



Key Issues for Texas Hospitals

2015 Legislative Session

Twenty-four hours a day, seven days a week and 365 days a year, Texas hospitals serve their communities.

+ Hospitals save lives. Through a network of 284 designated trauma facilities throughout the state, victims of accidents, poisoning and serious injuries have access to life-saving care. At 2.79 percent, the trauma mortality rate in Texas is a full percentage point lower than the national average.

+ Hospitals are on the front lines when disaster strikes. From hurricanes and infectious disease outbreaks to mass casualty events and hazardous materials accidents, Texas hospitals are ready to respond not just in the immediate aftermath but in the days, weeks and months that follow.

+ Hospitals are employers. Texas hospitals employ more than 400,000 Texans. They are often among the largest employers in their community.

+ Hospitals are innovation centers. Texas hospitals are home to nearly 17,000 clinical trials to test new treatments and pharmaceuticals for diseases such as Alzheimer's, cancer, diabetes, multiple sclerosis and Parkinson's.

+ Hospitals are training the physicians, nurses and allied health professionals of tomorrow. Through nine medical schools and more than 50 teaching hospitals, Texas hospitals are educating and training the physicians who will care for the state's growing and aging population.

+ Hospitals are a safety net. Texas hospitals are often the only source of care for uninsured Texans. The amount of uncompensated care provided by Texas hospitals annually exceeds \$5.5 billion – the annual GDP of more than 40 nations.

+ Hospitals are improving community health. Through programs and initiatives that make our communities healthier places to live, Texas hospitals are investing in prevention and wellness.

In order for Texas hospitals to continue to deliver the highest quality care to all Texans and to invest in innovation, they need public policies that support their work.

Reducing the Number of Uninsured the Texas Way

Nearly 20 percent of uninsured Texans have no access to affordable coverage through their employers and are not income-eligible for public coverage. The result is that more than 1.1 million uninsured, low-wage working Texans rely on hospital emergency departments for acute care. This care costs Texas hospitals more than \$5.5 billion each year. Some of this unreimbursed cost is shifted onto the privately insured who pay higher insurance premiums and to local property owners who pay higher taxes. Texas employers pay a price too because an unhealthy workforce has reduced productivity and increased turnover.

+ A strong state economy requires a Texas Way to increasing access to coverage and reducing inefficient health care spending. Such an approach could include:

- ★ Subsidized coverage in the private market based on an individual's ability to pay.
- ★ Health savings accounts, deductibles and co-payments to incentivize the appropriate use of medical care and wellness.



1.1 million
uninsured low-wage working Texans

50,000
uninsured military veterans

- ★ Incentives to seek employment if unemployed.
- ★ Financial penalties for inappropriate use of hospital ERs for non-emergent care.
- ★ Personal accountability for health and wellness.
- ★ A coverage option through small-employer subsidies to encourage Texas small businesses to offer health insurance as an employee benefit.
- ★ A transparent process to evaluate the potential reduction in local property tax burden.

Renewing the Medicaid 1115 Transformation Waiver

Texas' Medicaid Transformation and Quality Improvement 1115 waiver is driving major health care innovation throughout the state. There are currently more than 1,300 delivery system improvement projects, representing \$3 billion in transformation dollars. The waiver also provides an additional \$3.1 billion in funds to offset the cost of delivering uncompensated care.

The five-year waiver expires in 2016. The state must begin work on renewal in 2015.

+ **Renewal of the Medicaid Transformation Waiver**

is critical so that hospitals and other local health care partners can continue to develop and implement projects that address unmet mental health needs, deliver comprehensive diabetes care, provide primary care and medical homes, prevent hospital readmissions, improve access to care through telemedicine and much more. Increasing the amount of uncompensated care funds provided through the waiver is also needed to more accurately address the hospitals' need for these funds.

>1300
projects to improve
access to care and reduce costs

\$11.5 billion
in earned payments

Securing Funding for Hospital Supplemental Payments

Statewide, a quarter of Texas residents have no health insurance coverage. In some communities, the rate exceeds 30 percent. The consequence is more than \$5.5 billion annually in uncompensated hospital care. At the same time, Texas hospitals' Medicaid reimbursement rates are significantly below the cost of providing the care: less than 50 percent for inpatient services and 72 percent for outpatient services. This creates a major shortfall for Texas hospitals.

Hospital supplemental payments in the form of uncompensated care funds through the Medicaid Transformation Waiver (discussed above) and disproportionate share hospital payments fill some of that shortfall. Without these funds, Texas hospitals would become financially unstable and in many cases would be forced to close their doors, leaving many communities without a hospital.

