The Value of Children’s Hospitals

Stacy E. Wilson
President
January 17, 2019
Alex’s Story

Click to Watch Video
Overview

- Children’s hospitals are the **safety net** for children in Texas.
- Children’s hospitals are the **first line of critical care** for our **most vulnerable** children.
- Almost **half** of the children in Texas are enrolled in Medicaid. So children’s hospitals rely heavily on **Medicaid funding**.
- Medicaid funding is **leaving children’s hospitals behind**.
- Children’s hospitals need the **legislature’s help** to continue providing the **best care** to children with the **most complex conditions**.
Who is CHAT?
## CHAT Members
(freestanding, non-profit children’s hospitals)

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Location</th>
<th># Inpatient Beds (Staffed)</th>
<th>Trauma Designation</th>
<th>NICU Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s Health</td>
<td>Dallas</td>
<td>393</td>
<td>Level 1 (Comprehensive)</td>
<td>Level IV (Advanced Intensive Care)</td>
</tr>
<tr>
<td>The Children’s Hospital of San Antonio</td>
<td>San Antonio</td>
<td>202</td>
<td>Level 3 (Advanced)</td>
<td>Level IV</td>
</tr>
<tr>
<td>Cook Children’s Medical Center</td>
<td>Fort Worth</td>
<td>369</td>
<td>Level 2 (Major)</td>
<td>Level IV</td>
</tr>
<tr>
<td>Covenant Children’s Hospital</td>
<td>Lubbock</td>
<td>73</td>
<td>Level 2</td>
<td>Level IV</td>
</tr>
<tr>
<td>Dell Children’s Medical Center</td>
<td>Austin</td>
<td>206</td>
<td>Level 1</td>
<td>Level IV</td>
</tr>
<tr>
<td>Driscoll Children’s Hospital</td>
<td>Corpus Christi</td>
<td>162</td>
<td>Level 3</td>
<td>Level IV</td>
</tr>
<tr>
<td>El Paso Children’s Hospital</td>
<td>El Paso</td>
<td>122</td>
<td>N/A</td>
<td>Level IV</td>
</tr>
<tr>
<td>Texas Children’s Hospital</td>
<td>Houston</td>
<td>681</td>
<td>Level 1</td>
<td>Level IV</td>
</tr>
</tbody>
</table>

**Take Away:** Children’s hospitals provide specialized care to the sickest children in Texas.
Why are children’s hospitals important?
CHAT Hospitals Serve All of Texas

Sources: 2016 Public Use Data File, THCIC - DSHS and Texas State Data Center

Take Away: Children’s hospitals are the safety net in Texas.
CHAT Hospitals Treat the Most Severe Conditions

Take Away: More than 40 percent of the care provided at children’s hospitals is for the most severe conditions (extreme).
We Know What Kids Need

• Children’s hospitals just treat kids so we are experts.

• Being experts in children’s care means:
  o Faster diagnoses
  o Better outcomes
  o Ability to treat all conditions
  o Age-appropriate care

Source: Texas Hospital Inpatient Discharge Public Use Data File, 2016; Inpatient Hospital Discharge, 2016.

Take Away: The expertise, volume, and subsidizing of specialty care are high cost, but saving children’s lives is a high reward.
Jacksonville miracle baby is born in Texas following ‘first of its kind’ procedure

Newborn Ivy Flynn spent her first few days of life at Texas Children’s Hospital.

She was diagnosed with a heart defect while still in the womb and underwent lifesaving surgery.
How do we ensure kids get this care?
Children’s Hospitals Depend on Medicaid

All Other Texas Hospitals
No. of Hospitals = 403
Total Patient Days = 12.44 Million

Children’s Hospitals
No. of Hospitals = 8
Total Patient Days = 532,695

Source: Texas Hospital Inpatient Discharge Public Use Data File, 2016; Center for Health Statistics, DSHS.

Take Away: Without Medicaid, this care would not be available to Texas children.
# Children’s Hospitals Serve a High Percentage of Children on Medicaid

