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For Your Health's Sake

Some Cuts Don't Heal

(Huntsville, TX) – The State of Texas faces an unprecedented budget shortfall for the 2012-13 biennium, and the magnitude of cuts being considered will have enormous financial and clinical consequences for health care for all Texans. The Comptroller has estimated that the state will have \$72 billion to spend, and state agencies have requested \$99 billion to maintain the current level of services. The current \$27 billion deficit is unprecedented. In 2003, the Legislature faced a \$10 billion shortfall, which resulted in drastic across-the-board spending cuts. The Legislature is considering a reduction in spending across every part of the state budget. Texas Medicaid faces a \$10 billion shortfall. Trauma funding is reduced 23 percent, and funding for nursing education could be totally eliminated. All of these cuts to funding for local hospitals, doctors and nurses will impact every Texan's pocketbook, as well as their health care.

Medicaid

The Medicaid shortfall is caused by unanticipated growth in caseload, the corresponding increase in the volume of services needed, and a reduction in federal Medicaid funds:

- According to the December 2010 *Impact on Texas if Medicaid Is Eliminated* report issued by the Texas Health and Human Services Commission and the Texas Department of Insurance, Medicaid enrollment has increased by 78 percent in the past 10 years (growing from 1.9 million to 3.4 million recipients); to put this into context, the state's population has grown 20 percent during the same period.
- Medicaid expenditures have risen at a rate between 7-9 percent because more services are being used by the larger number of recipients.
- Federal matching funds for Medicaid have been reduced significantly as the temporary increase in federal stimulus funding comes to an end. This approximate decrease in funding means that the state's share of Medicaid expenditures will increase by about one-third.

Clearly, Medicaid costs are unsustainable and so too is the number of low-income individuals qualifying for Medicaid. There are nearly 1.5 million more Medicaid recipients today than a decade ago. In fact, caseload grew 12-13 percent during the past two years – growth driven by the economic downturn.

At the same time, hospital reimbursement rates have not increased since 2003. Hospitals are paid 60 cents on every \$1 of Medicaid inpatient costs. Medicaid also reimburses hospitals 84.5 cents on every \$1 of Medicaid outpatient costs. The **ONLY** way that hospitals are able to continue to treat Medicaid patients is because of cost shifting to the private insurance market and the ability to make up a portion of the shortfall through supplemental payments, which involve local funds matched with a significant portion of federal funds.

The Upper Payment Limit program is used to mitigate the shortfall in state Medicaid reimbursement, and has grown over the past decade as the state has repeatedly underfunded Medicaid. However, **the increase in supplemental UPL payments comes at no cost to the state**, since the state's matching share is paid by local governmental entities (including public hospitals).

According to the Texas Health and Human Services Commission, **state funds cover only 19 percent of the payments made to Texas hospitals**; with help from local governments, the return on state-invested dollars is 5 to 1. With annual state general revenue of \$1.7 billion being only 19 percent of hospital funding, cuts to Medicaid hospital payments will reduce federal funds by approximately two-thirds. When Texas leaves federal matching health care dollars on the table, taxes paid by Texans are used to support health care in other states, like New York, Massachusetts and California.

When the state fails to adequately fund health care services, the burden is shifted to local government and to private employers who provide health insurance for their employees. The need for health care does not disappear even if funding does. People will continue to get sick. The burden for delivering and financing health care is shifted to local communities, like ours, where there are no federal matching funds. Therefore, it is imperative that City and County governments be informed about the shift of responsibility about to come their way.

With proposed cuts of 35 percent or more in state reimbursement for care, some hospitals will be forced to limit services. Some clinics will close. Wait times will grow longer for everyone. Jobs will be cut, and unemployment will increase. Hospital layoffs will have a ripple effect throughout Texas communities, and the state's ability to attract new businesses will be harmed. Texas also will lose critical federal matching funds. State cuts will shift costs to local taxpayers and those with health insurance. The Texas Legislature also proposes to reduce trauma funding by 23 percent, and funding for nursing education could be totally eliminated. All of these cuts to funding for local hospitals, doctors and nurses will impact every Texan's pocketbook, as well as their health care. Cuts alone cannot solve this budget crisis. The Texas Legislature must look at additional revenue, and there are other options such as tapping the rainy day fund, fixing the structural problems with the business tax system and modifying tax exemptions.

Our hospital, doctors, and nursing staff provide healing, compassionate care 24 hours a day, 7 days a week, 365 days a year. But some cuts-like those proposed in the state budget-don't heal. We need for everyone to contact our State Representative, Lois Kolkhorst, and State Senator, Steve Ogden, today and urge them to make decisions that are right for Texas! The Executive Team and I, along with our HMH Board of Directors, will be meeting with various community leaders such as the City Council, The Mayor, County Commissioner's Court, The Chamber of Commerce Board, and other various community organizations, to discuss what type of impacts the proposed budget cuts could possibly have for Huntsville Memorial Hospital. We are devoted to getting our message out to everyone in this community. If community members would like direct links to our legislator's web pages to leave a message, or a sample letter to send, I would urge you to visit our website at www.huntsvillememorial.com. All the needed information is just a click away.

Since 1927, we have provided charitable health care services, delivering quality healthcare to the residents of Walker County and the surrounding communities. Our talented team of medical staff members is focused on staying **up to the minute** with the latest technologies and treatment solutions, while still providing our patients with friendly, **down to earth** service that they've grown to expect from this neighborhood hospital. No matter what changes the government has in store for us, our mission and vision will never change.

Sally Nelson
Chief Executive Officer
Huntsville Memorial Hospital