



# CHILDREN'S HOSPITALS: HOPE AND HEALING FOR TEXAS KIDS

The Importance of Children's Hospitals

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OF TEXAS



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## EXECUTIVE SUMMARY

Kids are special, and so are children's hospitals.

Health care should never be one size fits all. This is especially true when serving the youngest Texans. Children have vastly different needs and challenges than adults, which is why healthcare solutions must be designed just for them.

Children's hospitals provide care tailored to children's unique needs. That care involves families from start to finish and ensures that care is delivered by specially trained clinicians in environments designed just for kids.

Children's hospitals provide specialized care to children with the most serious conditions, like cancer, cerebral palsy, spina bifida, and organ failure. This causes the cost of children's hospitals to be higher than hospitals that serve a more general population. Funding for these specialized facilities must keep pace with the level of care required by children with the most complex conditions so that they can get the lifesaving care they need.

Because of the high number of children in the state covered by Medicaid – 40% of kids in Texas – children's hospitals are especially dependent on Medicaid funding. Additionally, children's hospitals only have two primary payers: commercial insurance and Medicaid. Hospitals that treat adults receive Medicare payments, which are typically higher than Medicaid payments.



### DID YOU KNOW?

Texas Medicaid recognizes only a limited number of freestanding, independent hospitals that provide comprehensive, complex healthcare services to children as "children's hospitals."

The nature of the care that these children's hospitals provide creates a cost structure that differs from other hospitals that treat children as secondary to an otherwise adult-focused patient population.

Texas Medicaid recognizes the higher cost structure in children's hospitals when setting reimbursement rates, which helps keep these lifesaving healthcare services available to children in Texas.





# CHILDREN'S HOSPITALS...



Are regional centers of excellence that serve kids statewide.



Serve sick children across Texas, regardless of their circumstances or ability to pay.



Serve high numbers of children covered by Medicaid and are disproportionately impacted by changes in Medicaid funding.



Provide advanced care for the most complex conditions, from organ failure and brain tumors to treatment for diabetes, cystic fibrosis, and more.



Require about twice as many hospital staff as other hospital types.



Train future pediatricians and pediatric specialists.

**Sufficient, predictable Medicaid reimbursement is vital to ensure that freestanding children's hospitals can continue to provide comprehensive, lifesaving care to children.**





