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DENVER HEALTH SALES TAX INITIATIVE

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ABOUT THE AUTHORS



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DJ Summers is Common Sense Institute's Director of Policy and Research. He oversees the stages of CSI's fellows and research staff, coordinates with partners, iterates and analyzes projects, and breaks down findings for the public, legislators, and commercial leaders.



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Erik Gamm joined Common Sense Institute as an analyst in 2020 after completing an internship in 2019. He graduated from the University of Michigan in 2020, with a Bachelor of Arts in Economics, and has experience from Washington, D.C., where he was an intern for the natural resources lobbying firm American Capitol Group. His work at CSI has addressed several major ballot initiatives and topics such as education, health care, and property taxation.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Coloradans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

INTRODUCTION

This year, Denver voters will be presented with a proposal to increase the city's sales tax rate. This would raise revenue for Denver Health at the cost of a .34 percentage-point hike. Should it pass, Denver's total sales tax rate will rise from 8.81% to 9.15%, the highest in the Front Range's ten largest cities.

Key Findings

- Denver Health's uncompensated care costs have doubled since 2017 while its allotment of \$30.8 million from the city has remained unchanged since 1996.ⁱ
- Denver Health's operating expenses have risen \$300 million since 2017.
- Denver Health expects to raise \$70 million a year from the new tax.
- Denver's new combined sales and use tax of 9.15% would surpass Boulder's to become the highest among the ten largest Front Range cities.

DENVER HEALTH

In an effort to help alleviate rising costs for Denver Health due to increases in uncompensated care, Denver's November ballot will feature a 0.34% sales tax increase. If approved, the estimated \$70 million revenue generated annually by the tax increase would be given to Denver Health to support key areas of trauma and emergency care, primary care, mental health, drug and alcohol use recovery, and pediatric care.

Denver Health is the city's designated provider of charity care. To this end, it receives an annual allocation from the City of Denver that does not cover expenses. However, several factors have accelerated the rate at which Denver Health accrues uncompensated care, while the budget from the city has remained unchanged.

The Denver Health budget has historically been set around \$30 million a year to help cover the costs of uncompensated care. Although with rising health insurance rates, increased immigration, and the phasing out of Medicaid eligibility these expenses will exceed this budget and are projected to increase.

From 2017 to 2023 Denver Health accumulated over \$600 million in uncompensated care costs, spending \$102 million on Denver residents in 2023 alone, over triple the yearly allocation for the medically indigent from City and County of Denver.

Ongoing events in Denver have exacerbated the situation. In the Denver metro area, hospitals spent about \$2,931 in uncompensated care per migrant, according to CSI estimates, totaling at least \$10 million in costs to Denver Health alone.ⁱⁱ The area's homelessness issue impacts costs as well, Denver Health's expenses for unhoused individuals grew 34% between 2019 and 2022.ⁱⁱⁱ

FIGURE 1

Denver Health Budget 2017-2023					
Year	Amount of Uncompensated Care for just Denver Residents	Amount of Uncompensated Care for Out of County	Total Uncompensated Care	Total Operating Expenses	Allocation from City of Denver
2017	\$53M	\$17M	\$70M	\$1.1B	\$30.8M
2018	\$47M	\$20M	\$67M	\$1.1B	\$30.8M
2019	\$42M	\$20M	\$62M	\$1.1B	\$30.8M
2020	\$44M	\$15M	\$59M	\$1.1B	\$30.8M
2021	\$61M	\$25M	\$86M	\$1.2B	\$30.8M
2022	\$82M	\$38M	\$120M	\$1.3B	\$30.8M
2023	\$102M	\$37M	\$139M	\$1.4B	\$30.8M

These same costs trickle down into healthcare bills.