<table>
<thead>
<tr>
<th>Facility (Acute Care Hospital)</th>
<th>County</th>
<th>City</th>
<th>Inpatient Days</th>
<th>Medicaid Days</th>
<th>Medicaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>McCamey Hospital</td>
<td>UPTON</td>
<td>McCamey</td>
<td>9,211</td>
<td>8,812</td>
<td>96%</td>
</tr>
<tr>
<td>Children's Hospital of San Antonio</td>
<td>BEXAR</td>
<td>San Antonio</td>
<td>31,433</td>
<td>24,718</td>
<td>79%</td>
</tr>
<tr>
<td>Driscoll Children's Hospital</td>
<td>NUECES</td>
<td>Corpus Christi</td>
<td>28,709</td>
<td>22,486</td>
<td>78%</td>
</tr>
<tr>
<td>*Healthbridge Children's Hospital - Houston Ltd.</td>
<td>HARRIS</td>
<td>Houston</td>
<td>9,182</td>
<td>6,698</td>
<td>73%</td>
</tr>
<tr>
<td>El Paso Children's Hospital</td>
<td>EL PASO</td>
<td>El Paso</td>
<td>20,177</td>
<td>12,363</td>
<td>61%</td>
</tr>
<tr>
<td>Dimmit County Memorial Hospital</td>
<td>DIMMIT</td>
<td>Carrizo Springs</td>
<td>3,307</td>
<td>1,985</td>
<td>60%</td>
</tr>
<tr>
<td>Covenant Children's Hospital</td>
<td>LUBBOCK</td>
<td>Lubbock</td>
<td>15,730</td>
<td>9,231</td>
<td>59%</td>
</tr>
<tr>
<td>Cook Children's Medical Center</td>
<td>TARRANT</td>
<td>Fort Worth</td>
<td>77,339</td>
<td>43,214</td>
<td>56%</td>
</tr>
<tr>
<td>Dell Children's Medical Center</td>
<td>TRAVIS</td>
<td>Austin</td>
<td>41,224</td>
<td>22,559</td>
<td>55%</td>
</tr>
<tr>
<td>Children's Medical Center of Dallas</td>
<td>DALLAS</td>
<td>Dallas</td>
<td>90,875</td>
<td>49,124</td>
<td>54%</td>
</tr>
<tr>
<td>Texas Children's Hospital</td>
<td>HARRIS</td>
<td>Houston</td>
<td>217,160</td>
<td>109,216</td>
<td>50%</td>
</tr>
<tr>
<td>*Texas Scottish Rite Hospital for Children</td>
<td>DALLAS</td>
<td>Dallas</td>
<td>3,567</td>
<td>1,719</td>
<td>48%</td>
</tr>
<tr>
<td>*Shriners Hospitals For Children</td>
<td>HARRIS</td>
<td>Houston</td>
<td>4,330</td>
<td>2,039</td>
<td>47%</td>
</tr>
<tr>
<td>*Our Children's House</td>
<td>DALLAS</td>
<td>Dallas</td>
<td>8,089</td>
<td>3,631</td>
<td>45%</td>
</tr>
<tr>
<td>Parkland Memorial Hospital</td>
<td>DALLAS</td>
<td>Dallas</td>
<td>241,947</td>
<td>105,561</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: 2016 Cooperative DSHS/AHA/THA Annual Survey of Hospitals, State Center for Health Statistics, DSHS. Includes all Medicaid inpatient days (children and adults) for acute care hospitals with greater than 40% saturation. Psychiatric hospitals are not included.

* Non-CHAT Children’s Hospital

---

**Take Away:** Children’s hospitals are directly impacted by Medicaid funding decisions made by the federal and state governments.
Children’s Hospitals Are Paid Like Other Hospitals

- Children’s hospitals have the same Medicaid payment methodology as other hospitals:
  - Do not receive cost-based reimbursement
  - Standard Dollar Amount (SDA) is based on historical costs and includes trauma – so no trauma add-on.
  - Paid under a prospective payment system like other hospitals

Take Away: Medicaid rates for children’s hospitals do not cover 100% of cost.
Medicaid Underpays for Every Child

• Approximately 3 million Texas children on Medicaid = more than 70% of all Medicaid enrollees.

• Texas Medicaid does not cover childless able-bodied adults.

• Children’s hospitals lose money on every Medicaid child.

Take Away: Medicaid funding doesn’t cover costs.
Hospitals Depend on Supplemental Funding

• Because Texas Medicaid doesn’t cover the cost of care, Texas hospitals depend on supplemental Medicaid funding.
• Supplemental Medicaid programs include:
  o Disproportionate Share Hospital (DSH)
  o Uncompensated Care (UC)
  o Uniform Hospital Rate Increase Program (UHRIP)
• Incentive payment program: Delivery System Reform Incentive Payment (DSRIP) Program

Take Away: Supplemental funding addresses the gap in funding between Medicaid rates and the cost of care.
What is happening to Medicaid funding?
DSH is Unstable

• Children’s hospitals were underpaid by $316 million from 2014-2017 in DSH and UC due to impermissible actions by the federal government.

• Children’s hospitals are deemed DSH hospitals due to their volume of Medicaid patients.

