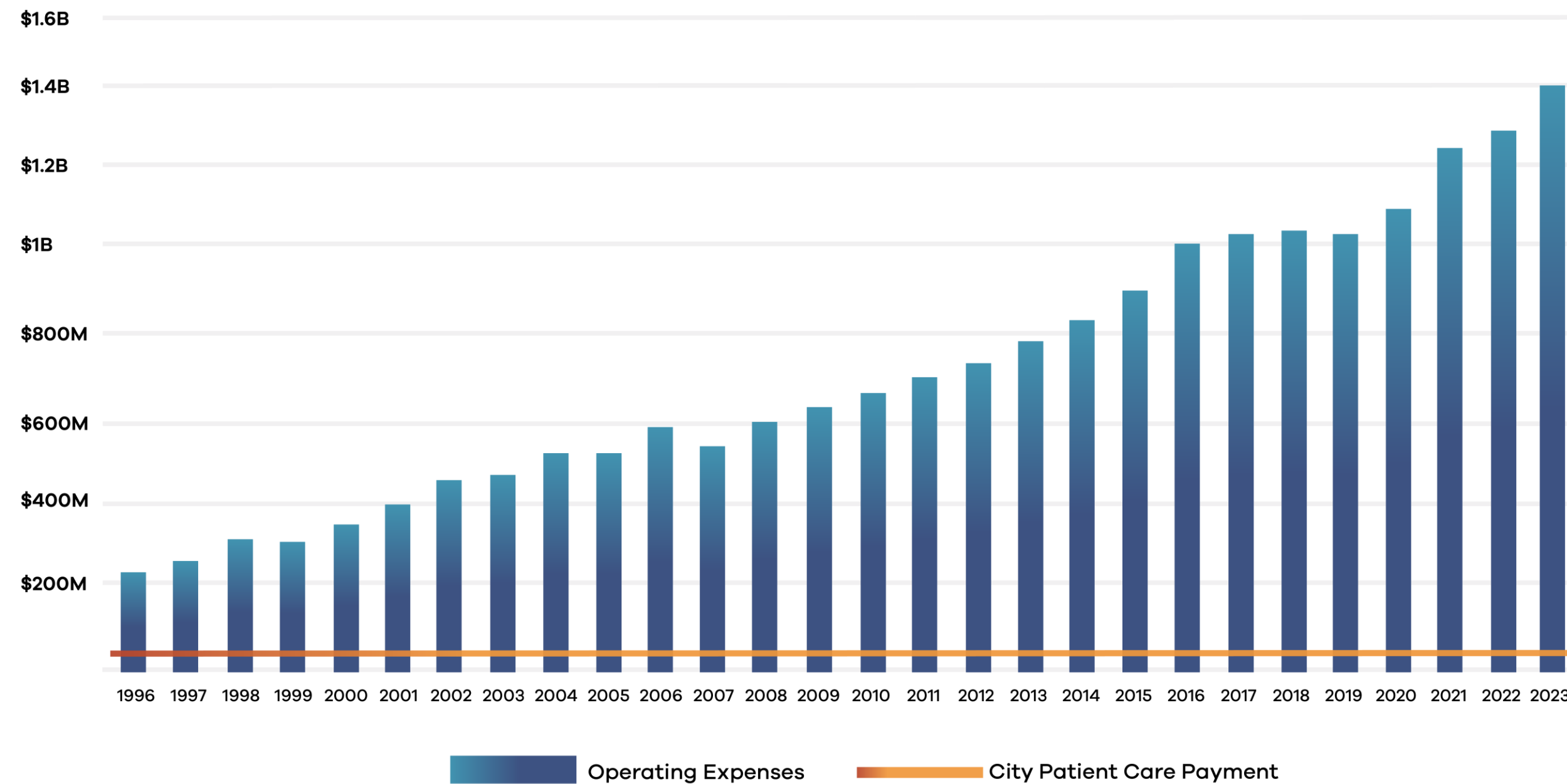


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Operating Expenses are Growing

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Operating Expenses vs. City Patient Care Payment



Denver Health is very large:

Denver Health's 2023 budget is \$1.4B

- City's General Fund is \$1.6B
- DPS's budget is \$1.2B

Health care has become more expensive in the last few years

- Labor
- Supplies
- Pharmaceuticals

Since forming the Authority, Denver Health has grown by ~550%



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Uninsured Encounters

	2022	2023	Total Increase	Percent Increase
All	203,987	243,006	39,019	19%
Denver	130,319	162,718	32,399	25%
OOC All	73,668	80,288	6,620	9%



