



Uncompensated Care Payments: Vital to Texas Teaching Hospitals

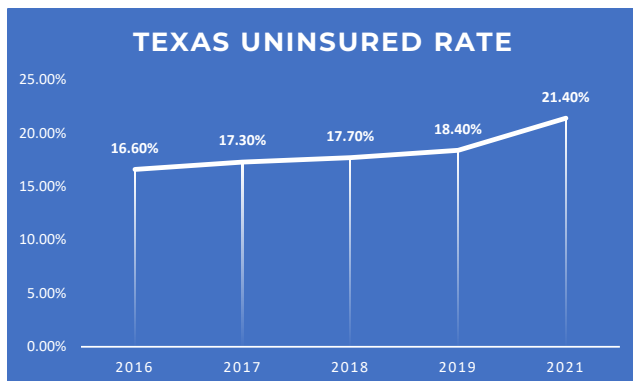
Since the 2011 creation of Texas' Medicaid 1115 Waiver, the hospital Uncompensated Care (UC) payment program has made more than \$38 billion in payments potentially available to offset some of the unreimbursed charity care costs for Texas' public and private hospitals. Teaching Hospitals of Texas (THOT) members provide this care through comprehensive, integrated systems of care with most of it being outpatient preventive, primary and specialty care.

The future of the vital UC program is uncertain, however. Because the federal Centers for Medicare & Medicaid Services (CMS) decided in April 2021 to rescind previously granted approval of the 1115 Waiver's continuation, unless it is reauthorized by CMS, the UC program will end September 30, 2022. In addition, the Build Back Better (BBB) Act being considered in Congress would limit Section 1115 Waiver uncompensated care pools for states, like Texas, that have not expanded Medicaid by October 2022.

Growing Number of Uninsured, Increasing Uncompensated Care Costs

Texas hospitals annually incur about \$7 billion in uncompensated care costs to provide health care for the uninsured. The 14 state, public, and non-profit hospitals and health systems that form THOT account for more than one-third of these costs.

Texas consistently leads the nation in the number of uninsured residents, with an estimated 5.2 million Texans, or one in six without health insurance. After earlier declines the percent of uninsured in Texas has recently been increasing.



The hospital UC program is one of just two supplemental payment programs that offset some unreimbursed costs of care provided to the state's uninsured population. The other program is the Medicaid disproportionate share hospital (DSH) payment program. That program, however, is also threatened as the BBB proposes to use DSH cuts to finance coverage for uninsured individuals in states, including Texas, which have not expanded Medicaid under the Affordable Care Act. The BBB proposes reducing states' DSH allotments by 12.5 percent beginning October 1, 2022.

Key Facts:

- THOT's 14 hospitals and health systems provide more than one-third of all hospital uncompensated care. Elimination or reduction of UC payments will be detrimental to their ability to sustain care for the uninsured.
- The UC payment program should continue and at previously agreed-upon funding levels with negotiated agreements (e.g., Texas showed a need for \$4.5 billion/year).
- The number of Texans without health insurance is increasing, putting additional strain on hospitals to care for them and on the limited UC payment pool.
- Challenges to the future of the UC program include waiver renewal uncertainty and proposed limits to non-Medicaid-expansion states' UC pools.
- Texas needs both coverage expansion and uncompensated care payments, since even with coverage expansion, about 4 million Texans still would be without health insurance.

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