



August 30, 2017

Dear Texas Congressional Delegation,

Thank you for your leadership and work on behalf of Texas hospitals and health care providers. We write today to urge you to take action to eliminate permanently the harmful Medicaid Disproportionate Share Hospital (DSH) payment cuts currently scheduled to take effect on Oct. 1.

In 2018 alone, if these cuts take place, Texas hospitals stand to lose an estimated \$148.1 million. The estimated cumulative loss for 2018 through 2025 is up to \$3.2 billion. In 2018, the loss represents a 14.1 percent cut in the state's Medicaid DSH payments and is the fourth highest total dollar reduction nationally. Only New York (\$329.4 Million), New Jersey (\$153.7 Million), and California (\$153.4 Million) – all states that have expanded their Medicaid programs to include higher-income individuals - have higher estimated total dollar reductions.

These Medicaid DSH cuts will create challenging and potentially unsustainable financial circumstances for Texas' safety-net hospitals that ultimately could result in reduced access to essential health care for uninsured and low-income Texans. In rural Texas, hospitals are already closing at an alarming rate. The threat of further revenue reductions, including Medicaid DSH cuts, could irreparably fracture our health care delivery system, particularly in rural Texas.

As you know, the Patient Protection and Affordable Care Act, as amended, reduced federal funding for Medicaid DSH payments under the assumption that hospital uncompensated care costs would decrease as more people gained health insurance coverage. Congress repeatedly has delayed these cuts, recognizing that they will negatively impact vulnerable populations and the safety-net hospitals that care for them. However, unless Congress acts, Medicaid DSH cuts will begin on Oct. 1, 2017 with a \$2 billion reduction in Federal Fiscal Year 2018. The Medicaid DSH reductions increase by \$1 billion per year through 2024 when annual, national reductions will total \$8 billion.

Texas has the largest number of uninsured individuals in the country – a number that is only likely to increase as the state's population growth continues to exceed that of most other states. While most states between 2013 and 2014 experienced a slight *decrease* in their uncompensated care as a share of hospital operating expenses, according to the Medicaid and CHIP Payment and Access Commission, uncompensated care at Texas hospitals' as a share of hospital operating expenses *increased 12 percent*. Health Management Associates predicts that Texas hospitals' uncompensated care costs will total \$9.6 billion in 2017, well beyond our current Medicaid DSH allocation and current uncompensated care funding available through the Medicaid 1115 Transformation Waiver.

Any reduction to vital Medicaid DSH payments will harm Texas hospitals and our patients. These payments not only offset some of the costs of care provided to Medicaid and uninsured patients, but also help our safety-net hospitals deliver essential community services such as trauma care, graduate medical education and neonatal intensive care.

Permanently repealing these impending harmful Medicaid DSH reductions is necessary to give Texas safety-net hospitals financial stability and support their vital work in communities across the state.

We appreciate your attention to this issue.

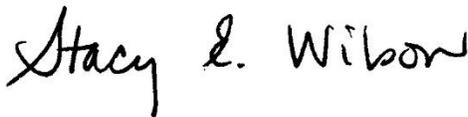
Sincerely,



Maureen Milligan
President/CEO,
Teaching Hospitals of Texas



Ted Shaw
President/CEO,
Texas Hospital Association



Stacy E. Wilson
President,
Children's Hospital Association of Texas



David Pearson
President/CEO,
Texas Organization of Rural & Community Hospitals



Larry L. Tonn
Texas Association of Voluntary Hospitals