



TEACHING
HOSPITALS
of TEXAS

House Appropriations Committee Chairman John Zerwas

Key Points:

- *Scope of federal Medicaid funding*
- *Related Federal Risks*
- *Medicaid Rates; IGT Dependence & Risk*

Tuesday, July 25, 2017

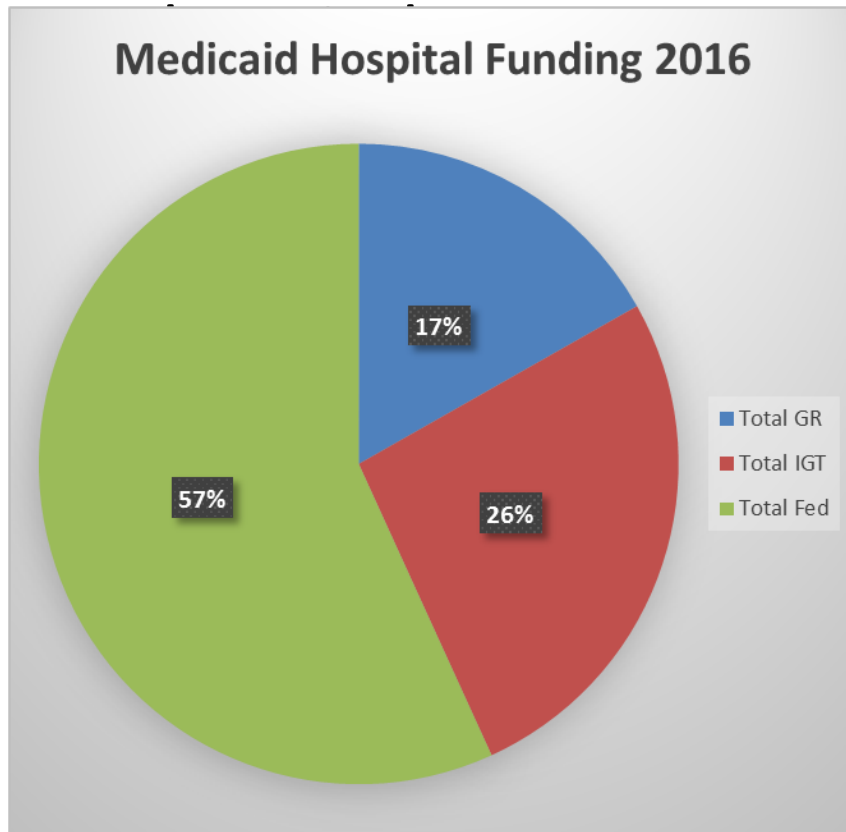
Teaching Hospitals of Texas
Maureen Milligan, President & CEO

Saving lives today, preparing for tomorrow.

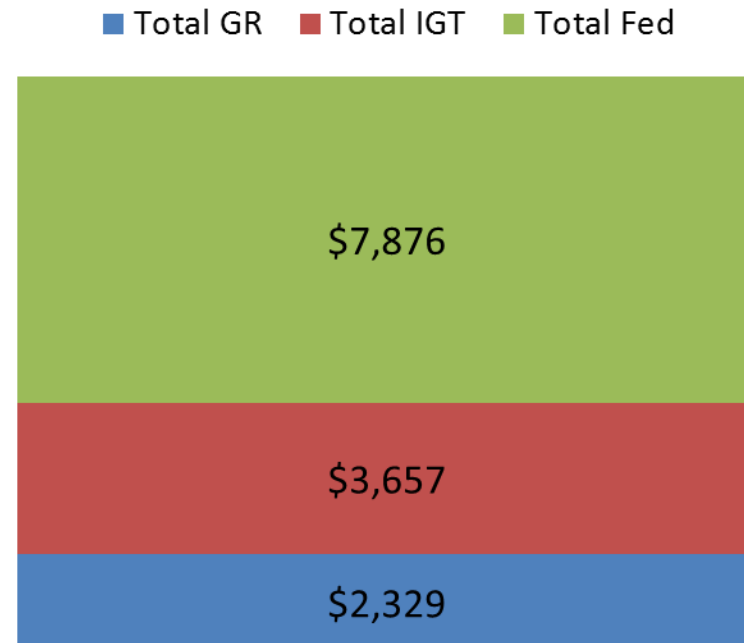


Federal Funding – Majority of Texas Medicaid Financing

- Federal Funding - 57% of Medicaid and Uninsured



Estimated 2016 Medicaid Hospital Payments (\$Billions)