# WHAT IS A CHILDREN'S HOSPITAL?



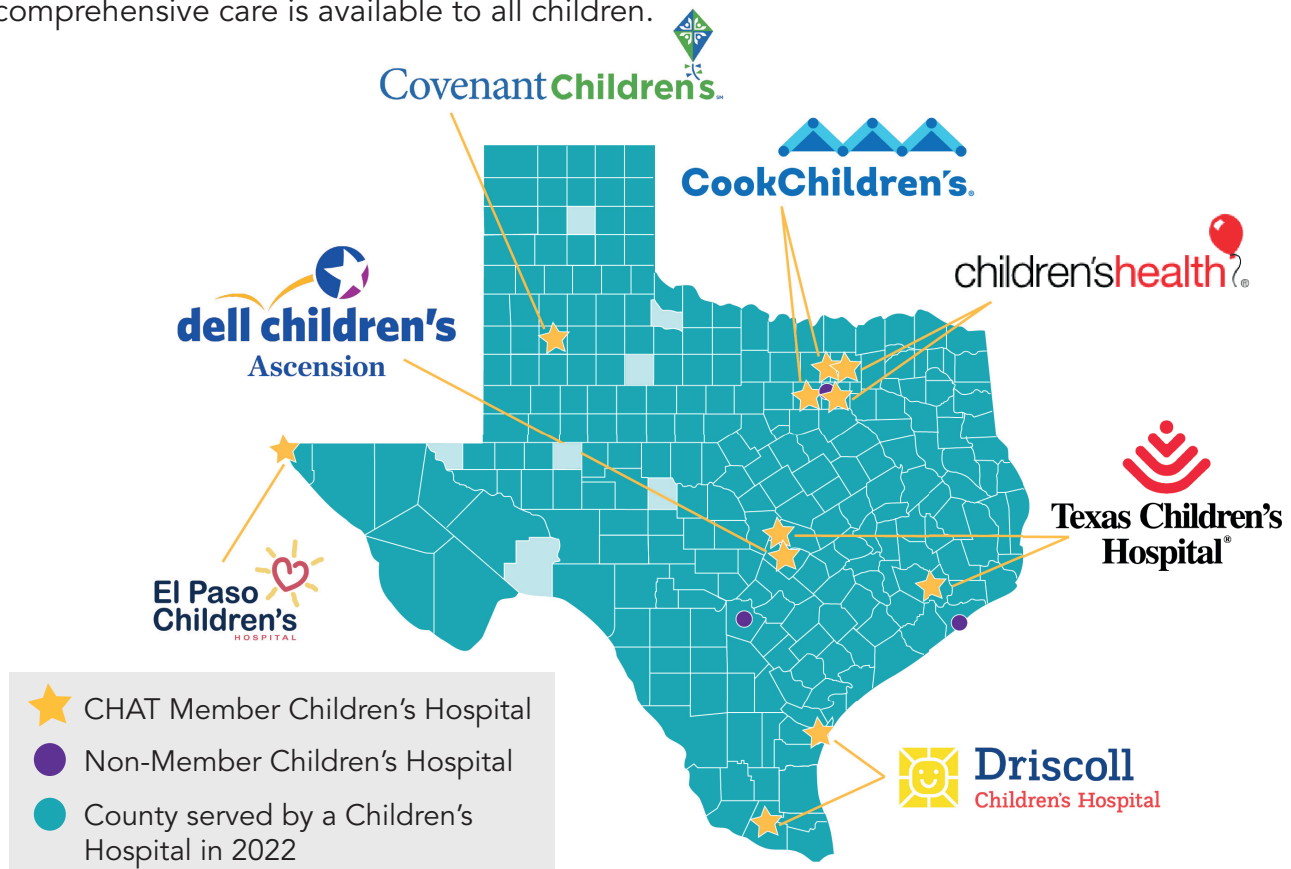
## Medicaid-designated "children's hospitals" are different from other hospitals.

Texas Medicaid defines a children's hospital as a hospital that meets certain Medicare requirements, is independently governed and staffed, and predominantly treats patients ages 20 and younger. While any hospital that provides services to children can call itself a "children's hospital" for marketing purposes, Texas Medicaid recognizes only a limited number of freestanding, independent hospitals that provide comprehensive, complex healthcare services to children as "children's hospitals." The care that children's hospitals provide is more costly, creating a cost structure that differs from other hospitals that treat children as secondary to an otherwise adult-focused patient population. These designated hospitals are child-focused, from their separate board and leadership to their own chief medical officer and medical staff. The hospitals don't have providers that usually treat adults that can be used to treat children. Instead, children's hospitals focus on children and have the experience and expertise needed to care for children of all ages with any condition.