Essential Safety Net Systems

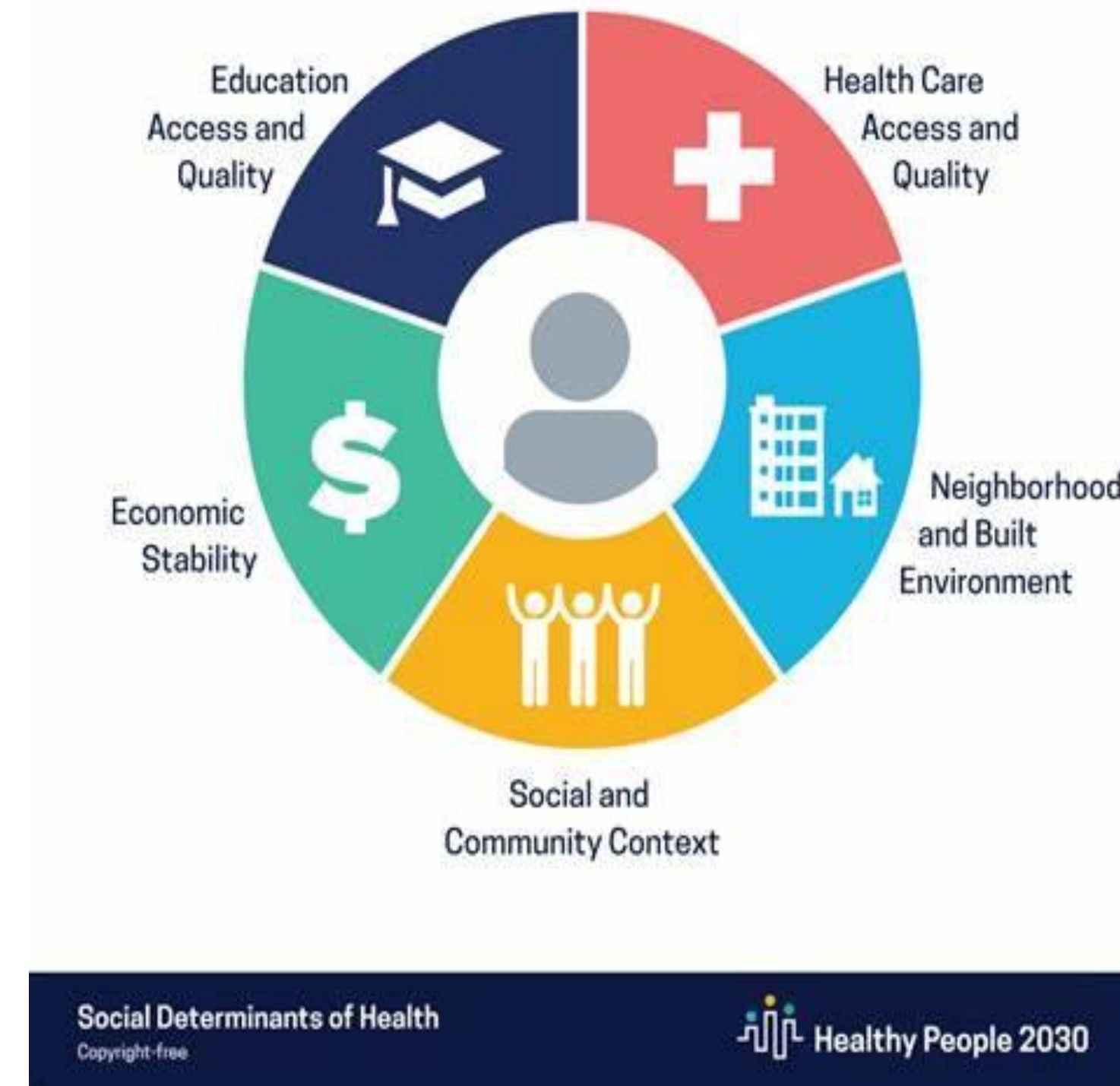
- There is no “official designation” but generally thought to be health systems that take a high proportion of uninsured, Medicaid, Medicare or CHP.
- Take care of all patients without regard to pay as part of their mission.
- Roughly 120-130 safety net or essential health systems in the U.S.