+ The state should **fully fund the Medicaid DSH program**, and to more accurately reflect the cost of delivering health care, increase the **Medicaid reimbursement rates for inpatient and outpatient services**.

25 percent
highest rate of uninsured in
the nation

>\$5.5 billion
hospital uncompensated care

Preserving the Driver Responsibility Program to Fund Trauma Care

Approximately one-third of all trauma patients in Texas are uninsured. As a result, Texas hospitals annually bear more than \$230 million in uncompensated trauma care costs. In the last 10 years, uncompensated trauma care has cost Texas hospitals more than \$2 billion.

This amount would be even higher without the funds generated by the Driver Responsibility Program. Since 2003, the DRP has collected fines and surcharges from drivers with repeat moving violations and from drivers with DWI convictions. The program is intended to hold irresponsible drivers accountable for causing trauma and to partially offset hospitals' uncompensated trauma care costs.

These much-needed funds are critical for maintaining a trauma safety net. They have also facilitated the expansion of trauma care and increased access to trauma services throughout the state. Since the inception of the DRP, an additional 77 Texas hospitals have been designated as trauma facilities. This expansion of the trauma network is particularly important to provide access to trauma services in rural areas of the state.

+ **Preserving the DRP** is critical to ensure a source of funding for trauma care and a network of trauma facilities.

>115,000
trauma incidents a year

>\$230 million
hospital uncompensated
trauma care

Maintaining Funding for Graduate Medical Education and Health Care Workforce Education and Training

Texas has too few physicians to meet the health care needs of its rapidly growing population. Statewide, there is a severe shortage of primary care physicians, as well specialists in a number of disciplines, including psychiatry, pediatrics, endocrinology and geriatrics.

The most effective way to increase the number of physicians practicing here is to retain the medical school graduates who are educated in our Texas medical schools. If the number of first-year residency positions does not increase, beginning in 2014, at least 63 Texas medical school graduates will have to leave the state to complete their training. By 2016, this number triples. With them leaves the state's investment of \$30.2 million in their medical education, and chances diminish that they will set up practice in Texas.

220
additional physician training
slots needed

\$150,000
annual cost to train a physician

The 83rd Legislature made an important investment in graduate medical education to increase the number of practicing physicians in Texas, including:

- Increasing the funding to public health-related institutions to help defray the faculty and other costs associated with resident education;
- Appropriating funds for the Family Practice Residency Program through the Texas Higher Education Coordinating Board to increase the per-resident funding level to approximately \$10,000;
- Appropriating funds for new GME expansion programs to help increase the number of residents in the state; and
- Appropriating funds for new GME programs, including the Resident Physician Expansion program to encourage the creation of new GME positions through community collaboration and innovative

funding, and for a Primary Care Innovation Program to provide grants to medical schools that administer innovative programs designed to increase the number of primary care physicians in the state.

The state also has well-documented shortages of nurses and allied health professionals. Higher education funding needs to be directed to these fields that have jobs waiting to be filled. The lack of faculty, residencies and clinical rotation sites must be addressed. During the 2013 legislative session, lawmakers restored funds to alleviate the nursing shortage by appropriating funds for the Professional Nursing Shortage Reduction Program.

+ **State funding** of nurse, physician and allied health professional educational programs should at the least be **maintained at the level appropriated for the 2014-15 state fiscal years.**

Investing in Behavioral Health Care Services

Texas historically has ranked at the bottom of states in per capita mental health funding. The impact of an underfunded behavioral health care system is seen in reduced emergency department capacity, increased hospital readmissions and increased hospital uncompensated care.

In addition, the number of psychiatrists and other behavioral health care professionals is insufficient to serve all Texans living with mental health or substance abuse issues. Three-quarters of the state's counties are designated as mental health professional shortage areas; 70 percent of counties have no practicing psychiatrists.

The 83rd Legislature increased behavioral health funding by \$300 million for fiscal years 2014-15. At a minimum, this **+** **funding should be maintained. State funding to increase the behavioral health workforce is also needed.**

Finally, under current law, only law enforcement can hold a patient who is determined to be a danger to self or others. This creates a challenging situation for hospital emergency department staff when presented with a patient with a behavioral health condition who has been determined by a physician to be a danger. A change in the law is needed to protect patients, providers and the community to **allow** **+** **physicians in hospitals and freestanding emergency medical care facilities to initiate a temporary hold** of a patient who due to a behavioral health condition is a danger to self or others.

\$270 billion
annual loss to state
economy of untreated behavioral
health needs

75 percent
Texas counties without a
sufficient behavioral health
care workforce