IMPACT OF MEDICAID CUTS ON RURAL COLORADO COMMUNITIES

How Medicaid Reductions Endanger Healthcare Access and Hospital Sustainability

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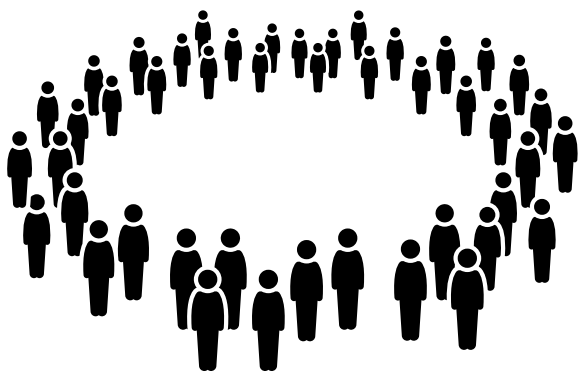
Federal Medicaid cuts pose a serious threat to Colorado's rural healthcare system, intensifying financial difficulties and restricting access to care for at-risk populations. Recent budget proposals indicate significant reductions in Medicaid funding, which would be particularly harmful for Colorado, already experiencing the highest net losses in Medicaid enrollment. These cuts, combined with recent disenrollments, are expected to further raise uninsured rates, increase uncompensated care costs, and lead to severe financial instability for rural hospitals that depend on Medicaid reimbursements to operate. If no action is taken, these communities will encounter escalating disparities and a deepening crisis in healthcare accessibility.

COLORADO CURRENTLY HAS THE SECOND HIGHEST NET LOSSES IN MEDICAID ENROLLMENT



Since 2023, 776,200 Coloradans lost Medicaid coverage. Of those, an estimated 65%, or 504,530. previous enrollees lost coverage due to procedural reasons despite likely still being eligible.[1]

Colorado's economy is projected to shrink by up to 0.9% due to Medicaid disenrollments, impacting healthcare access and economic stability statewide.[2]

Medicaid disenrollments could result in up to $4.7 billion in economic losses, 28,046 job losses, and a reduction of $1.7 billion in household earnings.[3]

MEDICAID CUTS THREATEN COLORADO'S RURAL HOSPITALS

The recent disenrollments have a significant effect on Colorado, impacting 13.1% of the state's population. This situation is particularly devastating for rural communities, where hospitals already function with minimal financial margins. Although Colorado has not witnessed a rural hospital closure in over two decades, there are now 10 rural hospitals facing the threat of closure, with three of them in immediate danger.[4]

Medicaid reimbursements serve as a vital revenue stream for these facilities. Without this funding, many hospitals are compelled to make difficult choices regarding their operations as expenses continue to rise. To make matters worse, underpayments from private insurance further undermine financial stability,[5] which makes cuts to Medicaid even more harmful to access to healthcare in rural areas.

As federal Medicaid funding hangs in the balance, state policymakers need to implement proactive strategies to halt further disenrollments and safeguard the healthcare system and rural communities in Colorado.

THE NEED FOR MEDICAID IN RURAL COLORADO

Medicaid is a cornerstone of healthcare in Colorado's rural communities, providing coverage to a significant portion of the population that would otherwise struggle to access healthcare. Medicaid expansion in Colorado increased economic activity by $3.8 billion in its first two years[6] and has been essential for sustaining healthcare infrastructure, especially in rural areas. In rural areas, where employer-sponsored insurance is less common and healthcare options are more limited, Medicaid serves as a crucial safety net for low-income residents, seniors, people with disabilities, and children. The large cuts to Medicaid currently being contemplated by Congress would have dire consequences for these communities that are already struggling.

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COVERAGE IN RURAL COLORADO

Colorado has the second highest net Medicaid enrollment losses in the country, affecting rural communities significantly.[7]

A greater proportion of rural Coloradans depend on Medicaid compared to those living in urban areas. This includes 30.7% of adults and 37.4% of children in small towns and rural regions who are covered by Medicaid/CHIP.[8]

A community mental health center that serves 10 rural counties over an area of 18,000 square miles has merged four clinics into two and reduced service hours. Meanwhile, other centers have cut back or completely eliminated programs for seniors, individuals experiencing homelessness, and other at-risk populations. [9]

Colorado hospitals are facing a 50% increase in visits from uninsured patients, adding about 18,000 individuals seeking emergency care each quarter. This rise in uninsured rates has led to higher uncompensated care costs, further straining hospitals with tight financial margins.[10]

The loss of Medicaid funding will disproportionately impact rural hospitals already struggling with uncompensated care and low reimbursement rates. Federal cuts, including work requirements, per capita caps, or reduced contributions, would further destabilize safety net providers and increase healthcare costs statewide. To sustain Medicaid coverage and support rural healthcare, state policymakers must act to stabilize enrollment and funding.

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