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THOT Testimony for House County Affairs Committee
Monday, May 16, 2016 @ 10 a.m.

Charge: Texas Healthcare Transformation and Quality Improvement Program 1115 Waiver (Invited Testimony)

- The Teaching Hospitals of Texas have commitments to provide quality care to all, in particular vulnerable Texans; to be prepared and provide trauma and disaster services and care; and to plan for tomorrow by supporting the Texas healthcare workforce and graduate medical education as well as the delivery system and health research and transformation.

- While representing only about 6% of Texas' hospitals, THOT members provide about 23% of Medicaid care; 36% of the hospital care provided to uninsured Texans; almost 60% of Level 1 Trauma care; and about 63% of hospital based Graduate Medical Education residencies. Related to waivers, THOT members represent 11 of the 20 waiver anchors or regional coordinators, provide significant uninsured inpatient and outpatient care, and provide the bulk of funding that makes possible the access to the waivers' billions in healthcare investments.

- We are grateful for the 15-month waiver extension, Commissioner Traylor's work to secure it and your support in obtaining White House and CMS approval.

- Extension and continued renewal of waiver funding at as close to the current $6 billion per year is imperative. Those waiver funds represent about 40% of all Medicaid-related hospital payments. (Chart 3 on page 4 in the appendix illustrates this impact.) And even after waiver funds providing 40% of all Medicaid –related hospital payments, Texas hospitals still have over $2 billion in costs of care that are unfunded. Negotiation of a longer term solution with CMS is critical for Texas' hospitals and our health safety net.

  Waiver funds today make the difference between some hospitals' ability to continue providing services. With waiver funding, Harris Health system has a $1.2 million or 0.09 percent margin off a $1.3 billion budget. Without waiver funding, Harris would face a negative margin of $209 million or negative 16%. Loss of DSRIP funds alone in Harris would lead to closing 6 same day clinics and elimination of 150,000 same day appointments. Failure to renew at near current funding levels will lead to more ED use, more inpatient days, poorer health, job loss, loss of GME positions and of Texas' medical school investments as residents go to other states, loss of critical behavioral health investments and care, increased county court and incarceration costs, and increased pressure on local property tax. If Texas fails to renew the waiver at close to current levels, it will have dramatic effects on our state's social and safety net systems and our ability to provide care.

The waiver has also created an unparalleled level of provider coordination that has achieved significant results. Through their innovation in the current waiver, providers including hospitals, behavioral health providers, participating physicians, and other integrated partners have reduced avoidable Emergency Department visits, inpatient stays and provided better care often with less cost that focuses on the needs of patients.

Innovation includes using paramedics on down time to check on patients recently discharged from hospitals or needing assurance, bringing providers to homeless shelters to provide care, creating and using sophisticated predictive analytics to identify and provide care management to those most likely to need it, creating at home IV antibiotic protocols and training, and using telemedicine to make behavioral health providers more available. This innovation has reduced ED visits, inpatient days and created improvements beyond health care, for example it can reduce county court and incarceration costs. Loss of the waiver or waiver funding will set back coordination, could unravel the coordinating infrastructure of the Regional Healthcare Partnerships, and would terminate some projects before the full return on investment can be achieved.

- The work that starts now of negotiating for a longer term renewal provides Texas with risks and with two important opportunities. First, it provides an impetus to address our need for a long term sustainable approach to fund Medicaid payments for hospitals. Second, it provides Texas and Texas providers the opportunity to use the lessons and successes of the current waiver to create public and private provider based integrated systems of care. What does that mean?

- First with Medicaid rates paying most hospitals only 58% of the costs of services provided, myriad complex payment programs, largely funded by a diminishing number of counties' property taxes, have evolved into a very complicated, unstable and unsustainable patchwork of Medicaid hospital financing. In addition to DSH, there has been UPL, is now DSRIP, UC, NAIP and MPAP – mostly funded with county property tax and complex financing relationships. The waiver renewal will give Texas the opportunity to create a more streamlined efficient and equitable payment system that addresses the fundamental problems of low hospital rates, and increasing dependence on a diminishing number of local county property taxes. Chart 2 identifies the six counties that today provide the bulk of that support.

- Second, the waiver renewal offers Texas providers the opportunity to create provider based, integrated healthcare systems that improve care and bend the cost curve by tapping into the deep roots and strong community relationships that our public and private hospitals have. It provides the opportunity to continue providing innovative care for all Texans, including uninsured Texans through "DSRIP" innovation in provider based systems. CMS has supported and encouraged similar integrated provider based systems that include approaches like these (for example in New York and California), that preference value of care over simple volume of care.

