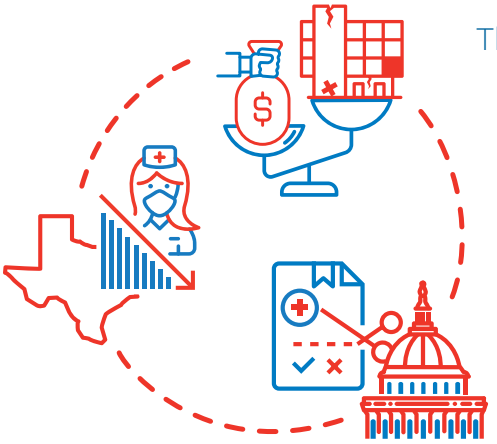
Texas Hospital Association

Facing the Federal Flurry: **Ensure a Healthy Future for All Texans**

Congress is discussing aggressive budgetary reforms in 2025 that pose a catastrophic threat to hospitals, access to care for all Texans and the economy of the state. **Trillions in cuts to Medicare and Medicaid funding are being considered** as part of a budget package that includes sweeping domestic policy reforms. At the same time, April 1 looms as a key date by which lawmakers must resolve **a huge pending cut to Medicaid safety-net hospitals** and preserve several key programs that are set to expire.



The continuing discussion around health care in Washington, D.C., is turbulent and requires urgent attention from hospital advocates. **Access to care, hospital viability and the health care safety net will all be at risk if lawmakers make the wrong moves.** The impact on local economies in Texas – which rely on their hospitals for healthy employment and growth – will be profound as well. **Reforms to federal health care systems must lead with a "Do no harm" approach** that doesn't upend and destabilize programs and payments that are crucial to the health of millions of Texans and the Texas economy.

Threats in Budget Talks: **Preserving Access to Medicaid and Medicare**

Texas hospitals are committed to ensuring Medicare and Medicaid are efficient, effective and sustainable programs for millions of children, pregnant women, seniors and others across the state. However, hospitals need stable and equitable financing to deliver the highest quality of care. Cuts to reimbursements that are already below cost **jeopardize the entire health care infrastructure – and affect all Texans,** not just those enrolled in federal programs.

THA **opposes** the following reforms being considered for an eventual budget package:

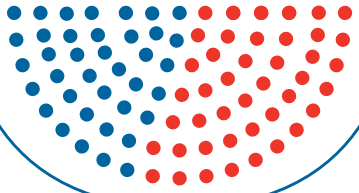
- **Capped Medicaid funding –** Proposals to cut Medicaid by implementing a block grant or per capita cap funding system would shift costs to the states and disadvantage Texas. More than 90% of Medicaid enrollees in Texas are now in managed care organizations, generating billions in savings to the federal government. Block grant and per capita cap arrangements **don't account for ongoing cost increases for care delivery; lock Texas into bare-bones coverage for patients and below-cost reimbursement to providers; and reward other states with high Medicaid spending.** Texas should continue to have the flexibility to structure and fund its Medicaid program in a way that meets the unique needs of the state.

- **Shifting Medicaid costs to states –** Current budget proposals threaten both how Medicaid can be funded by states and how much providers are paid. Texas and the federal government have worked together to implement lawful funding mechanisms that rely on providers assessing themselves taxes to generate local revenue for the state share of the Medicaid program. But current proposals would restrict the use of these collections, sometimes called "provider taxes," for that state portion. Even the most modest current restriction proposed would **lead to a 9% reduction in crucial Medicaid supplemental payments (or $1.5 billion).**[1] In addition, proposals to limit state directed payment programs – which help bring Medicaid reimbursement closer to the actual cost of care – **could result in a loss of approximately $1.4 billion to providers in Texas.**[2] These limitations would result in cuts that cripple access to Medicaid services, strain the state and local economies, increase taxes and divert funds from other priorities.

- **Site-neutral payments –** Hospitals face a greater regulatory burden and more complex cases than other care settings. As a result, "site-neutral" payment arrangements – which mandate that payment for care is the same regardless of setting – puts the financial stability of hospitals at risk. Just as every patient is different, all sites of care are not the same – and should not be reimbursed as though they are. But site-neutral schemes have found champions in Washington. Texas hospitals oppose all payment cuts resulting from new site-neutral policies, which would particularly reduce access to care in rural and other underserved communities.

What is reconciliation?

A legislative maneuver in which provisions tied to the federal budget can be fast-tracked in the Senate by a simple majority, rather than requiring 60 votes to pass.