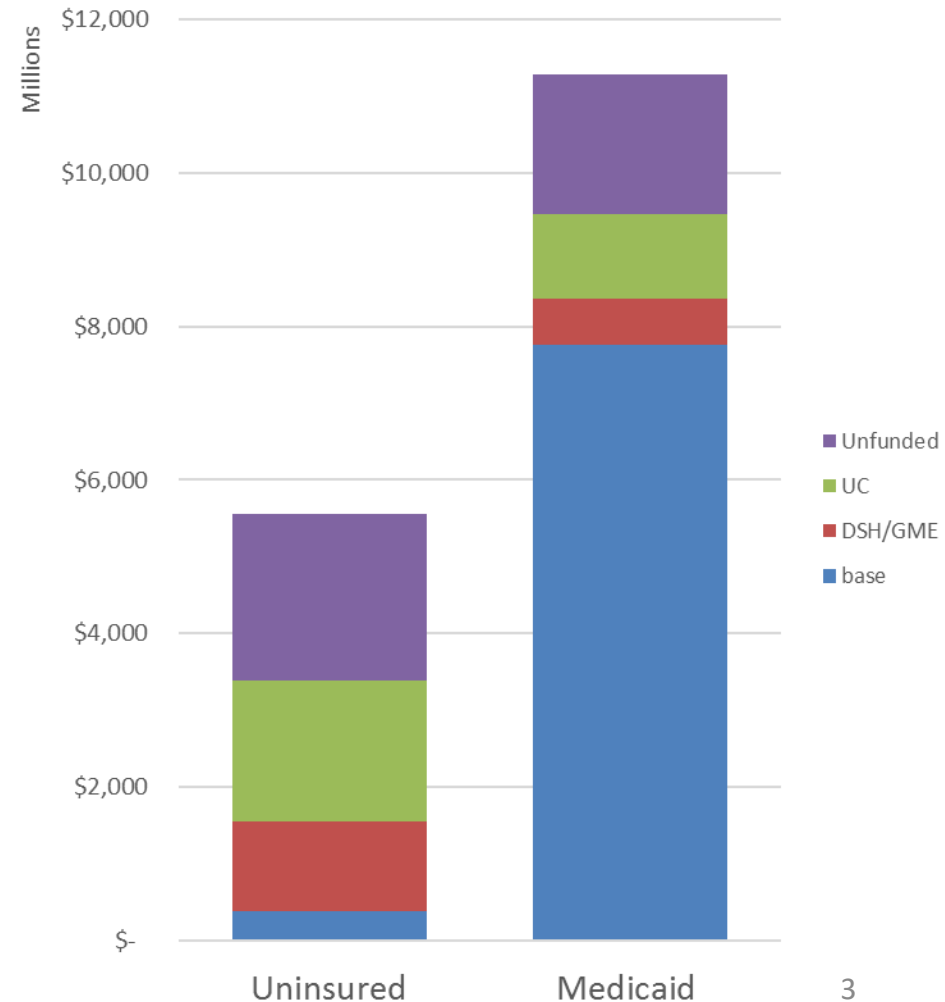
Included Medicaid base payments plus the UC program and Delivery System Incentive Payment Program (DSRIP) under the 1115 waiver, the DSH program and the Network Adequacy Incentive Payment (NAIP) program payments.