## Children's hospitals are regional centers of excellence that serve every child who needs care.

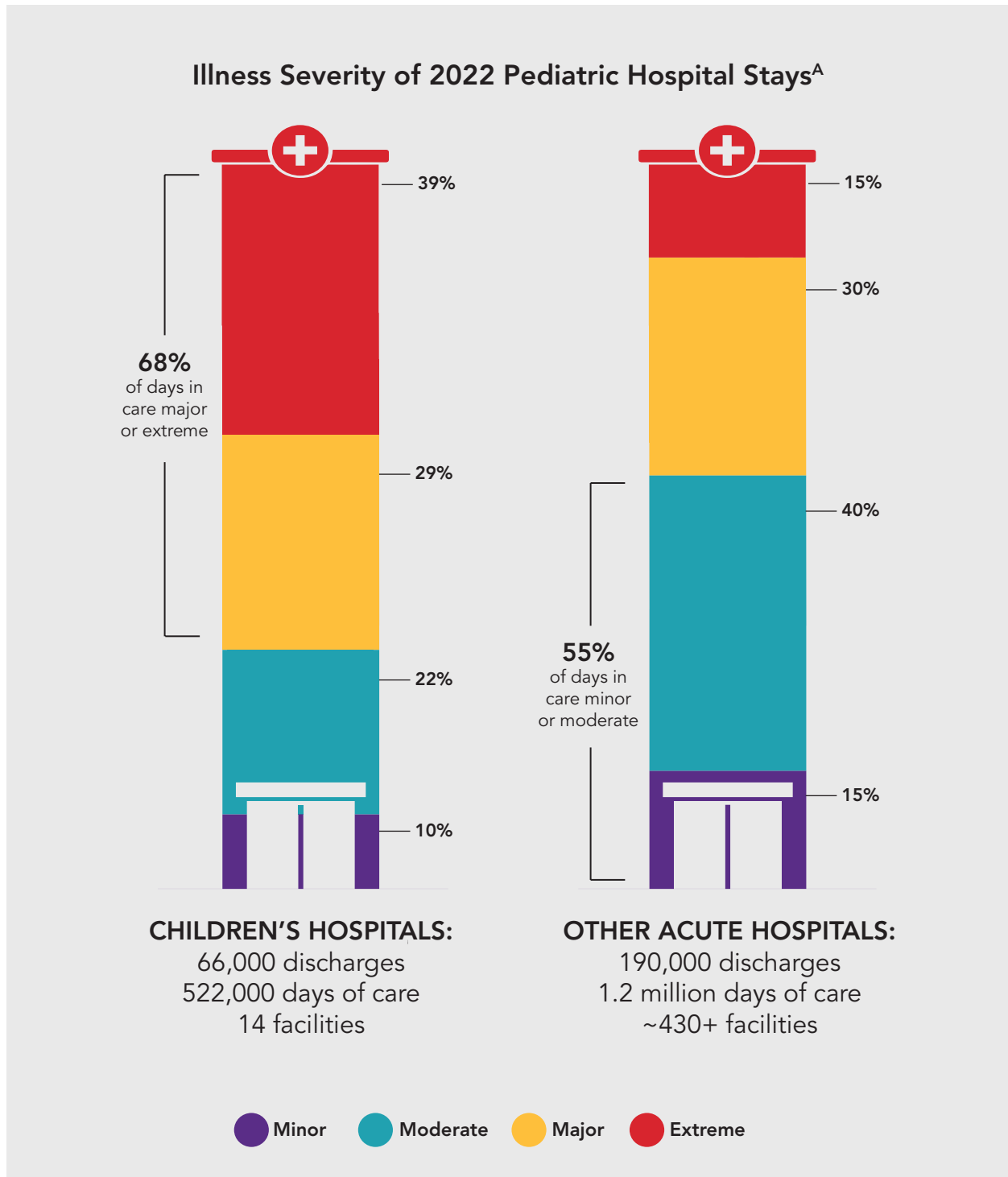
Children's hospitals consistently provide services to children living in more than 97% of the counties in Texas.<sup>A</sup> While not every county has a children's hospital, the reach of these hospitals extends throughout the state. Given the limited number of pediatric specialists and subspecialists available, having these pediatric experts centralized in freestanding children's hospitals ensures this comprehensive care is available to all children.





# CHILDREN'S HOSPITALS PROVIDE ADVANCED CARE FOR THE MOST SERIOUS CONDITIONS.

Almost 40% of all pediatric inpatient days in children's hospitals in Texas were for the most severe illnesses, categorized as "extreme." Other hospitals had 15% of inpatient pediatric days for the most severe conditions.





