Texas Hospitals' 2018 Federal Policy Priorities

Texas Hospital Association

1108 Lavaca, Suite 700, Austin, TX 78701
512.465.1000
info@tha.org
www.tha.org

With the passage of H.R. 1892, an omnibus spending bill, in February, Texas hospitals achieved several federal policy priorities long considered essential for financial stability and continued high-quality patient care:

☑ **CONTINUED FEDERAL FUNDING FOR THE CHILDREN'S HEALTH INSURANCE PROGRAM:** the spending bill includes four additional years of federal CHIP funding -- continuing total federal appropriations for the state and federal partnership health insurance program for 10 years through 2027. CHIP in Texas provides **low-cost private health insurance coverage to** more than **400,000 low- and middle-income children and 35,000 pregnant women.**

☑ **TWO YEAR DELAY OF SCHEDULED CUTS TO MEDICAID DISPROPORTIONATE SHARE HOSPITAL PAYMENTS:** the spending bill delays Medicaid DSH cuts, required under the Affordable Care Act to reflect the anticipated increases in the number of individuals with health insurance, until 2019. Absent the delay, **Texas hospitals would have absorbed more than $148 million in cuts in 2018** while caring for a growing number of uninsured patients.

☑ **CONTINUED ENHANCED MEDICARE PAYMENT FOR CERTAIN RURAL HOSPITALS:** the spending bill continues, with modifications, enhanced Medicare payment for Medicare-dependent hospitals and those with low patient volumes. Absent the continuation of enhanced Medicare payments, hospitals receiving the Medicare-dependent adjustment **could have lost $6.2 million in 2018 and hospitals receiving the low-volume adjustment, $21.8 million.**

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Despite these policy successes, however, **Texas hospitals will lose nearly $53 billion between 2010 and 2027** from a number of Medicare payment cuts through either legislative or regulatory action, which includes Medicare DSH cuts, marketbasket cuts in the Affordable Care Act and reduction in Medicare Part B payments for outpatient drugs purchased through the federal 340B drug discount program. **These cuts represent a revenue loss of nearly 18 percent.**

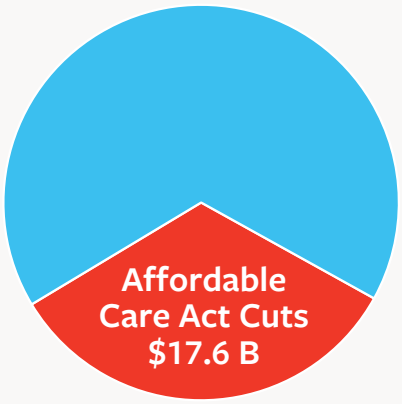
Through payment adjustments stemming from quality-based payment reform, **Texas hospitals stand to lose an additional $612 million over the same period.**

The magnitude of these cuts threatens to undermine all Texas hospitals' ability to:

- Invest in quality improvement and patient safety.
- Provide care for underserved populations.
- Conduct research and innovate.
- Recruit and retain the best health care workforce.

About one third of the $53 billion in cuts come from the Affordable Care Act. As these cuts were imposed in exchange for reducing the number of uninsured Texans and hospitals' uncompensated care costs – outcomes that have not been achieved in Texas – **Texas hospitals support elimination of all the ACA funding cuts.**

$53 Billion in Budget Cuts



THE TEXAS HEALTH CARE LANDSCAPE

4.5 MILLION TEXANS HAVE NO HEALTH INSURANCE

Texas has more uninsured residents than any other state in the country, which creates financial challenges for health care providers and poor health outcomes for residents.

70 PERCENT OF TEXAS COUNTIES ARE RURAL

Texas is a largely rural state. Protecting timely and accessible health care in rural communities is essential.

NEARLY 30 MILLION PEOPLE CALL TEXAS HOME

Among the top three states in the nation in population growth, having enough health care professionals to meet the health care needs of the rapidly growing population is a major challenge. A shortage of physicians and nurses means health care needs can go unmet.