Support: **Renewing Premium Tax Credits**

Enhanced premium tax credits (EPTCs) that help millions of Texans obtain health coverage in the federal Marketplace are set to expire at the end of 2025. EPTCs help more than 24 million Americans – and **3.3 million Texans – obtain health insurance and access care when they need it,** according to Keep Americans Covered. Without this support, millions of people could see their premiums spike by thousands of dollars a year, leading to increases in the number of uninsured and the amount of uncompensated care delivered across the state. **THA urges lawmakers to renew these credits so that people can access comprehensive, affordable health insurance.**

[1] THA analysis of potential provider tax threshold adjustments, based on reduction of "hold harmless" tax threshold from the current 6% of net patient revenue to 5%.
[2] Based on a federal proposal to lower the upper payment limit in Medicaid state-directed payments from average commercial rate to rates set by Medicare.

April Downpours: **Stop Medicaid DSH Cuts and Renew Key Programs**

April 1, 2025, is a key date for several hospital-relevant federal programs and funding sources. **Congress must act** before that date to address the following:

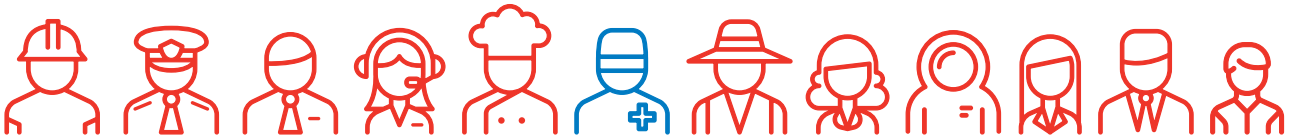
- **Medicaid Disproportionate Share Hospital (DSH) cuts –** These crippling, long-delayed cuts to safety-net hospitals all over the U.S. would formally kick in on April 1, hitting Texas hospitals by nearly $780 million each year from fiscal years 2025-2027, a total reduction of $2.3 billion.[3] Addressing the cuts on a short-term basis does not keep them from taking effect, and hospitals are already feeling the pain. **Congress must provide long-term relief and repeal the cuts,** or at a minimum delay them until the end of the year.

- **Rural add-on payment extensions –** Without congressional action, the Medicare-Dependent Hospital (MDH) and the Low-Volume Adjustment (LVA) programs will expire on March 31. Both provide essential add-on payments for rural hospitals that are already struggling to keep service lines open. The American Hospital Association has estimated that discontinuing MDH would result in a cut of nearly $332 million to Texas hospitals in federal fiscal year 2025, and ending LVA would result in a $3.5 million cut.

- **Telehealth coverage flexibilities –** Medicare authorities relaxed telehealth regulations in response to the COVID-19 pandemic, including loosening geographical restrictions on where patients and providers can physically be located to engage in a covered telehealth visit. These flexibilities have been kept in place for nearly five years and have proven beneficial to coverage in Texas. They expire March 31 and should be renewed or made permanent.

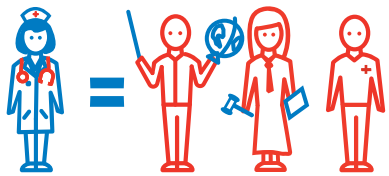
- **Hospital-at-Home –** The federal Acute Hospital Care at Home program, instituted during COVID-19, allows hospitals to control surge capacity by treating eligible patients at home. More than 35 Texas hospitals now provide hospital-at-home services. THA is urging the extension of hospital-at-home past the current March 31 expiration date.

Key Numbers: **Economic Impact of Texas Hospitals**



1.1 million – Approximate number of jobs provided by Texas hospitals in 2020, roughly one out of every 12 jobs in the state. [4]

ONE HOSPITAL JOB NETS 2.6 TOTAL TEXAS JOBS



142,000 JOBS SUPPORTED BY MEDICAID SUPPLEMENTAL PAYMENTS

2.6 – Number of jobs created in the Texas economy for every job at a Texas hospital, 2020.[4]

142,000 – Number of jobs directly supported by Texas' supplemental and directed Medicaid payments.[5]

[3] THA analysis of DSH cut impact. District-level data for Texas available at: www.tha.org/DSHcuts

[4] AHA Impact of Community Hospitals on U.S. Economy; All States, D.C., and Total U.S., 2020

[5] Texas Health and Human Services Commission, 2022

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Contact: Carrie Kroll
THA Senior Vice President of Advocacy and Public Policy
ckroll@tha.org