Federal & State Health Risks

- Adverse impacts to TX:
 - Reductions in federal Medicaid funding (Caps)
 - Policy changes increasing the uninsured
 - Increasing underinsurance (too high deductibles, uncovered costs, etc.)
 - Unfavorable CMS Waiver Funding Decisions (UC/DSRIP)
 - TX property tax caps

Medicaid & Uninsured Costs & Payments
2015 Est.

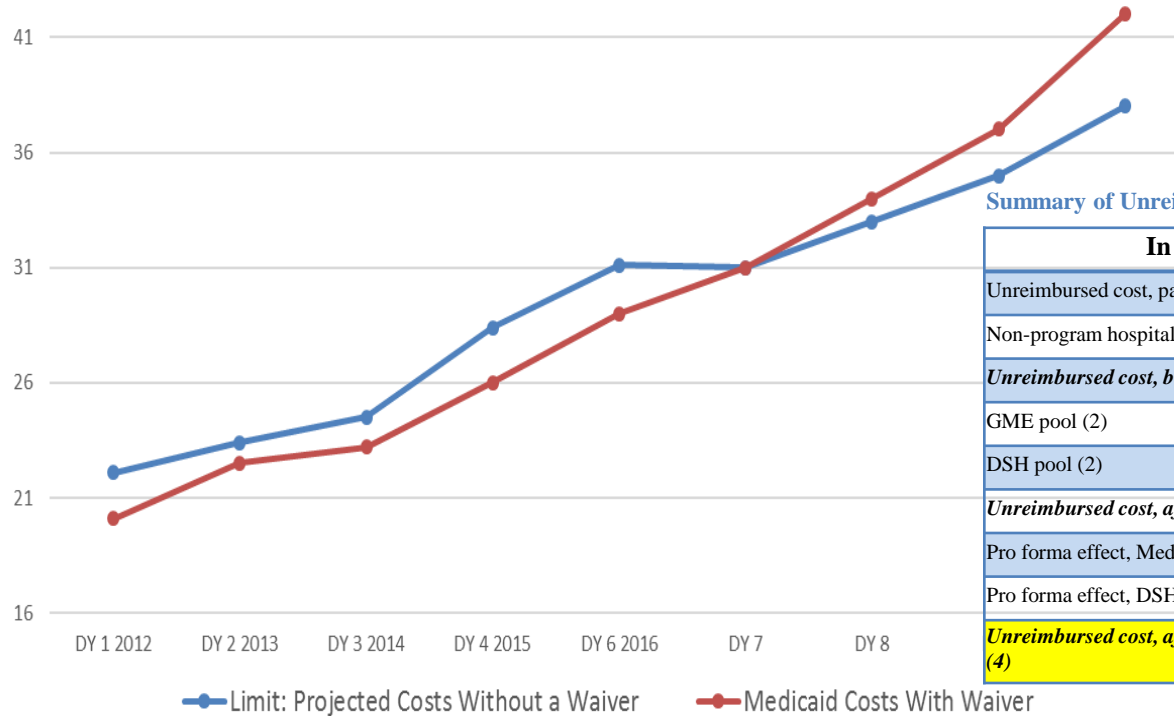




Waiver Risks - Illustration

- Budget Neutrality: Functions as a CAP freezing underfunded Medicaid & uninsured programs.

Budget Neutrality Illustration Only



Summary of Unreimbursed Costs, FY 2017 Pro Forma

In Millions	Medicaid	Uninsured	Total
Unreimbursed cost, participating hospitals (1)	(\$3,804)	(\$5,517)	(\$9,321)
Non-program hospitals (1)	(\$63)	(\$221)	(\$284)
Unreimbursed cost, before supplemental payments	(\$3,867)	(\$5,737)	(\$9,605)
GME pool (2)	\$31	\$0	\$31
DSH pool (2)	\$560	\$1,162	\$1,722
Unreimbursed cost, after supplemental payments	(\$3,277)	(\$4,575)	(\$7,852)
Pro forma effect, Medicaid expansion	\$0	\$0	\$0
Pro forma effect, DSH reductions (3)	\$0	(\$749)	(\$749)
Unreimbursed cost, after pro forma adjustments (4)	(\$3,277)	(\$5,324)	(\$8,601)

