



## Topic: Interim Charge 2.2 - 2.5

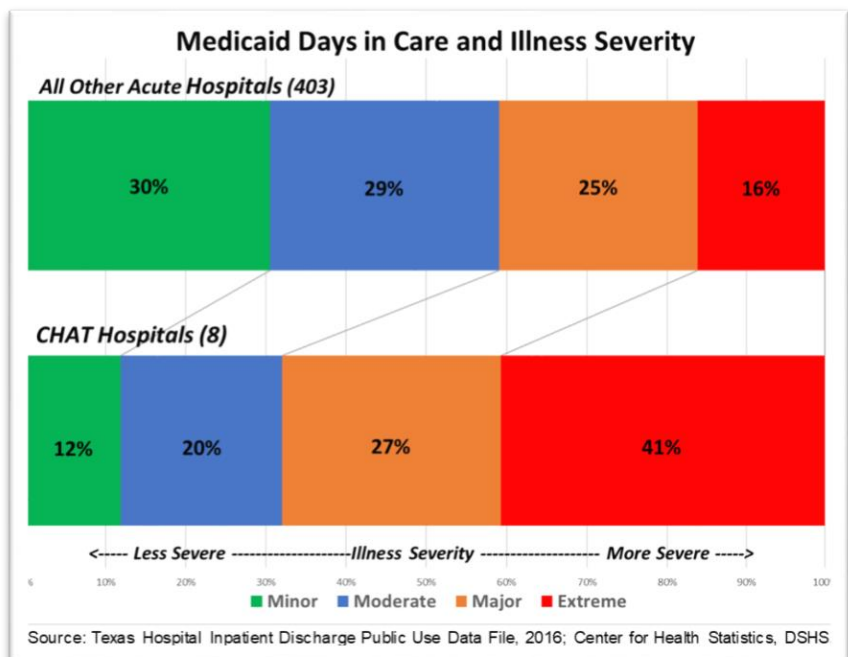
The Children's Hospital Association of Texas (CHAT) represents eight free-standing, not-for-profit children's hospitals located throughout the state of Texas. CHAT's mission is to advance children's health and well-being by advocating for policies and funding that promote children's access to high-quality, comprehensive health care. CHAT appreciates the opportunity to provide information to the House Human Services Committee.

The number of children under age 18 living in Texas exceeds the **total population of 38 U.S. states and territories,<sup>1</sup> and one of every 10 children in the country lives in Texas.** Thus, the State has a unique opportunity to nationally lead in ensuring that children receive the best healthcare. Children's hospitals and their affiliated health systems are the natural expert centers to help drive this effort, which will include measurable outcomes that demonstrate children are receiving high-quality healthcare at lower cost.

### 2.2) The next phase of the 1115 Healthcare Transformation and Quality Improvement Program Waiver

There is no better investment that can be made to improve the future health of Texas than to invest in the health of the children of Texas. Children make up 69% of the Texas Medicaid population<sup>2</sup> so children's hospitals are heavily reliant on Medicaid funding. To continue to serve as the safety net for these low-income children, children's hospitals need stable Medicaid financing.

Children's hospitals serve one of the most vulnerable populations in Texas - children with medically-complex and chronic conditions. Almost 60% of children in Texas with special healthcare needs are covered by Medicaid.<sup>3</sup> Additionally, 41% of the Medicaid days in CHAT member hospitals are for children suffering from the most severe medical conditions,



<sup>1</sup> [World Population Review](#), last accessed on 9/23/20.

<sup>2</sup> <https://hhs.texas.gov/services/health/medicaid-chip/about-medicaid-chip/reference-guide>, p. 3, last accessed 9/23/20.

<sup>3</sup> <http://files.kff.org/attachment/fact-sheet-medicaid-state-TX>; p. 1., last accessed 9/23/20.

**Children's Hospital Association of Texas**

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**House Human Services**



including cancer, organ failure, and cystic fibrosis.

Currently, the 1115 Healthcare Transformation and Quality Improvement Program Waiver provides critical Medicaid funding for children's hospitals in the state of Texas. The 1115 Waiver and its essential supplemental funding have helped shore up safety net providers like children's hospitals.

On behalf of our members, CHAT requests that the state:

- **Maximize Federal Medicaid Funding** – Federal Medicaid policies allow states to pursue Medicaid program flexibility through waivers, directed payment programs, and other agreements in the Medicaid state plan. CHAT supports the state maximizing the federal funding available to hospitals through the existing federal flexibilities to ensure hospitals continue to provide the high-level of care to vulnerable children in the state.
- **Partner with Children's Hospitals to Transform Care** – Children are the largest population served by the Medicaid program in Texas. Addressing cost drivers and quality of care issues for children could have a significant impact on the over-all effectiveness and health outcomes of the program. Children's hospitals are uniquely positioned to lead the transformation of pediatric health care delivery for the more than 3 million children covered by Medicaid in Texas.