## Children’s hospitals treat three times the number of children with complex chronic conditions like cancer and heart defects.

Complex chronic conditions (CCCs) are conditions that are expected to last at least 12 months and to involve several organ systems or one organ system severely enough to require specialty pediatric care and some period of hospitalization.<sup>1</sup> CCCs include cancer, cerebral palsy, spina bifida, and organ failure. Children’s hospitals need equipment, personnel, training, and other resources to ensure that children and adolescents receive developmentally appropriate care as they age and mature. Children’s hospitals provide more than three times the number of inpatient days of care for children with CCCs than other hospital types.

### Percent Days of Care for Complex & Surgical Conditions Provided in a Children’s Hospital, 2022<sup>A</sup>

Percentages represent percent of total days of care for each condition that were provided in a children’s hospital. The remaining days of care were provided in a non-children’s acute hospital.

#### SURGICAL CONDITIONS



#### COMPLEX CONDITIONS



\*Extracorporeal membrane oxygenation (ECMO) is a type of life support using a machine to perform the functions of the heart and lungs.



Cancer and congenital heart defects (CHD) are diagnosed in thousands of children in Texas every year. In 2022, 73% and 78% of all pediatric discharges in Texas for cancer and cardiovascular surgery respectively were from children's hospitals in the state. Early intervention and effective treatment can make a life-changing difference in children with these severe conditions.

In fact, congenital heart defects are more common than people may know, with about 1 in 100 children born with some type of CHD.<sup>2</sup> Survival rates for CHD have improved dramatically during the past 30 years thanks to medical advances, with a large majority of children born with CHD now living well into adulthood. Approximately 25% of children born with a CHD will need heart surgery or other interventions in their first year of life to survive,<sup>3</sup> underscoring the importance of children's hospitals performing these critical, lifesaving, and sometimes life-long interventions.



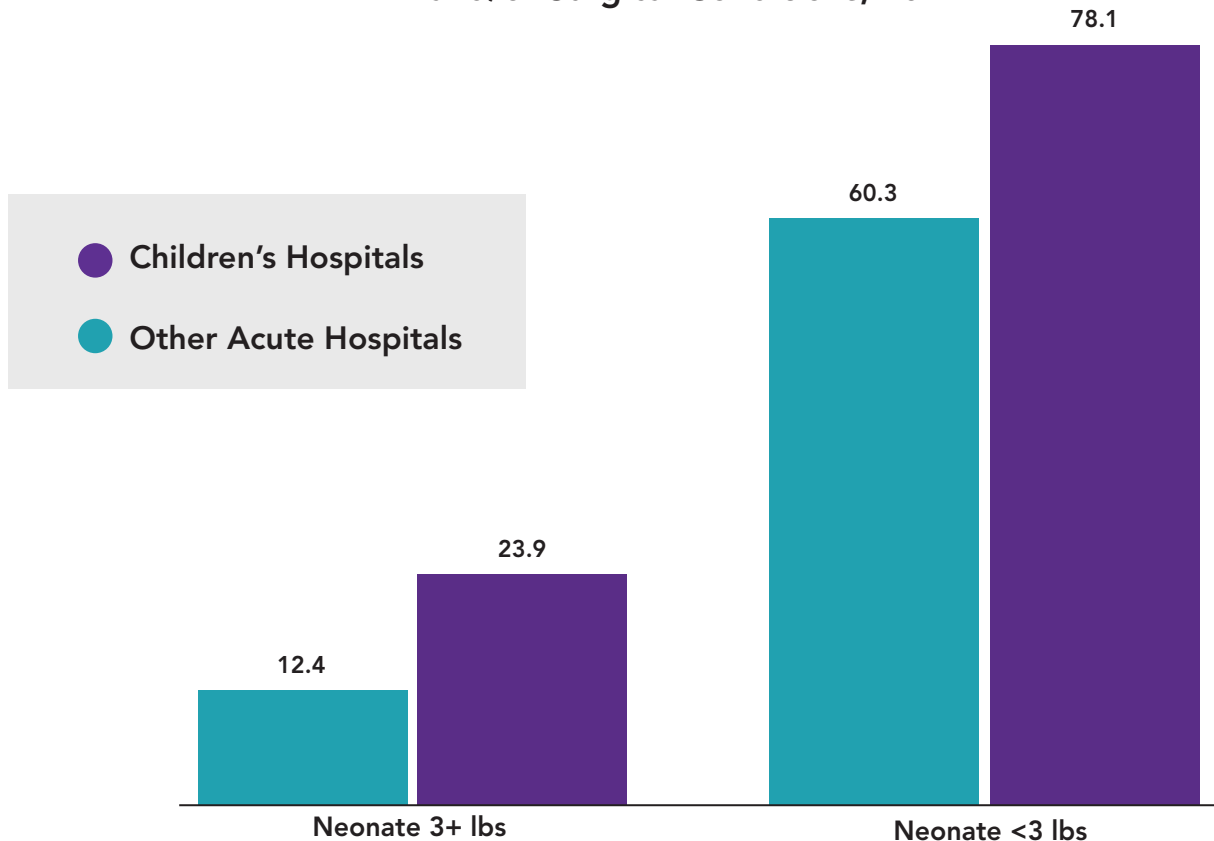
**Children’s hospitals are a key resource for very young children who require specialized care.**