- We have much to lose if we aren't successful negotiating the waiver. We also have an exciting opportunity and much to gain if we are successful in first, creating a convincing vision and realistic path to address our Medicaid hospital funding challenges. And second in ensuring sufficient direct investments to support value based care provided by innovative, effective providers and integrated partners in an integrated care system with the right incentives for quality cost effective care.

Appendix

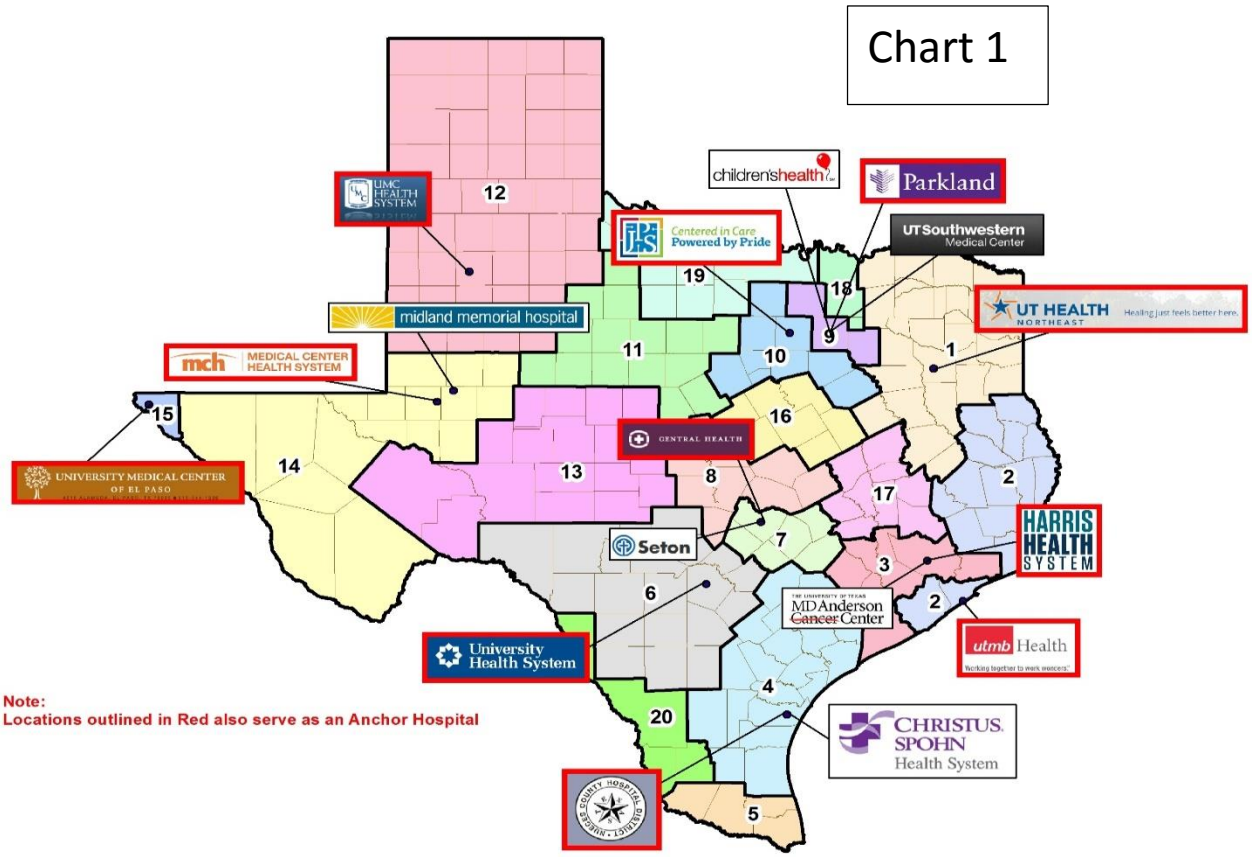
I. THOT Membership and Mission:

