



TEXAS HOSPITAL ASSOCIATION

## THA TAKEAWAYS

### THHSC Uncompensated Care Study: Implications for 1115 Waiver Renewal

On Aug. 31, the Texas Health and Human Services Commission submitted the [final study of hospital uncompensated care costs](#) to the Centers for Medicare & Medicaid Services, as required by the terms and conditions attached to the 15-month extension of the waiver agreed to in May. The study was conducted by Health Management Associates. The study confirms the importance of supplemental payments through the waiver for “providing an equitable, accountable and sustainable funding mechanism to help ensure access to care for the state’s most vulnerable residents.”

Findings from this study are expected to inform discussions between the state and CMS on the size of the uncompensated care pool once funding expires at the end of the waiver’s term in December 2017.

THA’s position is that UC payments are critical for Texas hospitals to be able to continue providing services to all Texans, as required by state and federal law, and that the next version of the 1115 waiver should include robust UC funding.

#### THHSC/HMA Study Findings:

1. The study estimates that if supplemental funding is no longer available after the waiver expires, Texas hospitals’ uncompensated care costs in fiscal year 2017 will be **\$8.2 billion**.
2. This amount takes into account the state’s implementation of a program to reduce the uninsured by covering individuals with incomes up to 138 percent of the federal poverty level in some type of health insurance program. The study estimates the net gain to hospitals of such a coverage plan to be **\$358 million a year**.
3. The Medicaid shortfall is estimated to be \$3.1 billion (excludes costs associated with dual eligible and out state cost and payments). Eliminating this shortfall would require a rate increase of approximately 36 percent and \$1.3 billion in state share.

#### Summary of Hospital Unreimbursed Costs, FY 2017

In Millions	Medicaid	Uninsured	Total
Unreimbursed cost, participating hospitals	(\$3,804)	(\$5,517)	(\$9,321)
Non-participating hospitals	(\$50)	(\$207)	(\$258)
<b>Unreimbursed costs, BEFORE supplemental payments</b>	<b>(\$3,854)</b>	<b>(\$5,724)</b>	<b>(\$9,579)</b>
GME Pool	\$31	\$0	\$31
DSH pool	\$560	\$1,162	\$1,722
<b>Unreimbursed costs, AFTER supplemental payments</b>	<b>(\$3,264)</b>	<b>(\$4,562)</b>	<b>(\$7,825)</b>
Pro forma effect, Medicaid expansion	(\$1,257)	\$1,615	\$358
Pro forma effect, DSH reductions	\$0	(\$749)	(\$749)
<b>Unreimbursed costs, after pro forma adjustments</b>	<b>(\$4,521)</b>	<b>(\$3,696)</b>	<b>(\$8,216)</b>

4. Demographics, market forces and projected cuts to the Disproportionate Share Hospital payment program ensure that Texas hospitals’ UC costs will continue to grow:

- a. Texas has the highest rate of uninsured in the nation (19.1 percent, compared with 11.1 percent nationwide);
  - b. Unauthorized immigrants constitute more than 6 percent of the state's population, nearly twice the national average;
  - c. Population growth in the state is more than twice the national rate;
  - d. Texas has lower rates of private insurance coverage than other states; marketplace enrollment is not as robust and fewer employers offer health insurance; and
  - e. Scheduled DSH reductions beginning in FY 2018 will substantially increase unreimbursed Medicaid and uninsured costs for Texas hospitals; these cuts are estimated to be between \$134 million to \$386 million in the first year and increase up to \$1.5 billion by 2025.
5. The report bases its findings on uncompensated care costs reported by hospitals via the UC tool.
  6. HMA considered but ultimately rejected basing its UC estimates on data reported on Worksheet S-10 as it may be the best source of information about hospital charity care and bad debts in other states, "but that is not the case in Texas."



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**For more information, contact:**

**John Hawkins**  
Senior Vice President, Advocacy and Public Policy  
Texas Hospital Association  
[jhawkins@tha.org](mailto:jhawkins@tha.org)