

Amid an ongoing pandemic and historic workforce challenges, Texas hospitals are facing a crisis as critical funding is being withheld, impacting services, patients and the financial stability of hospitals across the state.

Medicaid pays hospitals far below their cost of care. Since fall 2021, supplemental payment programs that raise Medicaid reimbursement closer to cost either expired or are still awaiting federal approval. **These desperately needed funds have stopped flowing to Texas health care providers as the state and federal authorities remain deadlocked over approval.**

Hospitals are continuing to provide services to Medicaid patients at a deep discount, risking the assumption that programs will receive federal approval. But they cannot do so indefinitely.

Texas' Medicaid 1115 waiver financially enables supplemental payment programs and provides stability to Texas hospitals and the health care safety net. A 10-year extension of the waiver was rescinded in April 2021, and final approval is uncertain.



The continued absence of funding coupled with the lack of clarity regarding the future of these payment programs are creating tremendous financial stress on hospitals at a time when demand for medical care is at its most acute.

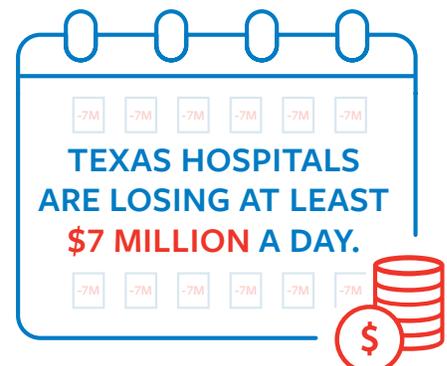
Texas Health Care in Crisis



Medicaid enrollment grew 27% during the pandemic while provider labor costs have roughly doubled, creating unprecedented challenges for hospitals. Without supplemental Medicaid payments, Texans may be left with a broken health care safety net in the middle of a devastating public health emergency.

Loss of supplemental funding would have catastrophic results for health care access in Texas. Consequences could include:

- Widespread hospital closures, particularly in rural areas,
- Decreased essential service lines, including already reduced labor and delivery services and behavioral health,
- Reduced ability for hospitals to weather pandemic-related financial challenges, like labor costs,
- Increased costs passed to insured patients to offset loss,
- Payment deficits offset as higher local taxes and insurance rates.



The 1115 waiver and supplemental Medicaid payments have long enjoyed bipartisan support.



Essential Programs in Limbo

Payments from two longstanding Medicaid programs totaling over **\$5 billion a year** ceased in fall 2021. Texas proposed three directed payment programs to replace them, but those are still awaiting federal approval.

Programs currently on hold:

Comprehensive Hospital Increase Reimbursement Program (CHIRP) = **\$4.72 billion annually**

Texas Incentives for Physicians and Professional Services (TIPPS) = **\$600 million annually**

Rural Access to Primary and Preventative Services (RAPPS) = **\$11.2 million annually**

Crucial funding to the state's safety net has now lapsed, risking access to care for the 5 million Medicaid enrollees in Texas and reducing hospitals' ability to address health disparities among vulnerable populations. With each lost day of implementation, operational complications mount for hospitals, managed care plans and the state. Additionally, if the entire Medicaid 1115 waiver were invalidated, between **\$9 billion-\$9.7 billion in annual payments to hospitals would cease.**

What Hospitals Need

Texas hospitals are seeking immediate approval of these programs, including retroactive payments.

Other funding means must be enacted to ensure the state's hospitals are able to weather the extreme financial challenges they're facing. These additional needs include:

- Reinstatement of the 10-year Medicaid 1115 waiver extension,
- Medicaid expansion to more eligible Texans,
- Hospital reimbursement payments closer to the actual cost of services,
- Federal dollars for extraordinary pandemic staffing costs exacerbated by staffing agencies,
- Funding to address behavioral health needs heightened by the pandemic,
- Programs to address the historic and pervasive nursing shortage.



A Primer on How Hospitals Are Paid

Texas hospitals receive reimbursement for care from patients' private insurance, self-payments, and public sources of coverage such as Medicare for older adults and Medicaid for low-income individuals. However, the actual cost of providing care to publicly insured patients often exceeds the payments hospitals receive. Hospitals are required to provide emergency care for anyone seeking treatment, regardless of their ability to pay.

Hospitals' Medicaid reimbursements vary greatly by facility but are typically well below the cost of care, covering only 65%-70% on average. This underpayment leaves Texas hospitals with a multibillion-dollar Medicaid shortfall. It would currently cost an estimated **\$10 billion** of additional state and federal funds to fully finance hospitals' Medicaid rates.



Texas leads the nation in uninsured residents. Over 5 million Texans have neither private nor public coverage, or roughly 18% of the population. **Texas hospitals regularly absorb the cost of care if uninsured patients cannot self-pay.**

Texas hospitals are forced to rely heavily on supplemental dollars to offset care for the uninsured and underpayment from lower-than-cost Medicaid reimbursements.