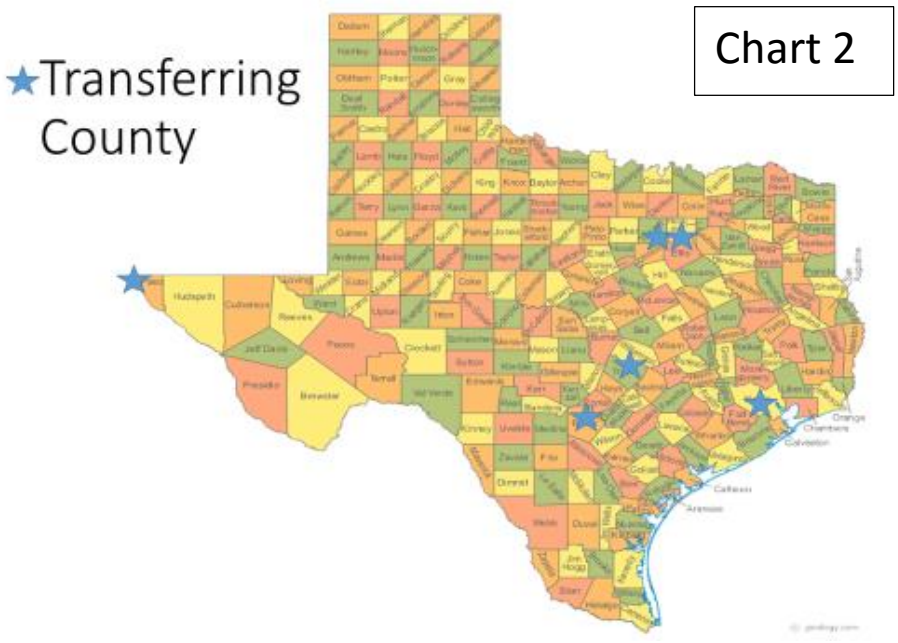
THOT represents 17 health systems and hospital districts providing essential health services to their communities sharing the following core commitments:

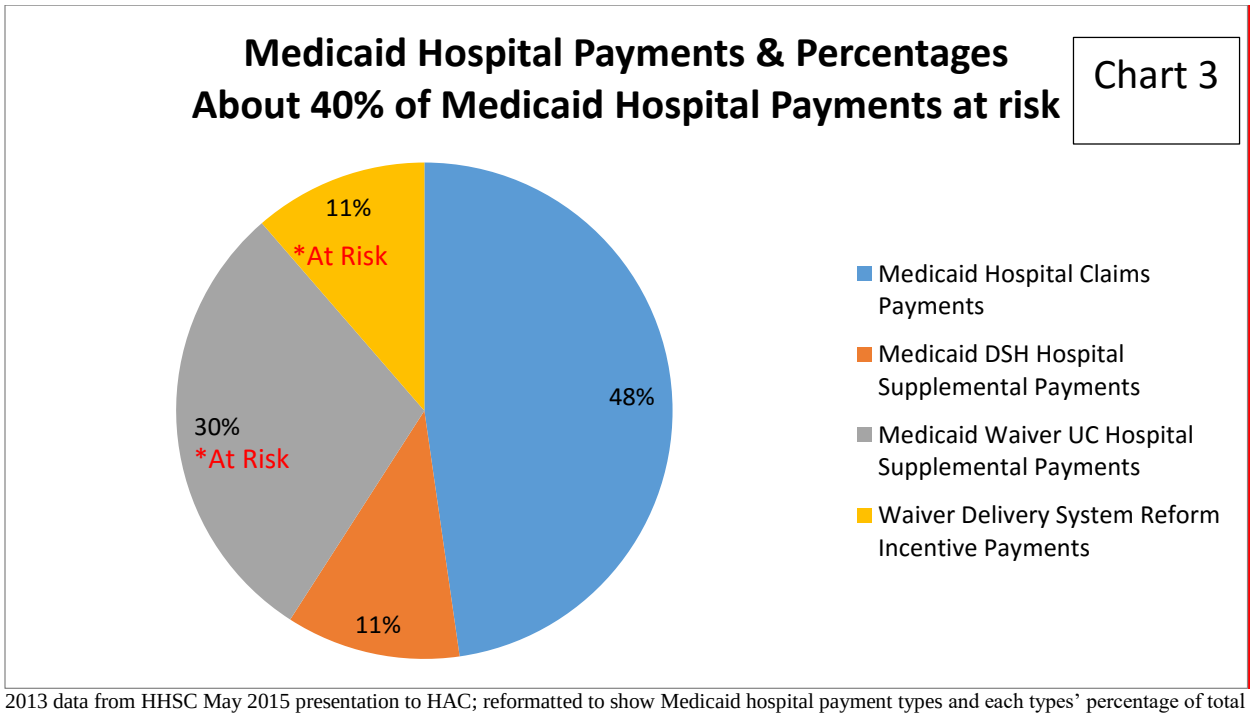
- Supporting access to care for all in our communities with a special focus on vulnerable populations;
- Providing and coordinating essential community health services, such as trauma and disaster management; and
- Preparing for the future by training tomorrow's healthcare providers and supporting health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

Texas' 1115 Waiver Regions:

In 11 of the 20 Regions THOT members serve as Waiver Anchors/Coordinators.
(THOT members identified below. Those outlined in red are THOT Anchors)







2013 data from HHSC May 2015 presentation to HAC; reformatted to show Medicaid hospital payment types and each types' percentage of total Medicaid hospital payment.