



March 13, 2017

U.S. House of Representatives
Washington, D.C. 20515

As organizations representing nearly 500 hospitals and health systems and 50,000 physicians and medical students in Texas, we are writing to share our views on how the American Health Care Act to replace the Affordable Care Act and end the Medicaid entitlement will impact the financing and delivery of critical health care services for all Texans.

We are encouraged that the American Health Care Act includes provisions to help states cover their uninsured populations. Texas was one of multiple states that opted not to expand Medicaid as a means of providing insurance to working childless adults. We believe Texas should not be penalized for this decision, and it appears this will be the net result of the AHCA.

The ACA cut funding for hospitals, physicians, and health care providers. We urge you to eliminate these cuts as part of your work to repeal the ACA. We are, however, pleased that the AHCA would eliminate scheduled cuts to Medicaid disproportionate share hospital payments, but other funding cuts remain intact.

The AHCA also appears to reward states that have developed inefficient Medicaid programs and penalize states, like Texas, that have controlled Medicaid expenditures. Fixing federal funding based on 2016 medical assistance expenditures would significantly disadvantage the Texas Medicaid program, health care providers and potentially the state budget. Texas already runs a lean Medicaid program and has achieved major savings through aggressive use of managed care and other cost containment initiatives. More than 90 percent of the state's Medicaid beneficiaries are enrolled in a capitated managed care plan, and the state has saved approximately \$8 billion over five years. We believe that basing future funding on historically low spending would both cement low provider payments and penalize the state for its efficiency and effectiveness. At the same time, we believe that all Medicaid-related payments should be considered in the base funding allocation.

Limiting federal Medicaid funding through the use of per capita caps has the potential to force states to make untenable policy choices about covered benefits and/or populations with the unintended consequences of increasing the uncompensated care burden for health care providers. Texas hospitals alone already have more than \$7 billion in uncompensated care costs annually. Medicaid physician payments average about 50 percent of commercial payments and have had no measurable or sustained update in over a decade, with the exception of the two-year temporary increase for primary care physicians funded via the ACA. Cutting benefits will almost certainly harm the health of Texans.

Texas Medicaid covers 40 percent of low-income children and 52 percent of births. Funding cuts of the magnitude envisioned by AHCA will inevitably mean cuts in services, jeopardizing efforts to improve Texas' maternal and child health. Instead, we believe that increasing the flexibility under the Medicaid

1115 waiver process is a more appropriate approach and will allow the federal government to contain costs and state governments to tailor their programs to achieve additional efficiencies and better health care outcomes.

We look forward to working with you as the AHCA is reviewed by Congress to ensure that Texas hospitals and physicians can continue providing the highest quality health care to all Texans. Please let us know if we can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Canose', with a stylized, flowing script.

Jeffrey Canose, M.D.
Chairman

Texas Hospital Association Board of Trustees

A handwritten signature in black ink, appearing to read 'Don R. Read', with a stylized, flowing script.

Don R. Read, MD
President

Texas Medical Association