



TEXAS HOSPITAL ASSOCIATION

May 30, 2008

Albert Hawkins
Executive Commissioner
Texas Health and Human Services Commission
4900 N. Lamar
Austin, TX 78030

Dear Commissioner Hawkins:

The Texas Hospital Association and its members are committed to continue working with the Texas Health and Human Services Commission to ensure that hospitals' costs are adequately reflected in funding by Medicaid and the Children's Health Insurance Program. Additionally, Texas hospitals want to work with you and your staff to ensure the success of the Medicaid reform efforts enacted in 2007. Sustainable and equitable funding is critical to making these reforms work.

On behalf its more than 450 member hospitals and health systems, the Texas Hospital Association respectfully requests that the Texas Health and Human Services Commission include the following items in the agency's fiscal year 2010-2011 Legislative Appropriations Request. Specifically, Texas hospitals support:

- Full appropriation of available trauma funds;
- Restoration of Medicaid Graduate Medical Education payments for hospitals;
- Use of general revenue to fund the catastrophic care program outlined in the Medicaid reform waiver request;
- Additional state general revenue funds for hospital diagnosis related group rate rebasing and outpatient hospital reimbursement to cover the full costs of services;
- Appropriation of state general revenue to support expanded health care coverage through the Texas Health Opportunity Pool;
- Maintenance of cost reimbursement protection for rural and small hospitals; and
- Increased state support for the children's hospitals' UPL program.

Trauma and GME

Created in 1989, the statewide trauma system was granted a stable source of funding in 2003 through the creation of the Designated Trauma Facility and Emergency Medical Services Account. While budget revenue estimates in the account are expected to exceed \$90 million annually, only \$52 million per year plus any amounts over the estimated revenue are appropriated for both 2008 and 2009. The annual payments from the fund are used by hospitals to partially offset the more than \$200 million of costs for caring for uninsured trauma patients.

Major teaching hospitals are among the state's largest providers of uncompensated trauma care, which makes restoration of Medicaid Graduate Medical Education payments to hospitals essential for continuation of the state's trauma network. These GME payments can help Texas increase its federal Medicaid funds. Clinical training programs are an essential part of medical education, and Texas is facing a shortage of physicians.

Enhance Medicaid Reform Efforts

The waiver request developed as a result of S.B. 10 outlines a practical approach to initially funding the Health Opportunity Account (HOP) through enhanced federal funding, but this will be a limited source of funds. Appropriation of additional state general revenue to enhance the HOP is critical to expanding health care coverage and ensuring the long-term success of Medicaid reform. Additionally, the waiver acknowledges the key role that a catastrophic care program plays in addressing hospital uncompensated care from chronic and catastrophic conditions; Texas hospitals support the use of general revenue funding to create a program to address these needs. Though the state is expected to partially re-base rates paid to hospitals in 2009, Medicaid inpatient and outpatient payments will continue to lag well behind costs. Additional state general revenue funds for hospital diagnosis related group rate rebasing and outpatient hospital reimbursement to cover the full costs of services is needed. Rates paid should reflect actual costs, and hospitals that care for high volumes of Medicaid and low-income patients should not be disadvantaged.

Rural and Children's Hospitals

Given the high percentage of Medicare and Medicaid patients treated by small and rural hospitals, government program payments are especially critical to these facilities. A budgetary rider included in previous legislative sessions ensures that these hospitals are paid their reasonable cost for the treatment of Medicaid patients. Continuation of this budgetary rider is critical for rural hospitals. Children's hospitals generally have the highest Medicaid utilization rates across the state. Increases in the amount of state general revenue for the children's hospitals' UPL program is an important issue for these hospitals.

Texas hospitals look forward to working with the commission during the legislative process to achieve funding for these important program initiatives, and, as always, our hospitals appreciate your ongoing efforts to explore creative remedies to the funding challenges in Medicaid and the Children's Health Insurance Program. THA and its members will continue to partner with the Texas Legislature and the commission to find solutions. Please contact me at 512/465-1007 if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Dan Stultz". The signature is written in a cursive, flowing style with a large initial "D" and a trailing flourish.

Dan Stultz, M.D., FACP, FACHE
President/CEO