• DSH funding is set to decline in 2019 by $4B and then will decline by $8B/year for the next several years.

Take Away: Children’s hospitals cannot rely on DSH to address the Medicaid underpayment.
Waiver Payments Moving Away from Children

• CMS is requiring a Medicare form to distribute Medicaid UC dollars

• Medicare form prohibits use of the Medicaid underpayment to calculate UC payments

• Results in a substantial shift of funding away from children and pregnant women, towards uninsured adults

• Children’s hospitals will experience an estimated 84% reduction in UC payments (~$100 million)

Take Away: Waiver payments are leaving children’s hospitals behind.
UHRIP Rates are Low for Children’s Hospitals

• Created within the state to increase funding to hospitals serving traditional Medicaid patients

• **HHSC establishes** a uniform percentage **increase** to Medicaid rates paid to hospitals in seven specified classes

• **Children’s hospitals**: 0% - 3% rate increase

• **Other hospital classes**: up to 81% rate increase

Take Away: Children’s hospitals’ rate increases under UHRIP are artificially capped.
### UHRIP Rate Increases
September 1, 2018 - February 28, 2019

<table>
<thead>
<tr>
<th></th>
<th>Bexar</th>
<th>Dallas</th>
<th>El Paso</th>
<th>Harris</th>
<th>Hidalgo</th>
<th>Jefferson</th>
<th>Lubbock</th>
<th>MRSA Central</th>
<th>MRSA Northeast</th>
<th>MRSA West</th>
<th>Nueces</th>
<th>Tarrant</th>
<th>Travis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Children’s</strong></td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>3%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Non-urban</strong></td>
<td>38%</td>
<td>57%</td>
<td>-</td>
<td>42%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>62%</td>
<td>46%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Public</strong></td>
<td>14%</td>
<td>0%</td>
<td>-</td>
<td>14%</td>
<td>0%</td>
<td>6%</td>
<td>4%</td>
<td>16%</td>
<td>15%</td>
<td>4%</td>
<td>7%</td>
<td>24%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Rural</strong></td>
<td>17%</td>
<td>-</td>
<td>-</td>
<td>17%</td>
<td>14%</td>
<td>6%</td>
<td>9%</td>
<td>18%</td>
<td>19%</td>
<td>25%</td>
<td>19%</td>
<td>24%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Public</strong></td>
<td>-</td>
<td>62%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State-owned</strong></td>
<td>38%</td>
<td>62%</td>
<td>43%</td>
<td>46%</td>
<td>-</td>
<td>-</td>
<td>72%</td>
<td>-</td>
<td>-</td>
<td>68%</td>
<td>51%</td>
<td>66%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>Urban</strong></td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>0%</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Public</strong></td>
<td>38%</td>
<td>62%</td>
<td>43%</td>
<td>46%</td>
<td>36%</td>
<td>50%</td>
<td>40%</td>
<td>50%</td>
<td>52%</td>
<td>68%</td>
<td>51%</td>
<td>66%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Source: HHSC website, Hospital & Clinic Services, Uniform Hospital Rate Increase Program, accessed 8/30/2018.
The Perfect Storm

UC Reductions

DSH Cuts

UHRIP Bands

DSH & UC Past Payments

DSRIP Phase Out

Children’s Hospitals

[Image of a hospital building with arrows pointing to each of the elements listed above it, indicating a cycle or interconnection between them.]
CHILDREN'S HOSPITALS' CUMULATIVE LOSSES

$787 MILLION
$787 Million in Cumulative Losses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UC</td>
<td>$193 M</td>
<td>$11 M</td>
<td>$100 M</td>
<td>$304 M</td>
</tr>
<tr>
<td>DSH</td>
<td>$123 M</td>
<td></td>
<td></td>
<td>$123 M</td>
</tr>
<tr>
<td>UHRIP</td>
<td></td>
<td>$200 M</td>
<td></td>
<td>$200 M</td>
</tr>
<tr>
<td>DSRIP</td>
<td></td>
<td></td>
<td>$160 M</td>
<td>$160 M</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>$787 M</td>
</tr>
</tbody>
</table>

Take Away: Children’s hospitals need the legislature’s help to continue to provide the highest-quality care to children with the most complex conditions.
Summary

• Children’s hospitals provide the highest-quality care to the sickest children.
• Children’s hospitals rely heavily on Medicaid.
• Children’s hospitals have the same mission and payment methodologies as other hospitals but Medicaid funding is leaving children’s hospitals behind.
• Children’s hospitals need the legislature’s help to continue providing the best care to children with the most complex conditions.