



Jan. 17, 2020

The Honorable Greg Abbott  
Office of the Governor  
P.O. Box 12428  
Austin, Texas 78711-2428

Dear Governor Abbott:

On behalf of the nearly 500 hospitals and health systems our organizations represent, we write to request that you urge President Trump's administration to withdraw the 2019 federal Medicaid Fiscal Accountability Regulation that, if finalized, would allow the federal government to dictate the state's tax burden, further erode the state's control of the Medicaid program and devastate the state's health care infrastructure.

For Texas, the stakes are high.

About 4 million Texans, the majority of whom are children, rely on Medicaid to receive health care. Hospitals provide billions of dollars in uncompensated care to Texans who do not have insurance. Hospitals have a unique legal obligation to treat every patient suffering from an emergency condition or in active labor, regardless of how much — if anything — the hospital will receive for providing care. If enacted, the federal rule would jeopardize \$11 billion in annual payments Texas hospitals rely on to offset chronic Medicaid underpayment and uncompensated care.

Medicaid is a partnership between each state and the federal government, and the costs are shared. In Texas, total Medicaid reimbursement for hospital care is funded by state general revenue (~15%), local governments (~25%) and federal matching funds (~60%). Over the years, Texas has worked hand-in-hand with the federal government to implement methods of finance tailored to the unique needs of our growing, geographically diverse state. Now, the Centers for Medicare and Medicaid Services proposes to add new conditions that would prohibit existing local government methods of finance by:

- Establishing ambiguous and subjective standards by which CMS could unilaterally and arbitrarily determine that the state's financing arrangements are impermissible.
- Limiting the permitted sources of the non-federal share to state and local tax dollars.

- Creating a new, narrow definition for which entities CMS will consider as units of state or local governments.

The state has developed regional solutions to fund its basic obligations under the program. Without these financing mechanisms, the state or local governments would need to increase taxes or divert funds from other state priorities to replace the billions of dollars in locally generated revenue. Otherwise, Texas will face irreparable damage to the state's health care system—especially in rural communities where Texas leads the nation in hospital closures.

Hospitals are anchors in their communities, providing jobs to about 375,000 Texans and caring for millions more. However, if finalized, the proposed rule would create a statewide problem that is not isolated to hospitals or even health care.

We respectfully request that you contact the Administration to urge CMS to withdraw the rule and work with states to identify acceptable methods of financing Medicaid payments.

Sincerely,



Ted Shaw  
President/CEO  
Texas Hospital Association




John Henderson  
CEO/President  
Texas Organization of Rural & Community  
Hospitals



Maureen Milligan  
President/CEO  
Teaching Hospitals of Texas



Stacy Wilson  
President  
Children's Hospital Association of Texas



Larry L. Tonn  
Principal  
Texas Association of Voluntary Hospitals