Most children’s hospitals do not deliver babies and so do not have healthy newborns who stay only a couple of days.<sup>4</sup> But children’s hospitals do treat neonates — babies with complicating medical factors. Many of these very sick babies are transferred to a children’s hospital from the delivery hospital so that the baby can receive the most advanced care. Of those neonates transferred, almost two-thirds were sent to a children’s hospital. Because children’s hospitals treat neonates but do not have the balance of treating newborns with no complications, their overall costs are higher.

Moreover, neonates in children’s hospitals tend to have more serious medical issues. Neonates weighing more than three pounds at birth, and with a medical/surgical condition, stayed in non-children’s hospitals for an average of 12.4 days. These neonates stayed an average of 23.9 days in children’s hospitals. Neonates who weighed less than three pounds or had a surgical condition stayed in the hospital much longer – around 60 days in non-children’s hospitals and almost 80 days in children’s hospitals. Very few hospitals in Texas can care for these tiny neonates.<sup>A</sup>

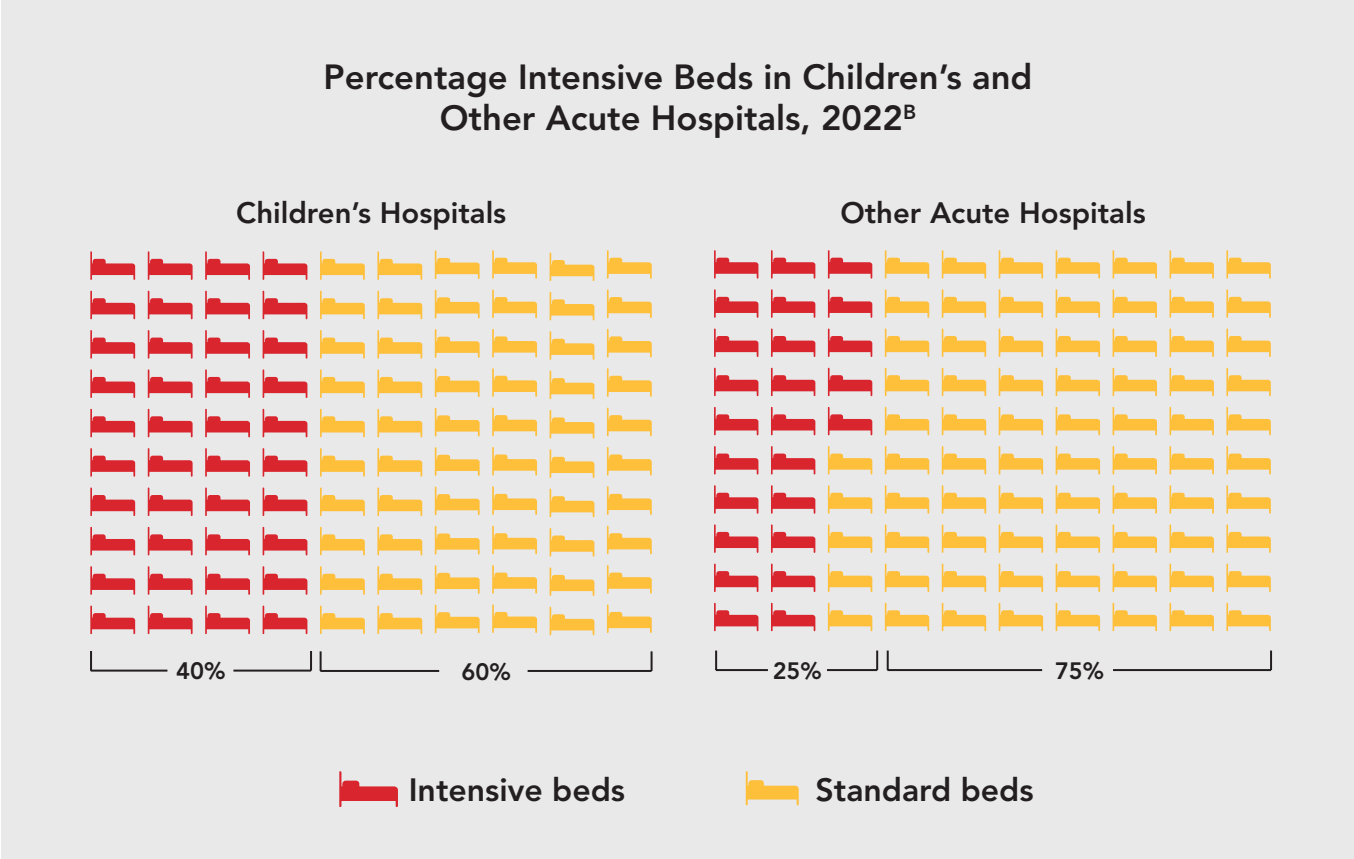


**Average Days in Care for Neonates with Medical and/or Surgical Conditions, 2022<sup>A</sup>**





As the complexity and severity of a neonate’s condition increases, so does the likelihood of the baby being seen in a children’s hospital. More than two-thirds (67%) of the neonates with the most complicated conditions (weighing less than three pounds and/or requiring surgery) treated in a children’s hospital were admitted as a transfer from another hospital. Of the babies born with a condition requiring surgery, the majority (54%) were discharged from a children’s hospital — 80% of whom were transferred to a children’s hospital for care.