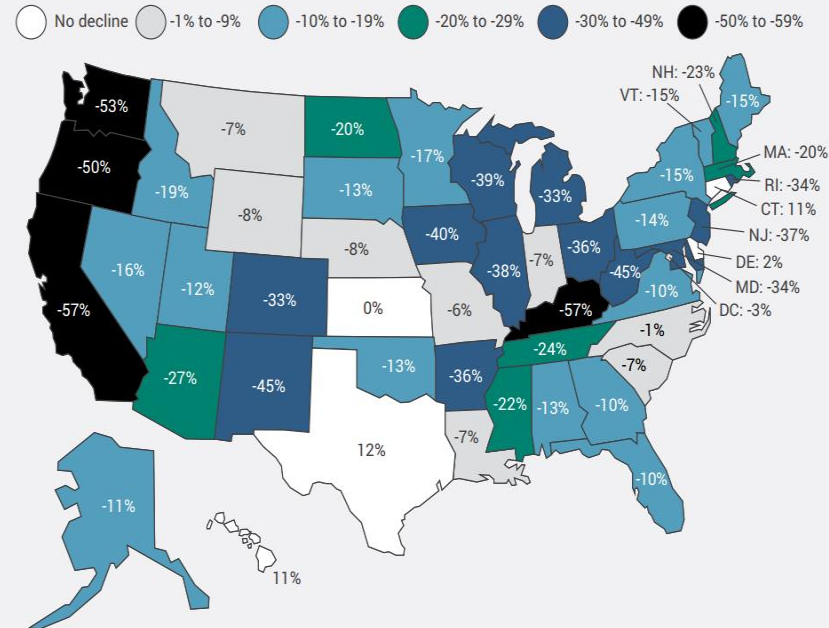
- Already limiting TX' ability to make payments - UHRIP.



Waiver Risks

- Budget Neutrality
- Higher uncompensated care & Texas uninsured rates – TX demographics
- DSRIP – Phase down & uninsured %
- Waiver Method of Finance – possible federal disallowance
- Provider budget cycles and funding instability
- Uncertainty at the federal level overshadows this discussion & highlights the need for as much stability as possible at the state and local levels.

FIGURE 2-2. Percent Decline in Uncompensated Care as a Share of Hospital Operating Expenses by State, 2013–2014



