



THA TAKEAWAYS

ACA Repeal and Replace Is an Opportunity to Address Hospital Financing Challenges and Further Reduce the Number of Uninsured Texans

Texas Hospitals Look Forward to Advancing Health Insurance Coverage Gains and Fair and Predictable Hospital Financing and Reimbursement

As the federal government considers repealing the Affordable Care Act through legislation and executive orders and possibly replacing it with an alternative, the Texas Hospital Association looks forward to working with our Congressional delegation and the administration to ensure that Texas hospitals are able to continue providing the highest quality care that all Texans have come to expect.

1. Texas hospitals will work with Congress and the administration to develop solutions that maintain the momentum towards further reducing the number of uninsured Texans.
 - a. Over the life of the ACA, the number of uninsured Texans decreased by more than one million.
 - b. At the very least, this significant reduction should be maintained, and ideally, new solutions will achieve further reductions.
2. In the event of an ACA repeal without replacement, the provisions of the law that cut hospital funding to pay for increased health insurance coverage also should be repealed.
 - a. Texas hospitals cannot provide care for an increased number of uninsured patients (as required by federal law) while at the same time sustaining the ACA's funding cuts.
 - b. For Texas hospitals, the revenue loss of all of the ACA funding cuts is estimated at more than 14 percent.
3. While Congress deliberates the future of the ACA, Texas hospitals advocate for continuing the state's effective Medicaid 1115 Transformation Waiver.
 - a. The current 1115 waiver – and its more than \$6 billion in uncompensated care and delivery system reform incentive program payments – expire at the end of December.
 - b. Continuing the waiver and its funding is critical for hospitals to have stable and predictable financing and for access to health care to be preserved.
 - c. Texas hospitals support the Texas Health and Human Services Commission's intent to request an additional extension through September 2019.
4. If ACA replacement legislation includes fixed federal funding for Medicaid, Texas hospitals will advocate for the following four guardrails to ensure fair funding.

1. A funding baseline that is related to the need for services and ensures adequate reimbursement for hospitals and other health care providers.

Under any fixed federal funding plan (either block grants or per capita spending caps), the amount of funding a state receives likely will be based on historical or current spending levels. States that have spent more on their Medicaid programs through more generous eligibility or higher reimbursement rates, for example, could receive larger federal allocations. With strict eligibility and low Medicaid reimbursement rates, Texas historically has not been a generous spender on the Medicaid program and that could negatively affect its federal allocation and impact how well it can meet the need for services in a growing state and compensate providers fairly.

2. Funding allocation that accounts for supplemental payments and associated method of finance.

Texas hospitals currently heavily rely on supplemental payments – Medicaid disproportionate share hospital payments and uncompensated care payments – to make up for the shortfall from low Medicaid reimbursement rates and the cost of caring for the uninsured. Any fixed federal funding allocation for Texas needs to incorporate these supplemental payments.

In addition, any funding formula that is dependent on historical or current state Medicaid spending should count local government contributions in that calculation and not be restricted to state general revenue spending. In Texas, nearly all of the state's share of supplemental payments is provided by local governmental entities rather than state general revenue.

3. Protections for states like Texas that have large and growing low-income populations.

How each state's allotment of funding will be adjusted annually is an important factor to consider, particularly for Texas, which has a population of nearly 28 million and consistently ranks in the top three states in terms of annual population growth. Texas also has one of the nation's highest poverty rates at more than 17 percent. As our population grows, so too does the number of residents living in poverty. Protections, such as annual increases to the states' allotments, are necessary to ensure that our growing state receives necessary funding.

4. Financial protections for states in the event of an economic downturn or recession.

Any method of fixed funding has the potential to put states at significant financial risk in the event of economic downturn or recession. When incomes fall, more people become eligible for Medicaid (under the program's existing parameters). With block grants, federal payments are fixed, and any costs in excess of that fixed amount are the responsibility of the state to cover. Per capita caps are somewhat advantageous over block grants in protecting states from unexpected enrollment increases because the federal allotment would increase with greater enrollment.

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