

May 3, 2021

The Honorable Jane Nelson, Lois Kolkhorst, Joan Huffman, Robert Nichols, Larry Taylor, Greg Bonnen, Giovanni Capriglione, Mary Gonzalez, Armando Walle and Terry Wilson:

On behalf of our more than 450 member hospitals and health systems, the Texas Hospital Association thanks you for your ongoing leadership and dedication to craft the 2022-2023 state budget amid the other pressing items before the 87<sup>th</sup> Texas Legislature.

As you well know, the COVID-19 pandemic and winter storm had a devastating impact on the entire health care system as well as Texas patients. Loss of Texas' Medicaid 1115 Waiver extension, putting \$100 billion over 10 years at risk, severely threatens the stability of the health care safety net and patients' access to care. As Texas hospitals work with state and Congressional leaders to address the waiver extension, hospitals also are committed to working with you to ensure adequate state and federal funding is available to support a strong health care infrastructure and Texas' growing population.

We applaud the Senate Finance and House Appropriations Committees for maintaining level funding for trauma, safety net and rural hospitals' Medicaid rate enhancements. We encourage the conference committee to adopt the House budget's additional \$48 million in General Revenue (\$124 million all funds) for rural hospital Medicaid reimbursement, and retain the \$500 rural labor and delivery Medicaid add-on payment in the Senate budget. On average, base Medicaid covers 66% of inpatient and 77% of outpatient hospital costs for enrollees. These rate enhancements are critical to bring hospitals' Medicaid reimbursement closer to the actual costs of providing care.

We urge you to please include the House rider that directs HHSC to pursue a federal waiver to eliminate the bar on Medicaid spending for individuals receiving care in "institutions for mental disease." Increasing reimbursement for medically necessary services will improve continuity of care for Texans with severe mental illness and reduce hospitals' uncompensated care costs. This funding is especially important considering Texas lost with the waiver extension its new uncompensated care pool for community mental health centers and local public health departments, worth approximately \$500 million a year over 10 years. With behavioral health funding in the safety net uncertain, pursuing the IMD exclusion delivers an important new source of financial stability.

In addition, hospitals support the House's \$84 million in new GR contingency appropriation to extend Medicaid eligibility for postpartum women from 60 days to 12 months following delivery. Texas hospitals also urge budget conferees to include a rider directing HHSC to use the enhanced Coverage Expansion Funds from the American Rescue Plan Act of 2021 to increase access to health care coverage for low wage working Texans. Shrinking the state's coverage gap will work to also reduce the state's hospital uncompensated care burden, which totaled more than \$4.6 billion in 2020 even after supplemental payments.

The ongoing COVID-19 pandemic has also highlighted the key public health functions of hospitals, detecting and treating infectious diseases of all types. We encourage the conference committee to provide full funding for lifesaving infectious disease treatments at the Texas Department of State Health Services and Texas Health and Human Services Commission, including addressing the state's HIV/STD medication purchasing shortfall and purchasing direct-acting antiviral treatment for Medicaid and state hospital patients with Hepatitis C virus.



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Ongoing funding is needed to ensure a robust health care workforce that can meet the unique health care needs of Texas' growing population. Texas hospitals support the Senate's \$199 million GR appropriation to expand graduate medical education for physician training to address GME shortages. Hospitals also appreciate the \$19 million GR appropriation to maintain Professional Nursing Shortage Reduction Program funding. We encourage conferees to adopt the House measure restoring \$1 million to this program with available federal funds.

Finally, we encourage the conference committee to follow the House's lead by not prescribing \$350 million in cost containment initiatives at the HHSC. At a minimum, we request the final budget make clear that cost containment measures at HHSC are not required unless all available federal COVID-19 relief funds have first been expended.

We appreciate your work to support the state's health care infrastructure, and we look forward to continuing to work with you during this critical time to protect the health of all Texans.

Sincerely,

A handwritten signature in black ink, appearing to read "Ted Shaw".

Ted Shaw  
President/CEO  
Texas Hospital Association