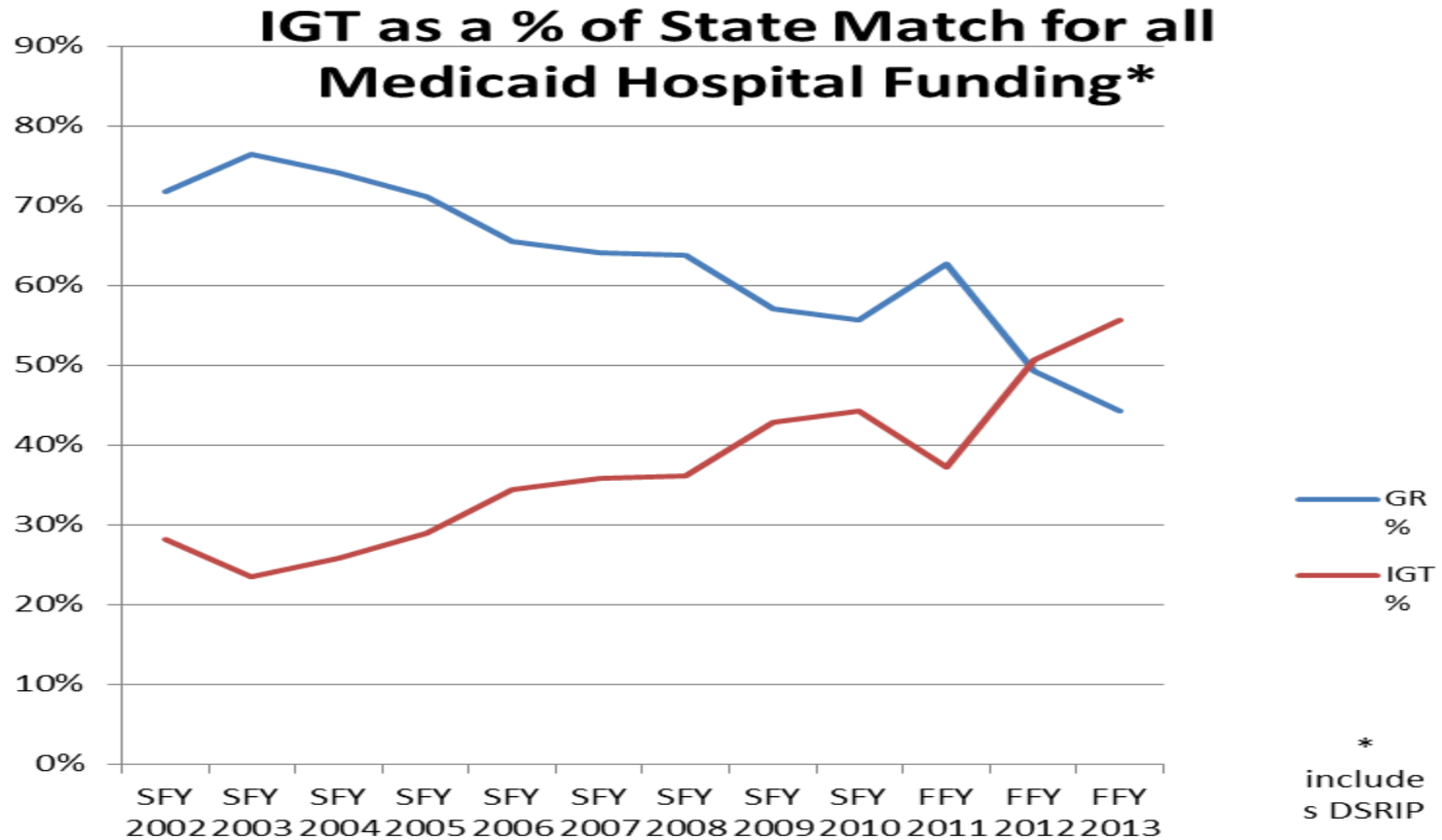
Note: Medicare cost reports define uncompensated care as charity care and bad debt.

Source: MACPAC, 2017, analysis of Medicare cost reports.

Considering Flexibility

- Waiver funding today – critical, but if there is insufficient budget neutrality or flexibility and elimination of DSRIP:
- Should TX consider a different path? E.g., hospital carve out to improve ability to manage & fund Medicaid & uninsured?
 - Need transition for provider funding and stability.
 - Need options for uninsured.
 - Self-funded rate increases? UPL?
 - Not limited by rules disallowing directed payments to providers?
 - More flexibility for value-based payment methodologies with providers?
 - Providers directly manage costs & innovation as in DSRIP?

IGT & Counties: Substantial Medicaid Hospital Payers



Only six counties provide the bulk of IGT match funding for the Medicaid Hospital payments to all TX hospitals: (DSH, Waiver UC and Waiver DSRIP): Bexar, Dallas, El Paso, Harris, Tarrant and Travis



