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*Support. Provide. Prepare.*



85th

Texas Legislative Session



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— THOT MISSION —

THOT member health systems promote the good health of Texas communities, teach the next generation of health professionals, provide quality healthcare to all, and support healthcare for the vulnerable. THOT supports our members and advocates for resources and policies that align with our members' community commitments.

THOT members' shared commitments include:

- Supporting access to care for all in our communities, with a special focus on vulnerable populations;
- Providing and coordinating essential community health services, such as trauma and disaster management;
- Preparing for the future by training tomorrow's healthcare providers and supporting health research and healthcare transformation.

— THOT RECOMMENDS —

- Shoring up Texas' GME Investments and Medical Research
- Supporting Financing for Hospital System Stabilization and Sustainability
- Safeguarding Continued Funding of Regional Trauma Centers
- Guaranteeing Texas' Medicaid System is Prepared for Value Based Care
- Renewing the Waiver while Building on Success of Waiver I
- Ensuring Local Authority and Responsibility for Local Decisions
- Creating a Transformative Coverage System for Uninsured Texans

## Medicaid Financing

Support Financing for Hospital System Stabilization and Sustainability — Medicaid base rates pay little more than half of the allowable Medicaid costs for the six largest public hospitals (51%); and only 79% of allowable costs when supplemental payments like DSH and UC are considered.<sup>1</sup> Low rates make our health care system dependent on complex, unstable financing. Medicaid Hospital funding depends on local property taxes even as the largest public hospitals providing IGT receive the smallest share of payments for their costs of care. Even accounting for supplemental funding (DSH and waiver UC payments), Texas hospitals still had approximately \$4 billion<sup>1</sup> in unfunded care in 2015.

### THOT Recommends:

- Appropriating GR for rate increases and/or providing flexibility for industry-funded rate increases to more equitably and sustainably finance Medicaid payments.
- Targeting payments for uninsured and Medicaid patients based on individual hospitals' proportional share of uninsured and Medicaid care provided.

<sup>1</sup>Health Management Associates. *Evaluation of Uncompensated Care and Medicaid Payments in Texas Hospitals and the Role of Texas' Uncompensated Care Pool*, August 26, 2016.

## Local Authority & Responsibility

Ensure Continued Local Authority and Responsibility for Local Decisions — Texas should continue its tradition of local authority.

### THOT Supports:

- Local authority and decision-making for tax rates, use of taxes, ad valorem valuation, and bond authority.

## Graduate Medical Education (GME) & Research

Shore up Texas' GME Investments and Medical Research — Texas needs more primary and specialty care providers for its rapidly growing and aging population. Education, patient care, and research together support Texas' transformational healthcare system.

### THOT Recommends:

- Seeking federal match for GME grant funds to support existing GME residencies and infrastructure while we grow our GME capacity.
- Targeting GME support for shortage specialty residencies as well as primary care.
- Increasing GR to fully fund Medicaid School GME costs through the GME Formula.
- Maintaining the Research Formula GR increase for medical research to keep Texas a world class research and health care destination.

## Provide Fair Incentives for Value Based Care

Guarantee Texas' Medicaid System is Prepared for Value Based Care — THOT members share Texas' goal of improving quality and cost in our healthcare system. Texas has an opportunity to improve the health of its beneficiaries and the value of the health care delivery system.

### THOT Recommends:

- Developing Hospital and HMO rate setting methodologies that create incentives for providers to innovate and be rewarded for value based care.
- Implementing sociodemographic adjustments for performance measures affected by non-clinical patient characteristics.
- Using waiver DSRIP funding to support provider transformation to compete in value based care.
- Creating value-based systems that account for differences in the range and complexity of services provided (e.g., at tertiary and quaternary health systems) and for underfunded community benefits some providers also make possible. Supporting GME residents, providing highly specialized healthcare services, keeping level one trauma systems at the ready, and being prepared for disaster or public health events contribute to community health and safety, yet can increase costs that can lead to disadvantages in cost-based competition.



## Trauma Funds

Safeguard Continued Funding of Regional Trauma Centers — THOT members operate 10 of the state's 17 Level I regional trauma centers. Trauma systems are ready 24/7 for our first responders and for all Texans. Texas trauma funding helped create a successful trauma system: our trauma mortality rate is lower than most other state rates. THOT's mission also supports vulnerable Texans, so we've proposed DRP funding options to help find alternative, dedicated, recurring, and sustainable sources of funding for trauma services.

### THOT Recommends:

- Fully funding Texas Trauma needs at a minimum at last biennium's level including the safety-net add-on; and appropriate all funds in 5111 Trauma and EMS GR account.
- Considering optional recurring, dedicated, sustainable and easily administered funding sources as possible alternatives to the current DRP program.
- Investing other unallocated dedicated funding to support critical trauma infrastructure development.
- Targeting scarce trauma funds:
  - to ensure proficient, system-ready, cost-effective, Level 1 and academic medical center trauma systems;
  - to help train trauma surgeons and nurses at academic medical centers; and
  - based on a proportional share of trauma UC provided.

## Support Texas-Style Coverage

Create a Transformative Coverage System for Uninsured Texans — Texas has a unique and timely opportunity to provide health care coverage for low income Texans through a capped expenditure program. Funded through local contributions (IGTs or Local Provider Participation

Fees) and federal matching funds available through existing waiver budget neutrality room, coverage through local systems of care will improve care and cost-effectiveness while fostering system transformation to value based care leveraging DSRIP innovation.

### THOT Recommends:

- Seeking authority to negotiate a Texas-Style coverage system for uninsured Texans.
- Negotiating for waiver flexibility to provide locally-driven health care coverage for uninsured Texans.

## Renew 1115 Waiver

Support Renewal of the Waiver while Building on the Successes of Waiver I — Renewal of the 1115 Waiver and related funding is important for all hospitals and critical to avoid service reductions in our essential hospitals. Reductions in waiver funding for some THOT members will trigger negative margins; service reductions and/or increased pressure on property taxes. Health care and other essential services are at risk. THOT members serve as anchors for 11 of the 20 Regional Healthcare Partnerships (RHP) and provide most of the Intergovernmental Transfers (IGT) for Texas' waiver payments. In addition, THOT members are responsible for over 300 of the 1,491 DSRIP projects in Texas. THOT continues to commit resources to help with a successful renewal.

### THOT Recommends:

- Renewing the 1115 Waiver and maximizing critical health system funding.
- Using the waiver to negotiate a coverage program for uninsured Texans.
- Using DSRIP to invest in providers' ability to compete in value based systems of care.



*Saving lives today, preparing for tomorrow.*

