



June 28, 2017

The Honorable John Cornyn
517 Hart Senate Office Bldg.
Washington, DC 20510

Dear Senator Cornyn:

As organizations representing nearly 500 Texas hospitals and health systems and more than 50,000 Texas physicians and medical students, we are writing to share our views on how the Better Care Reconciliation Act (BCRA) to replace the Affordable Care Act and revamp Medicaid funding will impact the financing and delivery of critical health care services. **If enacted as drafted, the Medicaid provisions of the BCRA will have significant negative consequences for Texas, for Texans, and for the Texas state budget.**

Given the Senate's decision to delay a vote on the BCRA, we respectfully request that you meet with Texas Medical Association and Texas Hospital Association leaders during the July 4 recess. We believe our recommendations can help you craft a better bill that will engender broader support from your colleagues, Texas voters, and the American public.

In lieu of the BCRA Medicaid changes, our organizations respectfully urge you to support a more deliberative health reform process and to organize a strike team of hospital and physician representatives to develop more constructive reforms. We welcome the opportunity to work with you to devise improvements that keep Medicaid costs low, reduce Medicaid's administrative challenges, and preserve Medicaid's important role in the health care delivery for all Texans.

We understand the need for judicious reforms across the health care system, including public and private payers. We are confident that we can work together to construct a system that is efficient and effective while also ensuring compassionate, high quality health care for our patients.

Reform proposals should be considered that maintain Medicaid's historic funding commitment but implement needed financing and coverage reforms to stress fiscal discipline and personal responsibility. These comprehensive reform proposals should be fully analyzed, and the hospital-physician strike team would be happy to work with you on such an analysis.

We also believe that any new Medicaid financing system should not reward states that have been poor stewards of the federal Medicaid dollar. Texas is already a low-cost Medicaid state. More than 90 percent of Medicaid enrollees must enroll in managed care organizations, a move that has generated more than \$8 billion in savings over the past five years. In addition, Texas Medicaid already underpays physicians and providers. Hospitals are paid, on average, less than 60 percent of the cost for inpatient services. Physicians' Medicaid payments average about 50 percent of that for commercially insured patients. Texas Medicaid eligibility and benefits adhere largely to federal minimum standards. To constrain costs any further would require cuts in benefits and services and/or the already-too-low payments to physicians and hospitals. **Capping federal funds actually would punish Texas' lean, efficient system while rewarding more extravagant states.**

As drafted, the BCRA's effects would be felt most strongly by – but would by no means be limited to -- the poorest citizens of our great state. As the largest purchaser of health care services in the state, changes to Medicaid would affect far more than just those Texans who receive those services directly. Consider:

- **Medicaid funding is the financial lifeline for rural, border, and urban safety-net hospitals and physician practices upon which all Texans rely.** Upending Medicaid financing could cripple these hospitals' and physicians' ability to care for everyone in their communities. The closure of a rural hospital or clinic hurts not just the poor – but the entire town. A hospital's decision to close its maternity unit to save costs puts all mothers and newborns at risk. When a trauma unit shuts, Texans of all incomes who suffer life-threatening injuries may not receive timely care, jeopardizing their survival.
- **Fifteen percent of Texans – 4 million of your constituents and our patients -- benefit from Medicaid directly.** This includes more than 3 million children, who comprise 75 percent of Texas Medicaid enrollees. Medicaid also helps us to care for poor and low-income parents, pregnant women, Texans with disabilities, seniors, women with breast or cervical cancer, foster children, and patients with serious behavioral disorders. We all interact with these Texans every day at school, work, or church. Whether newborns or seniors, these patients would be uninsured without Medicaid. **Our most disadvantaged citizens simply have no other health insurance option.**
- **Texas Medicaid is the cord that binds the state's health care safety net.** It covers 40 percent of low-income children and 52 percent of births. It is the single largest source of funding for behavioral health care, including substance abuse services. It is vital to Texas' commitment to improving maternal and pediatric health outcomes.
- Texas counties are constitutionally required to provide indigent care. **If the federal government shifts costs to the states, Texas will shift costs to counties, which in turn will increase property taxes and/or reduce services to compensate – an unsustainable solution.**

We also are concerned that the Medicaid changes proposed in the BCRA draft would hamstring Texas in the event of a natural disaster, such as a hurricane, or a public health emergency, such as a flu pandemic, because the capped funding formula would not increase during unanticipated health care emergencies. Moreover, the capped funding mechanism makes no allowance for increased medical costs attributable to breakthrough but costly new medical and pharmaceutical

benefits, such as highly effective autism treatments or cancer medications. Without a mechanism to update Medicaid payments to account for these higher-than-expected costs, Texans and Texas taxpayers will suffer.

Undoubtedly, Medicaid is imperfect. We agree reforms are necessary. However, in lieu of the BCRA's Medicaid proposals, we strongly encourage you to examine other sensible and fiscally sound options.

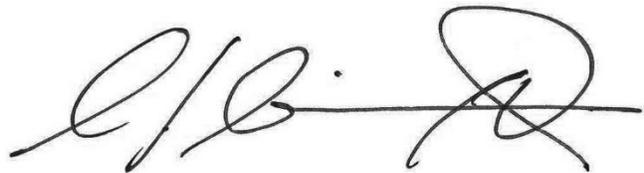
Texas hospitals and physicians stand ready to help you develop pragmatic reforms that will preserve a high-functioning, efficient, and fair Medicaid program that supports quality health care for all Texans. We urge you to stand with us to protect our patients.

We look forward to meeting with you next week.

Sincerely,



Jeffrey Canose, M.D.
Chairman
Texas Hospital Association Board of Trustees



Carlos J. Cardenas, M.D.
President
Texas Medical Association

Attachments: Medicaid Reform Policy Principles