

November 17, 2017

The Honorable John Cornyn  
United States Senate  
517 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Cornyn,

As the U.S. Senate debates tax reform legislation that includes several health care-related policy items, the Texas Hospital Association appreciates the opportunity to comment on the potential implications for Texas hospitals and the patients and communities we serve.

### **Tax-exempt Bonds**

THA supports the exclusion in the Senate's tax bill of any changes to the current policy of allowing tax-exemption for private-activity bonds. These bonds help nonprofit hospitals and health systems access low-cost capital, enabling them to keep infrastructure expenditures low and devote more resources to serving their communities. The House version of the bill, however, would eliminate this tax exemption, and THA asks that you oppose such a change if a conference committee has to resolve bill differences in the future.

THA does have concerns about a provision in the Senate bill that would eliminate the ability of hospitals to execute "advance refundings" of outstanding tax-exempt bonds. Tax-exempt advance refundings provide an option to refinance outstanding debt at lower interest rates. At a time when Texas leads the nation in population growth, especially in metropolitan areas, favorable tax provisions that allow for cost-effective expansion of facilities to serve the public's health needs should not be eliminated.

### **Repeal of the Individual Mandate to Purchase Health Insurance**

Under the proposed Tax Cuts and Jobs Act, Americans no longer would be required to purchase and maintain health insurance coverage. THA is concerned about the negative economic and clinical consequences of increasing the number of uninsured Texans.

Texas leads the nation in the number of residents without health insurance. With more than 5 million uninsured Texans, Texas hospitals provide more than \$8.5 billion each year in unreimbursed health care services. These costs are increasing and unsustainable and inhibit hospitals' ability to invest in technology, staffing, quality improvement and service delivery to meet the needs of a rapidly growing state population.

On top of these existing uncompensated care costs, the more than 180 Texas hospitals that receive Medicaid Disproportionate Share Hospital payments to help them partially offset the costs of caring for low-income and uninsured patients soon will be subjected to a \$148 million cut in those payments.

Texas is fortunate to be a growing state with a strong economy. For the health care system to keep up with that growth and ensure the healthiest population possible, Texas hospitals need adequate and stable financing and reimbursement. To that end, Texas hospitals support repealing the Medicaid DSH cuts and continued efforts to increase the number of Texans with affordable, comprehensive private health insurance.

### **PAYGO Rule and Sequestration**

THA also is concerned that the “PAYGO” rule will trigger additional spending reductions across some mandatory spending programs, like Medicare, to offset the cost of proposed changes to the tax law. Potentially, Congress could be required to reduce spending in fiscal year 2018 by as much as \$136 billion.

Medicare already reimburses hospitals less than the cost of providing care, and further reductions in Medicare payment will jeopardize their ability to continue providing medical and social services to the state’s elderly population. THA believes that hospitals and Medicare beneficiaries should not be used as a means to pay for changes to the tax code.

As always, THA and our nearly 500 member hospitals appreciate your leadership and support as we work together to ensure that Texas hospitals can continue providing the highest quality health care to all Texans. If we can provide you or your staff with additional information, please contact THA’s federal representative, Cameron Krier Massey, at [cameron@scoutgr.com](mailto:cameron@scoutgr.com).

Sincerely,



Ted Shaw  
President/CEO  
Texas Hospital Association