



TEXAS HOSPITAL ASSOCIATION

April 28, 2009

The Honorable Steve Ogden
Texas Senate
P.O. Box 12068
Austin, TX 78711

Dear Chairman Ogden:

Texas hospitals need your help. On behalf of its more than 500 member hospitals and health systems, the Texas Hospital Association requests your support for a number of budget initiatives important to delivering Texans the hospital services they need. As deliberations begin on Senate Bill 1 funding, Texas hospitals respectfully request that you:

- Appropriate all of the money in the **designated trauma account** to help underwrite the growing burden of uncompensated trauma care;
- Invest a total of \$75 million to **double the number of nursing graduates by 2013** which would significantly reduce the current shortage of 22,000 nurses;
- **Eliminate** the Texas Health and Human Services Commission's **Medicaid cost savings initiatives** found in budget rider 60 of the Senate's version of the bill;
- Support House provisions **restoring the Medicaid adult medically needy program** and extending Medicaid **eligibility to 12 continuous months**; and
- **Preserve the integrity of the state's current infection reporting program** by removing House provisions that expand reporting to include infections resulting in the death of the patient. However well-intended, this approach is not based on scientific evidence and will increase costs without improving quality.

These provisions are included in either one or both versions of S.B. 1. The attachments provide the background and rationale for THA's recommendations. Recognizing financial limitations, the Texas Hospital Association encourages you and other conferees to spend money where it will make a positive difference and when it achieves good public policy goals. If you have any questions, or need additional information, please call me at 512/465-1505.

Sincerely,

John Hawkins
Senior Vice President, Advocacy and Public Policy

Attachment – Senate Bill 1
Key Budget Items for Hospitals

Hospital Trauma

Used to partially offset the cost hospitals incur in providing uncompensated trauma care and enhance the state's trauma care network, only \$150 million of the \$250 million in expected collections from the Designated Trauma Facility and EMS Account 5111 is appropriated for the biennium. Texas hospitals appreciate the monies already appropriated for the biennium; however, additional funds are needed to offset the approximate \$200 million per year in uncompensated trauma care costs.

Since its inception in state fiscal year 2004, collections into the Designated Trauma Facility and EMS Account have far outpaced payments to hospitals and with billions in new federal Medicaid FMAP funds now available for Texas, the state has an opportunity to make a one-time appropriation of the account, without increasing baseline payments in the future. As more Texans lose health insurance coverage and turn to ERs for health care, the trauma safety-net will be stretched even more. Now is the time to help maintain our statewide trauma system infrastructure.

Nursing Shortages

According to the latest projections from the Texas Center for Nursing Workforce Studies, Texas is currently short 22,000 registered nurses. Without major increases in funding for nurse education, this gap widens considerably as the state's population ages. While both houses increase Article III appropriations, the 2009 Texas Legislature should provide a total of \$75 million in special-item funding to increase the annual production of RN graduates from 7,000 in 2007 to 13,000 in 2013. Provisions in the Nursing Shortage Reduction Fund Rider in the House version of S.B. 1 provide up-front money to the most efficient top-tier nursing schools and all remaining schools are eligible for funds through an MOU process which provides accountability to the process. This allows schools to immediately increase enrollments and increase the number of nursing graduates. This puts Texas nurses in our Texas jobs.

Medicaid Cost Savings Initiatives

Budget rider 60 in Article II in the Senate version of S.B. 1 contains a number of provisions involving the Texas Health and Human Services Commission that are not good policy and adversely impact hospitals. Chief among them is a provision that replaces the Medicaid Primary Care Case Management model with an Exclusive Provider Organization model.

While the rider generates nearly \$7 million in new tax revenues for the state, hospital representatives have estimated that conversion from PCCM to EPO has the potential to reduce Medicaid Upper Payment Limit payments to state-owned hospitals by significantly more than that amount. UPL payments to non-state public hospitals also could be reduced by as much as \$200 million, which includes a loss of more than \$120 million in federal Medicaid funds. These losses far out-strip any savings, and this provision should be eliminated.

Other provisions included in the rider that should be eliminated, include:

- Expansions of Medicaid capitated arrangements;
- Severely ratcheting down on Medicaid managed care rates; and
- Increasing out-of-network discounts from 3 percent to 10 percent.

While these provisions may generate “savings” for the state, they do so at the expense of providers. Texas has the highest rate of uninsured in the nation, and one of the most meager of Medicaid programs. Medicaid already does not cover the actual costs of treating beneficiaries, and further cuts simply increase hospitals’ losses, a portion of which are passed on to paying patients. Physicians are more and more unwilling to treat Medicaid patients, and unjustified, arbitrary payment reductions will limit the availability of providers. Increasing hospitals’ losses on Medicaid at the same time that charity care and bad debt are escalating is not good policy, nor is it good for low-income Texans who rely on Medicaid or hospital emergency departments for care.

Adult Medically Needy and Continuous Eligibility for Children

Restoring the adult medically needy program is good public policy for Texas. Funding for the adult medically needy program would extend limited medical benefits on a temporary basis to uninsured adults suffering from an urgent medical condition, such as a stroke or accident victim. In addition to reducing the number of uninsured in the state, leveraging additional federal funds makes good economic sense for the state, especially in today’s economic crisis.

Extending Medicaid continuous eligibility from six to 12 months decreases the likelihood that children will be cared for by multiple providers. Children who don’t have access to a consistent health provider are more likely to receive duplicative treatments and vaccines, adding unnecessary cost to the program.

Access to preventive health services allows problems to be detected early and corrected, and gives children with chronic conditions the medical oversight needed to manage their illnesses and avoid costly emergency room visits. Finally, the change simplifies the application process which reduced administrative expenses.

Infection Reporting

Members of the House added a rider to Article II expanding infection reporting to include any infection resulting in the death of the patient. This rider was added without providing any additional funding to the Texas Department of State Health Services to administer the program. Reporting every infection that results in death will not improve overall patient safety or reduce health care costs or utilization of resources in hospitals. More importantly, such an approach falls outside of established practices and science-based protocols for infection reporting. The state’s current Health Care-Association Infections reporting complies with national standards, and should be funded.