Texas hospitals are asking lawmakers to oppose House Bill 5186 by Rep. Greg Bonnen, MD. The latest version of this bill would allow legislators to set rates of reimbursement that hospitals receive from state-administered health plans. This provider payment structure would apply to both in-network and out-of-network rates, mirroring efforts in other states that have shattered previously strong provider networks.

**THE CURRENT STATE OF STATE HEALTH PLANS:**
State employee health plans are administered by a private health insurance company.

Providers and health plans negotiate payment rates and network requirements that reflect the characteristics of the health care provider and the insurance market through a managed care model. This free market-friendly model encourages cost savings and quality.

Managed care saves taxpayers money under free market principles, with Texas’ Medicaid program serving as a prime example. The managed care authority granted to Texas under the Medicaid 1115 Transformation Waiver saves taxpayers approximately $11.4 billion per year.

**UNDER HB 5186:**
A 10-member committee of state legislators would unilaterally set individual payment rates that Texas hospitals, ambulatory surgical centers, birthing centers and freestanding emergency centers could receive from the health plans of four state organizations: the Employee Retirement System and the Teacher Retirement System of Texas, the University of Texas System, and the Texas A&M University System.

The committee would be assuming control of a business function previously left to the private market.

The bill would supersede any existing contracts in the private market that conflict with the bill's terms.

Access to care for the state's employees and retirees would decrease. Texas would backslide into a fee-for-service environment, erasing decades of progress on value-based arrangements in the commercial market for these insureds.

**SIMILAR EFFORTS IN OTHER STATES HAVE BEEN DISASTROUS:**
Other states that have tried an approach like HB 5186 have utilized reference-based pricing based on a percentage of Medicare, which has reduced reimbursement to providers by billions and shattered previously strong provider networks. Medicare chronically underpays hospital costs and fails to track inflation.
Contradicting decades of research and federal and state efforts, reference-based pricing is anticompetitive, undermines differentiating reimbursements by quality (pay-for-performance) and treats health care as a commodity.

Using this approach, billions of dollars in funding reductions for health care providers drove providers in other states out of network:

- In North Carolina, no hospital participated in the network.
- In Montana, just 14 out of 59 hospitals participated in the network.
- In Oregon, only 24 out of 70 hospitals participated in the network.

REAL SOLUTIONS TO HEAL HEALTH CARE

Labor costs make up 56% of hospital expenses nationally, and that percentage is growing thanks to a persistent labor shortage. From 2020 to 2023, the number of full-time hospital employees per occupied bed decreased 12% while labor expenses per discharge over the same time frame are up 21%. Put simply: Hospitals are staffed well short of pre-pandemic levels and are paying more for the staff they do have.

During the 2023 legislative session, the hospital industry is advocating to:

- Invest in health care workforce training and education;
- Increase the health care workforce across the state – especially nurses – to protect patient access to care and to ensure providers can provide lifesaving care, staff record numbers of vacant beds, and balance increasing and continued workforce cost challenges;
- Ensure nurses and all health care providers are safe at work by developing sound plans to prevent workplace violence that endangers patients and staff and increases staff turnover;
- Improve access to care and increase health care coverage, including postpartum care for mothers, and expand access for inpatient behavioral health care patients;
- Increase resources for behavioral health care with increased bed capacity statewide, more behavioral health care workforce, and increased access, leading to fewer hospitalizations; and
- Balance individual rights and the need for safety within hospitals, ensuring a strengthened public health system.