



THA TAKEAWAYS (Updated 3-28-17)

Preserving Targeted Medicaid Rate Enhancements Is Key to Protecting the Health Care Safety Net

*Financial stability essential for Texas hospitals to continue providing access to care for all
Texans*

Budget: HB 1 As Filed and SB 1 As Passed by Senate Finance Committee

The Senate Finance Committee unanimously passed Committee Substitute Senate Bill 1 last week. CSSB 1 would spend approximately \$106 billion in state general revenue for all programs and services, which exceeds the comptroller's biennial revenue estimate of nearly \$105 billion.

On the House side, House Bill 1, as filed, would spend nearly \$109 billion, or \$4 billion more than the comptroller's revenue estimate, which creates the need to use funds from the state's rainy day fund.

The House Appropriations Committee will take up CSSB 1 as passed by the Senate this week. HAC will substitute its own budget into SB 1 and is expected to pass it out of the committee on Thursday. It will then go onto the House floor as early as April 7 but before April 16. When passed, the bill then will go back to the Senate where the House changes will not be accepted.

A 10-member conference committee then will be appointed to resolve differences between the two budgets.

Medicaid:

- CSSB 1 includes \$63.9 billion in all funds for Medicaid.
 - \$2.7 billion more than what was originally proposed by Senate budget writers
BUT
 - Still less than the current Medicaid budget of \$64.6 billion
- HB 1, as filed, includes \$65.5 billion in all funds, about \$900 million *more* than Medicaid's allotment for the current 2016-2017 budget.
- Difference of \$1.6 billion in all funds for Medicaid between House and Senate.

Targeted Medicaid Rate Enhancements:

Targeted Medicaid rate enhancements for trauma, safety net and rural hospitals that were secured during the 84th legislative session are maintained in both budget bills. Both bills rely to some extent on the state's trauma fund (Account 5111) to fund the rate enhancements.

CSSB 1: \$307 million in state funds for Medicaid rate enhancements over the biennium

- Trauma fund (Account 5111): \$196 million
- General revenue: \$111 million
- Improvement over SB 1, as filed, that would have used nearly all state trauma funds

House Bill 1, as filed: \$307 million in state funds for Medicaid rate enhancements over the biennium

- Trauma fund (Account 5111): \$196 million
- General revenue: \$111 million

Key Messages:

1. Preserving the targeted Medicaid rate enhancements is essential.
 - a. They protect the health care safety net for Medicaid and low-income populations.
 - b. They protect access to care for all Texans.
 - c. Without rate enhancements, Medicaid reimbursement would cover an even smaller percentage of the cost of inpatient care for Medicaid enrollees (currently, reimbursement covers, on average, 58 percent of the costs of inpatient care for Medicaid enrollees).
2. Targeted rate enhancements reduce hospitals' reliance on supplemental payments.
 - a. Reducing reliance on supplemental payments is critical as the future of the 1115 waiver and disproportionate share hospital payments is not certain.
3. Targeted rate enhancements provide critical financial stability for Texas hospitals at a time when there is uncertainty about the future of Medicaid financing.
4. Protecting Account 5111 also is critical as it is a key funding source for the rate enhancements in both proposals.