Texas Hospital Losses At Current State & Federal Funding Levels

Medicaid

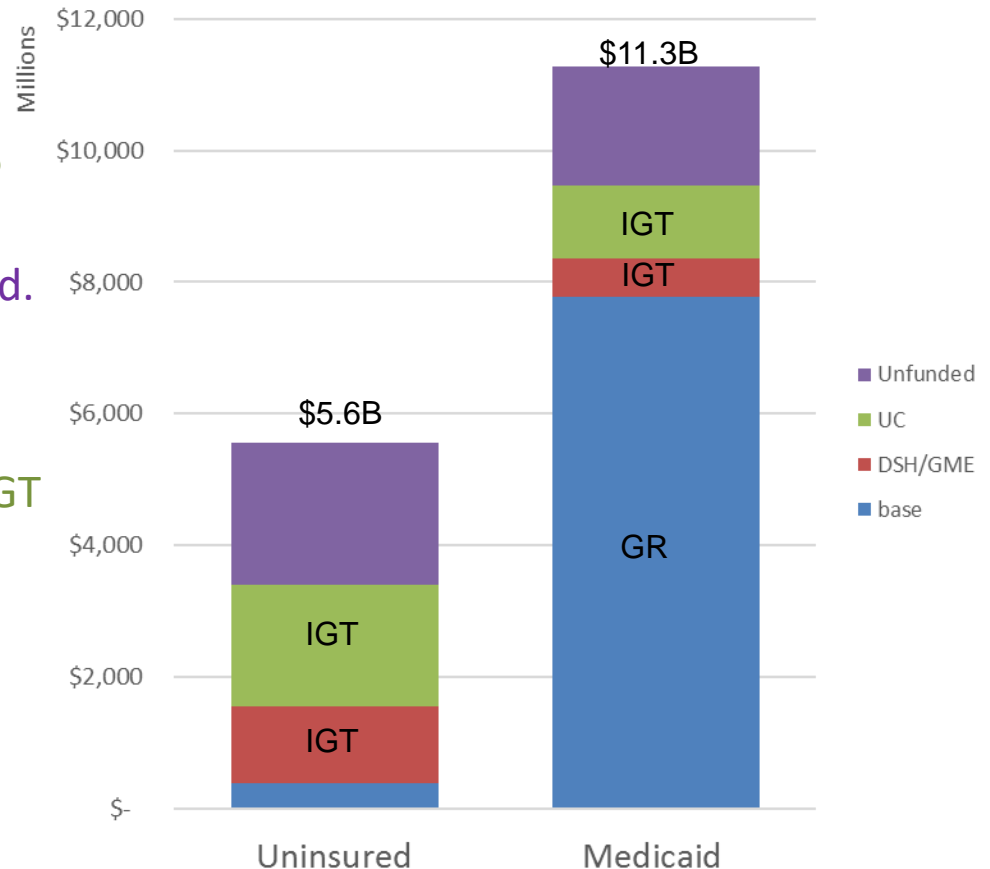
- GR –funded rates pay only 68% of Medicaid costs.
- Supplemental funding (largely property taxes / IGT) supports 15% of Medicaid costs
- 16% of Medicaid costs are unfunded.

Uninsured costs @ hospitals:

- 54% unfunded
- 39% supported with property tax/IGT
- 7% other funding

Hosp. Costs for:	Uninsured	Medicaid
	\$5,563,230,520	\$11,286,783,508
Funding:		
GR Base Rates	\$388,999,991	\$7,767,426,386
DSH/GME (IGT)	\$1,162,344,913	\$590,739,310
UC (IGT)	\$1,839,581,802	\$1,107,539,283
Unfunded	\$2,172,303,814	\$1,821,078,529

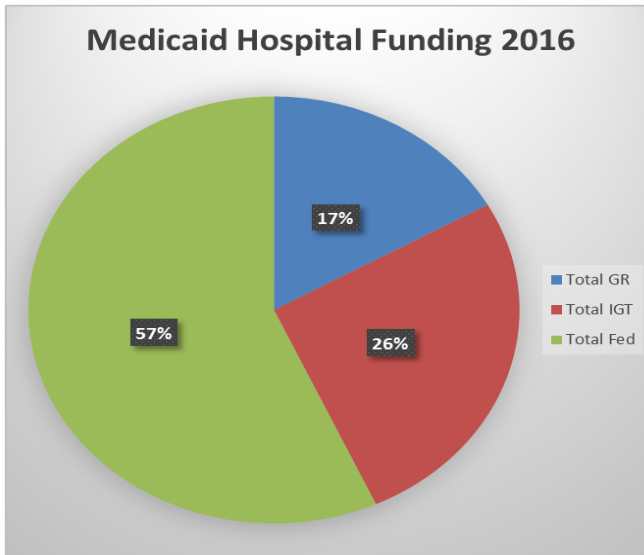
Medicaid & Uninsured Costs & Payments
2015 Est.



