Colorado Association of Health Plans

Cost Shifting

SETTING THE RECORD STRAIGHT

What is cost shifting?

Hospital cost shifting occurs when health care providers charge more to private insurers to compensate for underpayment from government programs that reimburse providers at lower set rates.

Cost Shifting is widespread in Colorado

The Colorado Department of Health Care Policy and Financing studied the issue in Colorado and found financial evidence of wide-spread cost-shifting from hospitals to commercial carriers, noted in its 2020 Hospital Cost Shift Analysis Report.

Wouldn't we know if there if there has been cost shifting from the Colorado Option to other plans?

No. Colorado law does not require reporting or tracking of cost shifting associated with the Colorado Option. Instead, C.R.S. 10-16-1309 states that "if the administrator of a self-funded insurance plan voluntarily provides to the commissioner its contracted rates…the commissioner may evaluate whether the rates of the self-funded health insurance plan reflect a cost shift between the self-funded plan and the standardized plan." (Colorado Option.)

Further, the 2026 DOI Colorado Option premium rate filing instructions that advises insurers on which documents and information must be submitted in compliance with state law does not mention of cost shifting.

What happened in Oregon when that state set hospital rate caps in their state employee plans?

Oregon implemented hospital rate caps for its state employee plan in 2019. Oregon's "All Payer All Claims" Database and the Oregon Health Authority found that commercial reimbursement rates grew at an outsized rate after the state capped reimbursement rates for public employee plans effective October 2019.

In addition to the underlying Medicare fee schedule increase of 3%, inpatient hospital commercial insurance reimbursement rates went from 178% of Medicare in 2019 to 193% of Medicare in 2020. Outpatient commercial insurance reimbursement rates increased from 247% of Medicare in 2019 to 294% of Medicare in 2020.

Oregon hospital commercial reimbursement rates for inpatient and outpatient services increased significantly in a single year after the public employee plans capped hospital rates.[1]

---

[1] Oregon's All Payer All Claims Database and Oregon Health Authority, "**Relative Hospital Prices:** A comparison of Medicare and Commercial prices for common hospital procedures in Oregon, 2019," March 2022: https://www.oregon.gov/oha/HPA/ANALYTICS/HospitalReporting/Relative-Hospital-Price-Comparisons-Report-2019.pdf