



Jan. 30, 2020

To the Honorable Members of the Texas Congressional Delegation:

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 force state and local governments to increase taxes, 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.

As you know, 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 already leads the nation in hospital closures.

Texas has long shared CMS' goal of transparency, and the state has recently taken proactive steps to increase transparency of financing the non-federal share of Medicaid payments. However, the scope of this rule extends far beyond transparency. In fact, the rule would significantly decrease transparency in the Medicaid program by vesting CMS with unilateral authority to enforce subjective standards to scrutinize whether states' Medicaid funding should be allowed.

As one of the largest employers in their communities, hospitals are anchors to the economic prosperity of our growing state. In Texas, hospitals provide jobs to about 375,000 Texans and care for millions more. However, if finalized, the proposed rule would create statewide health, jobs and economic problems beyond hospitals and the health care industry.

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. Collective engagement by all members of the Texas Congressional delegation is critically needed at this time.

Sincerely,



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Texas Hospital Association



John Henderson
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