Failure to continue the funding that is currently available through the waiver and supplemental payments will cause serious negative consequences to the delivery of health care throughout the state. It is becoming increasingly challenging for children's hospitals to maintain the full array of services to care for children with serious chronic conditions due to continuing funding reductions and disruptions.

**2.4) The Centers for Medicare and Medicaid Services proposed Medicaid Fiscal Accountability Rule**

On behalf of our members, CHAT believes that the Centers for Medicare and Medicaid Services (CMS) proposed Medicaid Fiscal Accountability Rule (MFAR) would have significant detrimental impacts on safety-net hospitals in the state. The proposed regulation will likely severely impair the Medicaid program, on which our member hospitals are heavily dependent. CHAT believes that the proposed regulation will substantially harm children's hospitals in Texas for a number of reasons.

**Medicaid is the primary payor for care provided by children's hospitals in Texas.**

Children's hospitals in Texas rely heavily on Medicaid funding due to a confluence of factors, including:

- The number of children in Texas;
- The poverty rate for children in Texas; and
- The limited number of payors for children (*i.e.*, no Medicare payments).

According to the Texas State Demographer, 7.4 million children under the age of 18 lived in Texas in 2019. About half of those children are enrolled in Medicaid or the Children's Health Insurance Program (CHIP).

## Children's Hospital Association of Texas

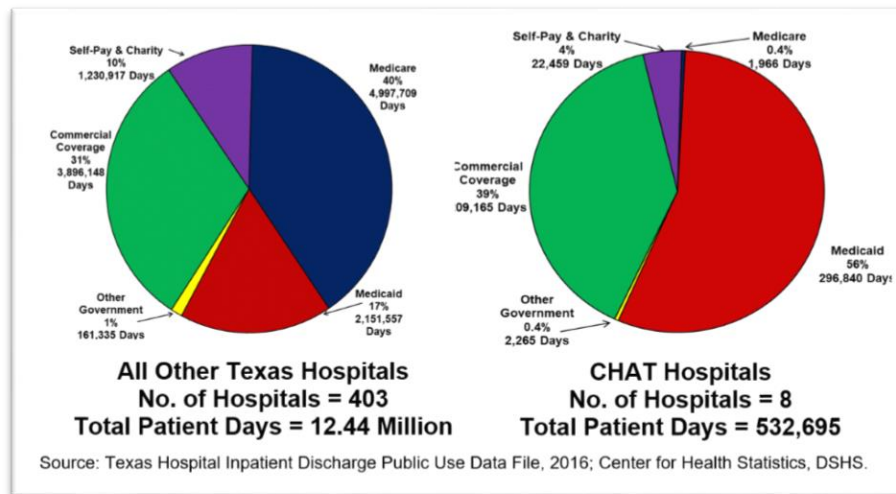
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### House Human Services

According to the Annie E. Casey Foundation's 2019 Kids Count Book,<sup>4</sup> 21% of children, more than 1.5 million kids, live in poverty in Texas. With the sheer number of children in Texas and Texas's Medicaid eligibility criteria, discussed in more detail below, Medicaid is the payor for between 50% and 80% of all inpatient days at children's hospitals.



A disruption or reduction in vital Medicaid funding will limit the availability of life-saving and life-sustaining services for all children. Children's hospitals serve as the safety net for all children, not only in the state but often across the region, nation, and world. These hospitals do not differentiate care based on a patient's payor. In fact, children's hospitals often subsidize specialists' and sub-specialists' payments to ensure that they are accessible to **all** children. Any disruption in Medicaid funding threatens the availability of specialized pediatric services to every child who needs medical care.

### The proposed rule would substantially damage the Medicaid program in Texas.

In its comment letter to CMS, CHAT pointed out that MFAR is overly broad in its scope, as it goes further than is necessary, and likely beyond CMS's authority, to remedy specific perceived problems. For example, by moving away from a standardized test to determine whether a provider tax is generally redistributive and using unclear "totality of the circumstances" and "net effect" language, CMS is injecting vague and subjective standards into Medicaid funding structures that will likely cause large and unpredictable swings in program funding. This unpredictability in such a large amount of children's hospital funding will potentially result in both reductions in current services and limitations in making long-term investments to meet the growing needs of patients.

<sup>4</sup> <https://www.aecf.org/resources/2019-kids-count-data-book/>, last accessed on 9/23/20.