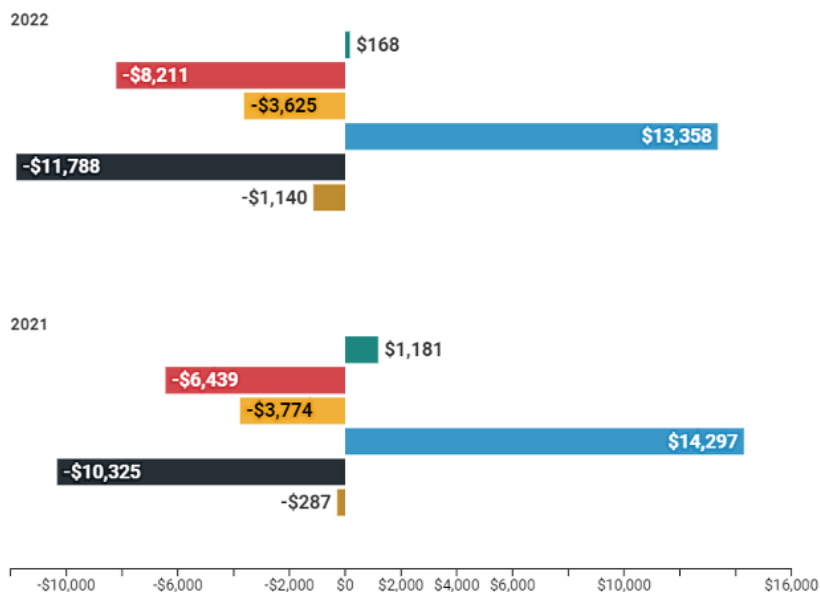
Previous CSI reporting had identified that rising healthcare costs are passed to consumers in the form of higher insurance premiums. In Colorado, private payers historically pay a higher rate per capita than public payers. Effectively, private insurance holders subsidize the costs of public and uncompensated care.

FIGURE 2

Payment Less Cost per Patient by Payer Group

The average patient on private insurance paid \$13,358 more than the material cost of their care in 2022 while patients on Medicare and Medicaid underpaid for their healthcare services by \$8,211 and \$3,625 respectively

■ All Payers ■ Medicare ■ Health First Co. ■ Private Insurance ■ Self Pay ■ C/CP/Other



Source: 2024 Colorado Healthcare Affordability and Sustainability Enterprise Annual Report

WHAT WOULD THE IMPACT BE?

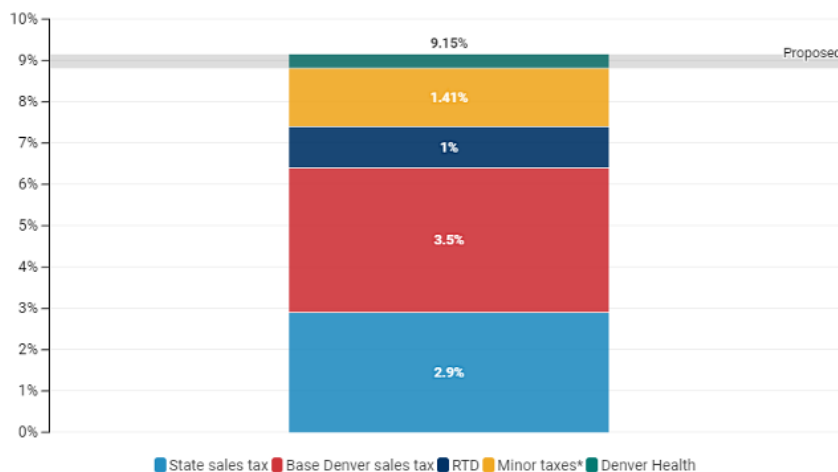
A .34 percentage-point increase in sales tax would mean that for every \$100 Denver residents spend, they would pay 34 cents more. This level of increase would generate approximately \$65-\$70 million of revenue for Denver Health. The city's current tax rate is 8.81%, and the proposed Denver Health measure would bring the combined sales and use tax to 9.15%.

At 9.15%, Denver would have the highest overall tax rate among the 10 largest cities in the Front Range. Denver's sales tax would exceed Boulder's rate of 9.05%.

FIGURE 3

Components of Denver's Sales Tax

Revenue from the base city tax goes to Denver's General Fund. Proceeds from other components of the total tax rate fund their respective purposes directly.



* Parks Legacy Fund, Caring for Denver Fund, Climate Protection Fund, Homelessness Resolution Fund, Denver Preschool Program, SCFD, Healthy Food for Denver's Kids, and College Affordability taxes

BOTTOM LINE

The measure seeks to address problems that some in Denver feel keenly: the rapidly growing demand for the services of Denver Health, the city's flagship hospital system. The city's sales tax would become the highest among the Front Range's ten largest cities and generate \$65-\$70 million for uncompensated care costs that are projected to rise.

SOURCES

- i. Annual Reports | Denver Health
- ii. <https://commonsenseinstituteco.org/the-ongoing-costs-of-denver-migrants/>
- iii. <https://commonsenseinstituteco.org/metro-denver-homelessness-2023/>