TEACHING HOSPITALS of TEXAS

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

April 23, 2018

Texas Health and Human Services Commission
4900 Lamar Boulevard
Austin, TX 78751

Texas Health and Human Services Commission,

Thank you for the opportunity to provide recommendations for the Health and Human Services Commission's (HHSC) 2020 - 2021 Legislative Appropriations Request (LAR). THOT's 17 members include Texas' large urban public hospitals and health systems, four state health systems, three children's hospitals and several affiliated non-profit health systems and smaller hospital districts.

THOT members share three core commitments: 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 health care providers and supporting health research and healthcare transformation.

THOT commends HHSC's efforts last session to maintain reimbursement for hospitals and continue targeted rate increases for hospitals that help maintain the state's trauma system and safety-net. We understand that next session's budget may be tight but would make the following recommendations for inclusion in HHSC's LAR.

- Include an Exceptional Item for an Increase to Hospital Medicaid Base Rates with GR Funding to a level that would cover half of the current unfunded Medicaid costs to Texas hospitals, and use an equitable financing structure to determine baseline rates.
- Include in the Base Budget Funding to Maintain the State's Targeted Trauma and Safety-Net Add Ons.
- Include a Rider to Support and Implement Medicaid Match for a Direct Medicaid GME Payment.

Include an Exceptional Item for an Increase to Hospital Medicaid Base Rates. With changes to the waiver terms, and possible federal funding reductions on the horizon, we ask your support to increase Medicaid base rates to a level that would cover half of the current unfunded Medicaid costs to Texas hospitals.

In 2015, Medicaid rates paid only 68.8% of hospital *costs* for Medicaid patients[1]. Medicaid rates for large urban hospitals that see more uninsured patients *paid barely half of Medicaid costs (51.2%).* Complex IGT-funded supplemental & waiver funds help offset some of all hospitals' unfunded costs but even with these additional funds Medicaid underpayments contributed to an estimated

[1] ii HMA's Evaluation of Uncompensated Care & Medicaid Payments in Texas Hospitals and the Role of Texas' Uncompensated Care Pool; August 26, 2016. On average for all Texas hospitals. This is allowable costs; not charges.

$8.2 billion in unfunded hospital costs in 2017.[2] We appreciate the addition of targeted rate increases for trauma and safety-net hospitals to help offset some of this uncompensated care.

HHSC estimated that in 2016, the method of finance for $13.862 billion in Medicaid payments to hospitals[3] was as follows**: Federal funds – 56.8%; IGT – 26.4% and GR – 16.8%.** IGT contributions (largely from six urban hospital districts) last year exceeded 150% of the state's GR contribution. The state's IGT providers have historically worked to partner with the state to support statewide hospital Medicaid funding as GR contributions have proportionately decreased.

It's been 16 years since the last across the board Medicaid hospital rate increase,[4] with a sequence of hospital cuts in the intervening years. The lowest paid hospitals provide the bulk of IGT that now pays a larger share of all Medicaid hospital payments (26%) than does GR.

Include in the Base Budget Funding to Maintain the State's Targeted Trauma and Safety-Net Add Ons for Hospitals.

THOT Members provide about half of the state's $300 million annual unfunded trauma care. Your commitment to trauma works: 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,[5] and overall trauma associated mortality rates in Texas 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. We request that HHSC ask for continued funding for hospitals' uncompensated trauma care at this biennium's levels.

The Safety-Net Add On is critical for essential hospitals who provide care to vulnerable populations and have a different payer mix than most Texas hospitals, making them more susceptible than other hospitals 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. The Safety-Net Add On aids in offsetting some of the unfunded costs of care and will help safety-net hospitals to continue to provide care for our state's most vulnerable populations.

Include a Rider to Support and Implement a Medicaid Match for a Direct Medicaid Graduate Medical Education Payment.

For Texas residencies not eligible for Texas Higher Education Coordinating Board 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.[6] In order to maintain the existing residencies and increase the number of residencies to meet Texas' needs, we also need to support and

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[2] Ibid.

[3] Including base rates, UC, DSH and NAIP. HHSC Consolidated Budget Request 2018-2019 Biennium; October 2016, pp. 84 – 85 with GR percent verified by HHSC.

[4] See page 77 of HHSC's 2016-2017 consolidated budget; http://legacy-hhsc.hhsc.state.tx.us/about_hhsc/finance/2016-2017.pdf A targeted rate increase for DSH hospitals was provided in the 84th session.

[5] P. 6; American College of Surgeons: https://www.facs.org/quality%20programs/trauma

[6] Unfunded costs are included in overall unreimbursed costs which are partially offset by uncompensated care and DSH supplemental payments.

stabilize our current residencies in both primary and specialty care. THOT recommends allowing hospitals to match IGT through Medicaid for their unreimbursed Medicaid Direct GME Costs. We believe this can be structured with a rider which does not require an exceptional item and will have no GR impact while helping to secure sustainable GME infrastructure support for existing programs.

Thank you for your consideration of these recommendations, and your work to support health care in Texas. Please contact our office should you have any questions or need additional information.

Sincerely,

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