80 PERCENT OF TEXAS COUNTIES ARE A MENTAL HEALTH PROFESSIONAL SHORTAGE AREA

A vast majority of the state's residents have insufficient access to a psychiatrist, psychologist, social worker or other mental health professional to treat a behavioral health condition, which affects approximately 1 in 5 Texans.

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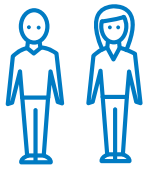
Texas hospitals also encourage Congress to prioritize and pass legislation that:

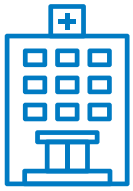


GREATER ACCESS TO PRIVATE HEALTH INSURANCE FOR UNINSURED TEXANS

1. PROVIDES MEANINGFUL, AFFORDABLE PRIVATE HEALTH INSURANCE COVERAGE FOR UNINSURED TEXANS.

Texas leads the nation in the number of uninsured individuals, which creates a significant financial burden for hospitals, counties, property taxpayers, private insurance holders and employers. **Approximately 4.5 million Texans** – 17 percent of the state's population — **have no health insurance.** Absent a means to pay for health care, many uninsured Texans **rely on hospital emergency departments,** which, by state and federal law, must provide care to anyone who seeks it, regardless of ability to pay. The result is **uncompensated care costs exceeding $7 billion a year for Texas hospitals.**

For financial and clinical reasons, **Texas hospitals support legislation that provides greater access to health insurance for more uninsured Texans and oppose legislation that makes health insurance coverage less affordable or less meaningful.** This includes efforts to make pharmaceutical drug pricing more transparent, increase competition among drug manufacturers, advance value-based payment models for drugs and increase access to drug therapies and supplies.

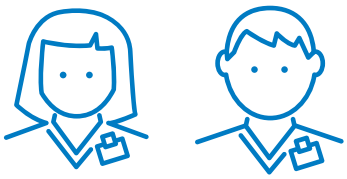


NEARLY 70 PERCENT OF TEXAS COUNTIES ARE RURAL

2. PROTECTS RURAL TEXAS HOSPITALS.

An estimated **25 percent of all rural hospitals will close** within less than a decade because of the almost crippling financial challenges of caring for a disproportionately older and lower income population in an era of declining reimbursement. In Texas alone, **18 rural hospitals have closed since 2013** – the most of any state. These rural hospital closures leave thousands of constituents without access to local emergency, obstetrics, chronic disease and inpatient hospital care.

Texas is a largely rural state. Nearly 70 percent of the counties are designated as rural. Hospitals in these counties are often the only source of care not just for tens of miles but for hundreds of miles. For this reason, **Texas hospitals support legislation that continues funding protections for rural hospitals**, including Medicare reimbursement for critical access hospitals at 101 percent of costs. Texas hospitals also ask that as Congress studies the low-volume and Medicare-dependent hospital programs, as required by H.R. 1892, that it **be mindful of any policy changes that could negatively impact rural Texas residents' ability to receive timely, accessible health care services.**



TEXAS HAS A SEVERE SHORTAGE OF PHYSICIANS

3. ENSURES AN ADEQUATE PHYSICIAN WORKFORCE TO CARE FOR THE STATE'S GROWING POPULATION.

As one of the most rapidly growing states in the nation, **Texas' population boom has outpaced the ability of the health care workforce to meet its needs**. Nearly every county in Texas has a **shortage of physicians**, with some rural counties even lacking primary care providers and obstetricians. To help ameliorate the shortage and ensure every Texan has timely access to a health care provider, **Texas hospitals support Medicare Graduate Medical Education policies** that increase the number of physician residency training slots. **Texas hospitals also support the Centers for Medicare & Medicaid Services'** having flexibility to give new teaching hospitals 10 years, instead of the current five, to build their residency caps – the number of filled residency slots for which Medicare will provide GME funding. Under this "Cap Flexibility" concept, **new GME teaching hospitals in areas of need would have up to 10 years to add residents to their training programs.**