

Hospitals Oppose Government Rate-Setting for State Health Plans

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.