TEACHING HOSPITALS of TEXAS

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**Central Health**
**Dell Seton Medical Center at the University of Texas at Austin**

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**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**

GALVESTON
**The University of Texas Medical Branch**

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

LUBBOCK
**UMC Health System of Lubbock**

MIDLAND
**Midland Health**

ODESSA
**Medical Center Health System**

SAN ANTONIO
**University Health System**

TYLER
**University of Texas Health Science Center at Tyler**

**GME Affiliate**

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

September 14, 2020

House Committee on Ways and Means
Texas Capitol - E2.116
Austin, TX 78701

**RE: Charge 2: Study and consider possible methods of providing property tax relief, including potential sources of revenue that may be used to reduce or eliminate school district maintenance and operations property tax rates.**

Chair Burrows and Members of the Committee,

Thank you for the opportunity to provide information on Interim Charge 2. We appreciate the Committee's commitment to, and the taxpayers' need for, property tax reform. We also appreciate your leadership on SB 2 last session and the focus on visibility, process improvements and protections, and your willingness to listen to options and perspectives.

As the Committee studies and considers possible methods of providing additional property tax relief, we ask the Committee to refrain from reducing the roll back rate for hospital districts to achieve this goal. We believe the rationale for the Legislature's decision last session is even more compelling now.

Last session, the Legislature maintained a special taxing exemption for hospital districts as they are crucial to obtaining statewide health goals and have higher inflationary pressures. Hospital districts use property taxes to support underfunded state health goals like Graduate Medical Education and Medical School Support, Trauma Care, and Care for the Uninsured and underinsured. With COVID-19, we've seen how critical it is for the health of Texas that we support our healthcare infrastructure.

Hospital District property taxes enable statewide trauma systems and life-saving care for all. Even with current funding, about $100 million in unfunded trauma costs continue. Property taxes help support unfunded costs of maintaining expensive trauma infrastructure creating life-saving responses for our first responders, travelers and each of us.

These revenues also help Texas' health workforce pipeline by helping to fund Graduate Medical Education costs that are underfunded in Texas; helping to maintain and achieve the 1.1 GME ratio needed for our growing population. Medicare funds only about 20% of costs leaving the bulk of costs for existing programs unfunded. Property taxes make many residency programs possible.


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The funding also reduces the General Revenue load for Medicaid costs in Texas. Six of the largest Hospital Districts in Texas contributed the majority of funding that, along with related federal matching funds, accounted for 62% of 2016 Medicaid hospital payments. Hospital District funding and related non-GR sources contributed 26% of total costs compared to 17% for GR and 57% for federal funds. Medicaid rates left roughly two-thirds of Medicaid hospital costs unfunded in 2016. Hospital District funding helps offset some of these losses for hundreds of Texas hospitals.

Hospital District property taxes fund Critical Hospital Payments for all Texas Hospitals—public, private, urban, suburban, and rural. Six hospital districts fund most of the state's share of the $1.9 Billion in DSH payments that go to many Texas private, investor-owned and public hospitals to offset low Medicaid rates and costs of care for uninsured Texans. They also support cost-effective care for uninsured Texans in hospital district counties. Hospital districts depend on tax support to continue the patient services they provide.

Now more than ever, hospital districts need to maintain the resources to provide services and lifesaving care in their communities. Health care is COVID-19's ground zero, causing disruption and unexpected restructuring throughout the delivery system. Limiting harm, ensuring safety, and creating clinical capacity have required restructuring physical access, increasing Intensive Care Unit (ICU) and isolation space and duplicating processes to keep patients and staff safe and preserve Personal Protective Equipment (PPE). For example early in the pandemic, Parkland Hospital staff took just five days to convert their entire Post-Anesthesia Care Unit (PACU) and half of the operative suites into a 116-bed negative-air pressure unit dedicated to COVID-19.

At the same time, non-emergent, in person visits plummeted, threatening the viability of many providers. Among primary and specialty care physicians, 63% reported losing 50 percent or more of their revenue[1] because of the pandemic, with little cash on hand to weather the hemorrhage.

Clinics remaining open have experienced steep reductions in preventive, primary and chronic care management services, some by as much as 75% to 90% of their typical in-person visits. In El Paso, in-person clinic visits dropped 67% from 12,000/month to 4,100/month in April. Year over year diabetes management visits (from January to April 2020 compared to 2019) were down by 900 (14%); heart disease management visits were down 1,760 (11%); and adult prevention and screening was down by 9,500 (33%). These are significant drops given that only two months of COVID-19 data are included in this four-month period. A recent poll[2] showed that nearly half of Americans or one of their family members deferred healthcare due to worries about COVID-19. While most of these are expected to come back, the timing and nature of their return is uncertain, making planning, metrics and financial risk challenging. In those two rural clinics that closed, patients are still hesitant to return for care – even urgently needed care.

Because of clinic closures and patient concerns about seeking primary and specialty services during initial months of the pandemic, our members worry that "the lack of access and/or fear of seeking primary care services is negatively impacting the health status of those with chronic conditions.[3]" Some hospitals' emergency departments report seeing a higher volume of patients with chronic disease and worse health status. In addition, research suggests that the long-term effects of COVID-19 include causing and exacerbating

[1] Texas Medical Association Practice Viability Survey, May 2020

[2] https://www.kff.org/report-section/kff-health-tracking-poll-may-2020-health-and-economic-impacts/

[3] e.g., Quotes included in this document are from provider surveys and interviews and used without specific citations to share direct provider perspectives.

cardiac, pulmonary, and other chronic conditions, putting additional pressure on our healthcare systems and financing.[4]

The unpredictable trends and timelines for COVID-19 cases, reductions in workforce due to economic fallout from the pandemic, and the unintended costs to retool care delivery systems while also maintaining surge capacity means providers throughout the state do not have financial stability. It also is too soon to predict what new post-COVID-19 patient behavior and health systems will look like.

What we do know is, even before the pandemic, Texas had the highest uninsured rate in the nation—17.7% in 2018[5]—a situation only made worse by the unprecedented economic disruptions of COVID-19. A study from the Kaiser Family Foundation estimated as many as 1.6 million Texans have likely lost their employer-sponsored insurance since the start of the pandemic, when considering people of all ages, as well as family members of the newly uninsured.

At a time when the health delivery system faces severe financial instability, reducing hospitals districts' property tax roll back rates would be enormously risky to the state's healthcare infrastructure as well as to the patients served by that infrastructure. In today's world, the new "normal" continues to unfurl, making it difficult to predict what the new normal will look like.

Thank you for your consideration of these comments. Please let me know if you have any questions or we can be of assistance to the Committee.

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[4] https://www.mayoclinic.org/diseases-conditions/coronavirus/in-depth/coronavirus-long-term-effects/art-20490351
[5] https://www.census.gov/library/visualizations/interactive/uninsured-rate-2008-2018.html