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Health-Related Social Issues

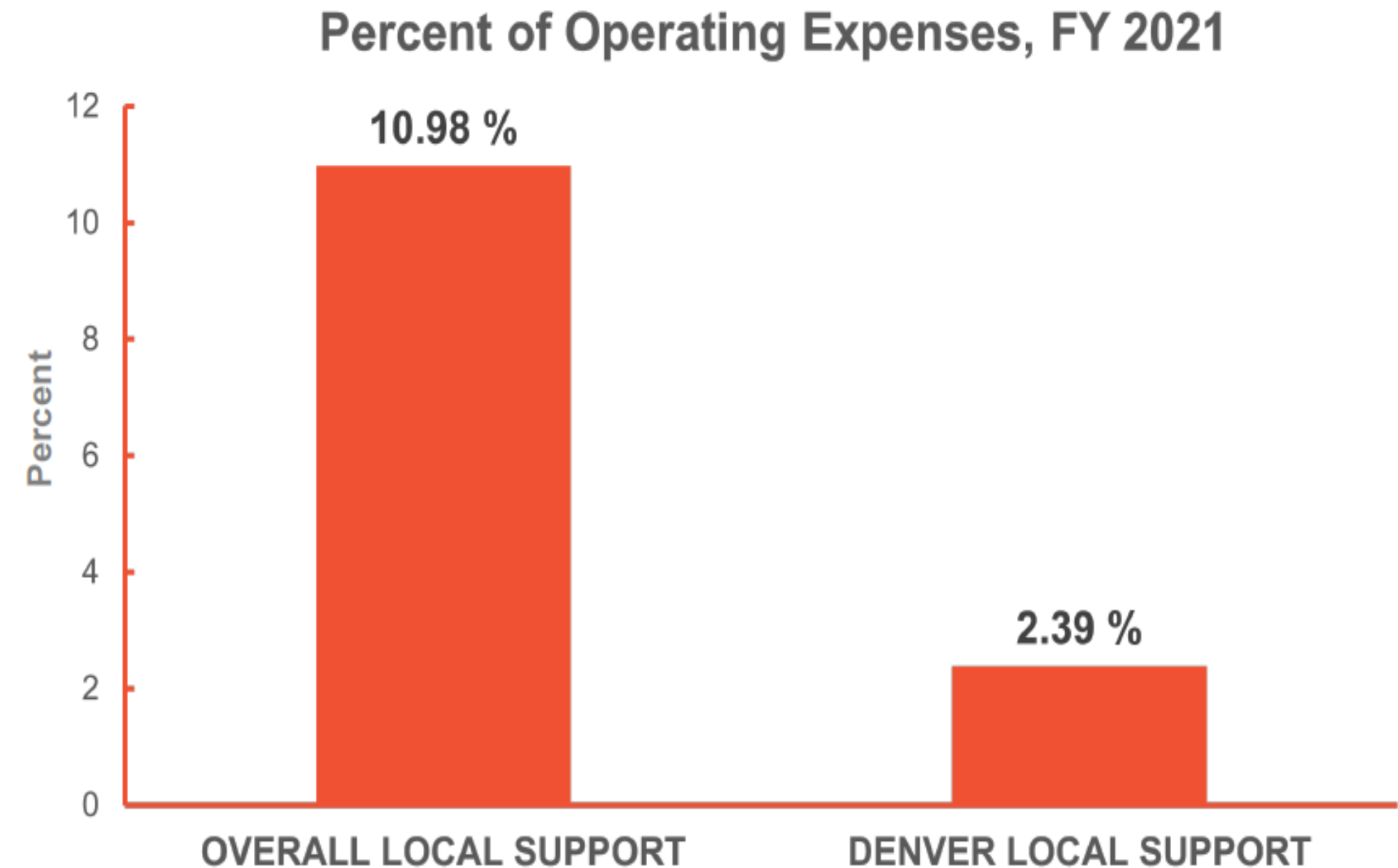
- Research shows that health-related social issues, sometimes called social determinants of health, play a larger role than clinical care in health outcomes, quality of life and life expectancy.



Dedicated Funding – Other Essential Hospitals

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- America's Essential Hospitals compared other peer safety nets to Denver Health (2021)
- Average Local Support Payment to Essential Hospitals = **\$112M**
- Local Support Payment to Denver Health = **\$30.7M**



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The Need For Sustainable Funding

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- Ran an exhaustive process to determine if Denver Health should go to voters in November 2024 asking for a tax increase.
 - Community meetings, neighborhood organizations, business associations
 - Polling
- On June 24, the Denver City Council voted 12-1 to go to the ballot, asking voters for a .34% sales tax increase to create ongoing funding for Denver Health.
- The initiative was known as Healing Denver and assigned the ballot number of 2Q.