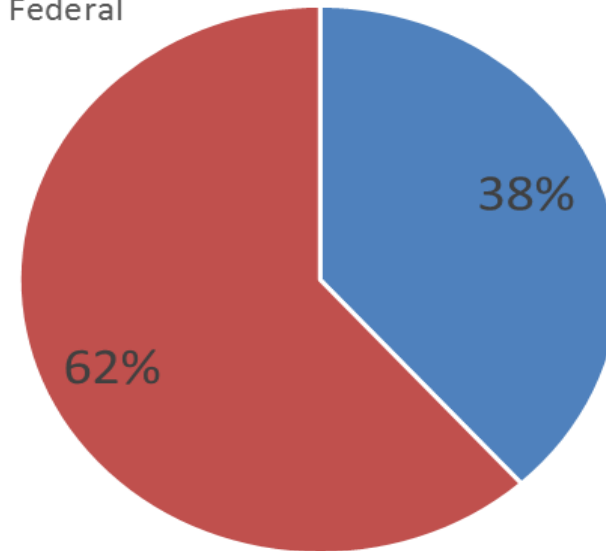
Medicaid Hospital Funding is Largely IGT (Property Tax) Financed (rather than GR Financed)

- IGT + Federal > GR + Federal

Texas Medicaid Hospital Funding is IGT (Largely Property Tax) Related



- Medicaid Base Payments \$5,316,077,000 GR & Related Federal
- Medicaid Supplemental Payments \$8,545,923,000 IGT & Related Federal



- IGT Primarily from just 6 Texas Counties:
Bexar, Dallas, El Paso, Harris, Tarrant and Travis



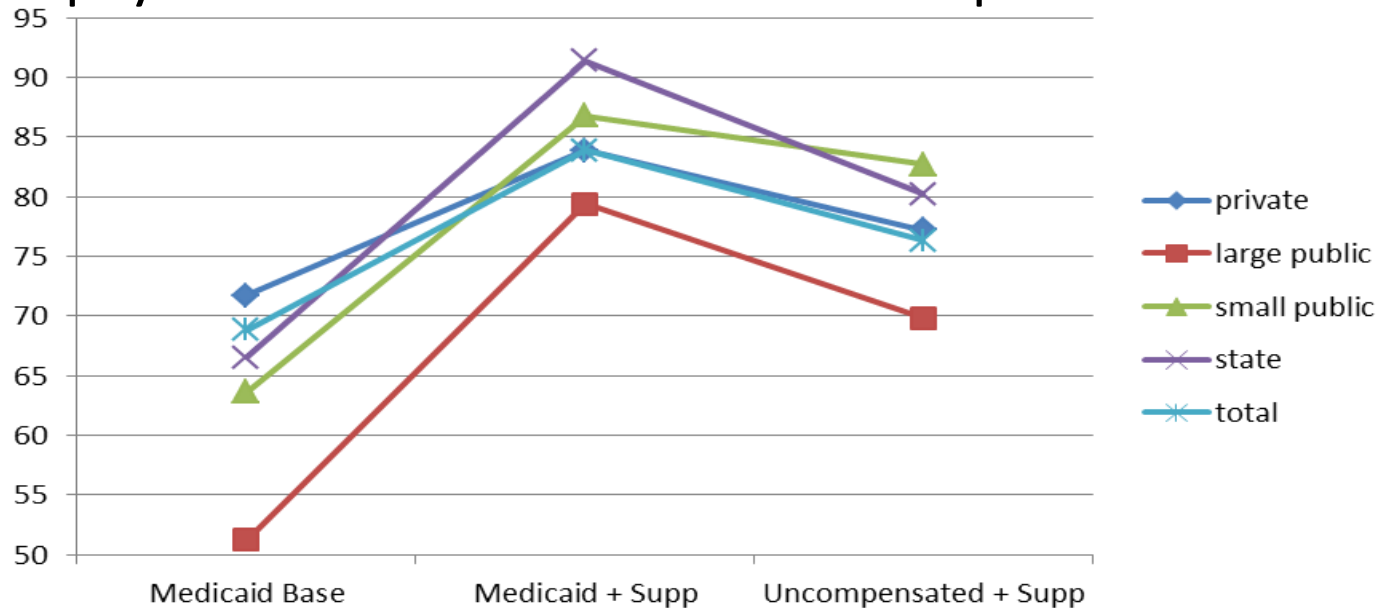
Your Hospital Districts Provide Essential Healthcare for all Texans

