



**THOT Members**

AUSTIN  
Central Health  
Ascension Texas Ministry Seton

CORPUS CHRISTI  
CHRISTUS Spohn Health System  
Nueces County Hospital District

DALLAS  
Children's Health System of Texas  
Parkland Health & Hospital System  
The University of Texas  
Southwestern Medical Center

EL PASO  
University Medical Center of El Paso

FORT WORTH  
JPS Health Network

GALVESTON  
The University of Texas Medical Branch

HOUSTON  
Harris Health System  
The University of Texas MD  
Anderson Cancer Center

LUBBOCK  
UMC Health System of Lubbock

MIDLAND  
Midland Memorial Hospital

ODESSA  
Medical Center Health System

SAN ANTONIO  
University Health System

TYLER  
The University of Texas  
Health Northeast

**GME Affiliate**  
RIO GRANDE VALLEY - EDINBURG  
Doctors Hospital at Renaissance

**Texas Senate Finance Committee**

**Written Testimony**

**Tuesday, January 31, 2017**

**SB 1 – General Appropriations Bill.**

Dear Chair Nelson and Members of the Committee:

My name is Maureen Milligan; I am the President and CEO of Teaching Hospitals of Texas (THOT). Thank you for the opportunity to provide written comments today on SB 1 – General Appropriations Bill, and for your commitment to the health of Texas.

We understand that SB 1 as Introduced is a starting point for the budget, but would like to provide feedback on several items of importance to THOT members.<sup>1</sup>

**First, thank you for your commitment to maintaining State funding to support Texas' trauma care system, including the increased trauma and safety-net add-ons at last biennium's levels. Your commitment to trauma works:**

Providing trauma care in coordinated systems of care' that transport, receive and care for patients with the appropriate level of medical intervention is the most effective approach to save lives and function.<sup>1</sup>

The Texas trauma system has been highly effective at saving lives. The state's trauma case fatality rate for 2014 was 2.54 percent, almost half a point lower than in 2013.<sup>2</sup>

Overall Texans have trauma associated mortality rates that are lower than the national average. These life-saving successes would not be possible without a strong statewide trauma system and dedicated trauma care funding.

**Second, we appreciate your leadership and support to ensure Texas has the GME infrastructure to keep our medical school graduates in Texas for their residencies and, hopefully, for their careers.**

Thank you for increasing the Graduate Medical Education Expansion funding to \$97 million for the biennium. While this increase will help Texas achieve its goal of increasing residency capacity, at the same time Health Related Institutions' GME formula funding was reduced in the introduced budget. Maintaining and increasing this formula funding is critical to support instructional costs of GME. Reducing this support for Health-Related Institutions could reduce our Texas GME capacity.

THOT members comprise about **two-thirds** of Texas' Level One trauma centers.

THOT members provide about **half** of all the state's unfunded trauma care.

<sup>1</sup> American College of Surgeons: <https://www.facs.org/quality%20programs/trauma>  
<sup>2</sup> Ibid, pg6.

In addition, **THOT also continues to recommend** that Texas invest in our GME infrastructure at teaching hospitals, while creating new capacity. For Texas residencies not eligible for GME grants, unreimbursed direct residency costs in 2014 averaged from \$67,000 to \$89,000 per resident per year.

These unreimbursed GME costs add to the pressure on local funding entities, on DSH and UC, and exacerbate the overall financing stress for teaching hospitals in Texas<sup>ii</sup>. In order to maintain the existing and increase the number of residencies to meet Texas' needs, we also need to support and stabilize our current residencies in both primary and specialty care. **THOT recommends matching current grant investments through Medicaid, in a hold-harmless approach that will allow Texas to financially support hospital residency costs for existing residency positions while adding new positions.** We believe this can be structured with no GR impact and no loss to current grantees while helping to secure sustainable GME infrastructure support.

**Lastly, we understand that funding will be tight this session and that the Senate Finance Committee will be looking at cost containment initiatives but ask that the Committee consider the impact to essential hospitals of any proposed hospital reimbursement reductions.**

Essential Hospitals provide care to vulnerable populations and have a different payer mix than most Texas hospitals, making them more susceptible to changes in Medicaid reimbursement and related Medicaid financing policy. Essential hospitals with significant, disproportionate percentages of uninsured and Medicaid patients have less opportunity to offset related losses with commercial and Medicare payments.

For hospital districts and public hospitals, local taxes support some of these costs. However, sufficient Medicaid rates as well as equitable Medicaid policy in supplemental programs like DSH, Waiver UC and Waiver outpatient funding are critical to continue the important services we provide: cost-effective healthcare, especially for uninsured and low income Texans; trauma services as well as disaster planning and response; and preparing for the future with GME programs, professional training and nationally recognized clinical and delivery system research. At the same time, THOT's largest six public hospitals put up the bulk of intergovernmental transfers that today provide more than half of the total state share of Medicaid hospital payments for **all** Texas hospitals.

Thank you Chair Nelson, members of the committee for your work and support. We look forward to working with you this session to find creative, innovative, and effective approaches to support the health of Texas. Please let us know if you need any additional information.



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<sup>i</sup> Our 18 members include large urban and mid-sized public hospitals, four University of Texas health systems, Children’s Hospital and several affiliated non-profit health systems. THOT members share a mission with three core objectives: supporting access to quality care for all with a special focus on vulnerable populations; providing and coordinating essential community health services such as trauma and disaster management; and preparing for the future by training tomorrow’s healthcare providers and supporting health research and healthcare transformation.

<sup>ii</sup> Unfunded costs are included in overall unreimbursed costs which are partially offset by uncompensated care and DSH supplemental payments.