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The Ballot Measure

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SHALL CITY AND COUNTY OF DENVER SALES AND USE TAXES BE INCREASED **BY \$70 MILLION ANNUALLY**, COMMENCING IN JANUARY 1, 2025, AND BY WHATEVER ADDITIONAL AMOUNTS ARE RAISED ANNUALLY THEREAFTER, FROM A **THIRTY-FOUR ONE-HUNDREDTHS OF ONE PERCENT (0.34%) SALES AND USE TAX RATE (3.4 CENTS ON A TEN-DOLLAR PURCHASE)**, TO BE COLLECTED ON TANGIBLE PERSONAL PROPERTY, PRODUCTS, AND SERVICES CURRENTLY SUBJECT TO SALES AND USE TAX, IN ORDER TO MAINTAIN AND EXPAND DENVER HEALTH AND HOSPITAL AUTHORITY SERVICES, INCLUDING:

- **EMERGENCY AND TRAUMA CARE;**
- **PRIMARY MEDICAL CARE;**
- **MENTAL HEALTH CARE;**
- **DRUG AND ALCOHOL USE RECOVERY; AND**
- **PEDIATRIC CARE**

AND, IN CONNECTION THEREWITH, SHALL NO MORE THAN TWO PERCENT (2%) OF THE TOTAL ANNUAL REVENUES DERIVED FROM THE INCREASE IN SALES AND USE TAX BE SPENT ON CITY ADMINISTRATIVE COSTS RELATED TO THE ADMINISTRATION OF FUNDS FOR THE ABOVE PURPOSES, AND SHALL THE MONIES DERIVED FROM THE INCREASE IN SALES AND USE TAX NOT BE USED AS THE SOLE BASIS FOR PROPOSING A REDUCTION IN CURRENT REVENUE EXPENDITURES FROM THE GENERAL FUND; AND SHALL THE REVENUE AND EARNINGS ON THIS SALES AND USE TAX BE COLLECTED AND SPENT AS A VOTER APPROVED REVENUE CHANGE AND AN EXCEPTION TO THE LIMITS THAT MAY OTHERWISE APPLY UNDER ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR ANY OTHER LAW



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Outcomes

- Passed by 56% of the voters
- Raised \$2 million dollars
- Received high-profile endorsements from Senators Hickenlooper and Bennet and Congresswoman DeGette; six Denver Mayors; the entire Denver Colorado state delegation and many from other counties; and more than two dozen former elected officials.
- Received editorial endorsements from media such as The Denver Post
- Received widespread contributions and endorsements from leading foundations, non-profit organizations, businesses and over 600 individuals.
- Educated and raised significant awareness about Denver Health among the public: dozens of community events; direct outreach via phone, email and in-person; 2,000 yard signs placed across city; countless hours sign-waiving; 850,000+ text messages sent to Denver voters; and extensive media coverage.



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Visioning the Future of Health Care

“The science of good is about enabling people to live the best possible life they can, in the best possible health.”

- Erika Taylor, Genentech



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Health Care is Recession Resistant...

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Investment in Technology Will Be Critical

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2025 Colorado Business Economic Forum Outlook

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- 11% of all Coloradans work in health care (2023)
- Over 341,000 Coloradans are projected to work in health care and social assistance in 2025.
- Population expected to grow to 6.3 million by 2030
- Population growth is driven by individuals in the 65 and older demographic.
- By 2034, it is projected that the number of seniors in Colorado will surpass the number of children, which has significant ramifications to the health care landscape in the state.
- The Medicare-eligible population has significantly increased.
- Aging population and higher demands for health care services will continue to drive an increase in demand for health care services into 2025.
- However, there is a significant workforce shortage in nearly all areas of health care.



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2025 Colorado Business Economic Forum Outlook

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- Colorado hospitals are significant contributors to the state's economy – more than \$18 billion each year.
- Expense trends are outpacing revenue year-over-year.
- The health care and social assistance sector continues to see gains in employment.



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Possible Health Care Items in Reconciliation

- Advanced Premium Tax Credits/Silver loading
- Large Scale Site Neutral Payment Reform
- Changes to equalize taxation of employer and individual plans (may be too big a bite)
- Dramatic expansion of health savings accounts (HSAs)
- Tax-exempt status of hospitals, universities
- Medicare Drug Price Negotiation
- Medicare Advantage Changes
- Medicaid Reforms
 - Blending the Federal Matching Rate (and reducing the overall level)
 - Work Requirements
 - Disproportionate Share and/or State Directed Payment Programs Curbs



Potential Medicaid Reforms

- Structural Changes to Medicaid
 - Blended match rate
 - Per capita caps
 - Medicaid block grants – segregating eligible populations (e.g. elderly, disabled, kids)
 - Innovation/flexible grants to states
- Medicaid Financing
 - Scaling back provider taxes
 - Medicaid supplemental payments:
 - Disproportionate share – requires a statutory change
 - Upper payment limit (UPL) – only regulatory change required
 - State directed payment programs – only regulatory change required



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*Opportunities are
like sunrises.*

*If you wait too long,
you miss them.*

-William Arthur Ward



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Coming Together

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Cuts in health care will have a significant impact on the economy.

Health care civic and business organizations will need to meet the challenges of the next four years and partner with state government.



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Thank You!



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