- Significant coverage for uninsured Texans and those on Medicaid
- Complex and life saving trauma and tertiary care
- Training our doctors and health care providers, including Graduate Medical Education (GME) residencies
- Significant levels of outpatient care – because that’s most cost-effective
- 1115 Transformation Waiver leadership, funding, and innovation
- 11 of the State’s 20 Anchors are THOT members including the large urban transferring hospitals
- Support for 62% of Medicaid funding for uninsured and for Medicaid hospital payments through IGT and supplemental payments

Many of these services funded locally – underfunded by Medicaid and Feds

IGT Partners are Critical But Paid Less by Medicaid

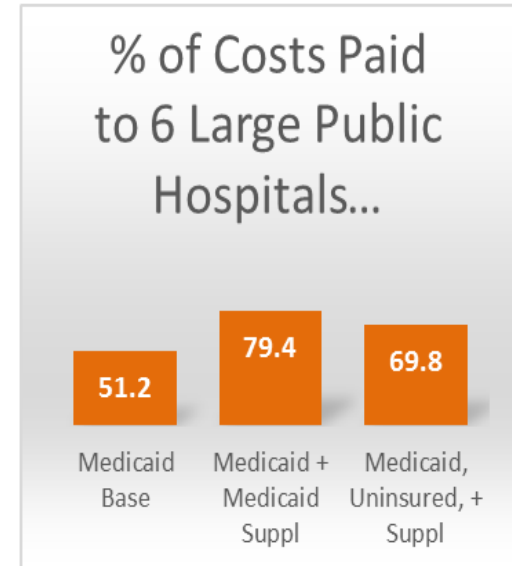
- Biggest six hospital districts fund most IGT but receive less in Medicaid payments than other Medicaid hospitals.



2015 Medicaid Hospital Payments as a % of Costs	Number of Hospitals	Medicaid Base Payments only	Medicaid with Supplemental Pools	Uncompensated Care and Supplemental Pools
Private	230	71.7%	83.9%	77.2%
Large Public	6	51.2%	79.4%	69.8%
Small Public	102	63.6%	86.8%	82.7%
State	18	66.5%	91.4%	80.2%
Total	356	68.8%	83.9%	76.3%

Seek support for GR-Neutral Flexibility

- Biggest six hospital districts and Medicaid funders receive less (% of cost) in Medicaid payments than other groups of Medicaid hospitals.
- To support system stability & IGT capacity by allowing these systems to address inequity by self-matching existing unfunded costs, e.g.,
 - Uniform Hospital Rate Enhancement (self funded rate increase that benefits all participating hospitals – public, private, urban, rural).
 - Unfunded GME: IGT for a share of the estimated \$417 M in unfunded hospital GME costs (2015 est.)





THOT: What We Do Together

We are 4% of Texas Hospitals and represent 16% patient days; but provide:

- 21% of Medicaid Patient Days

- 30% of outpatient care at Texas Hospitals

- 36% of unfunded (including uninsured) care

- 58% of Level I trauma centers and nearly 50% of unfunded trauma care

- 63% of Hospital Based GME Residencies in TX



THOT: One Shared Mission Based on Three Shared Commitments

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



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