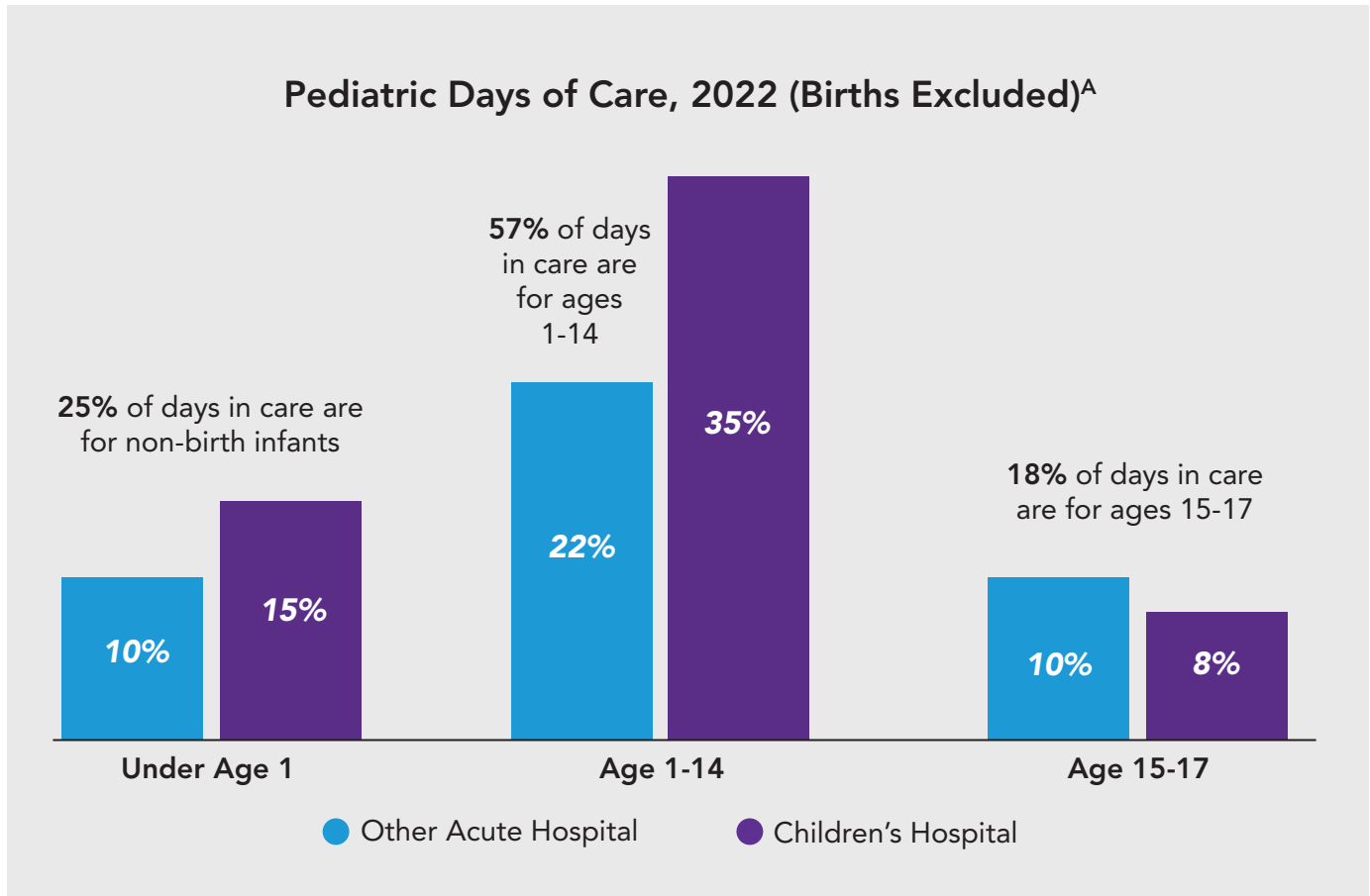
Because of this emphasis on complex neonatal care as well as the continuing care that these children will need as they grow, children’s hospitals have a higher proportion of both neonatal and pediatric intensive care beds, and a greater number of pediatric intensive care beds compared to other hospitals in the state.





## Children's hospitals provide most of the pediatric care to children in Texas.

Outside of births, 58% of all pediatric days of care in Texas are in a children's hospital. These hospitals are vital to ensure that all levels of care are available for children and youth in Texas.



## Many patients at children's hospitals were transferred from other facilities.

A third of the care provided at children's hospitals results from a transfer from another hospital not equipped to handle the level of pediatric care needed. Because children's hospitals have a higher number of pediatric intensive care beds as well as the specialists, teams, and equipment to treat complex conditions throughout the childhood lifecycle, children's hospitals can treat the most complex and critical conditions. Almost 50% of the care that children's hospitals provide to the sickest children were for children transferred from another hospital. Additionally, children transferred to a children's hospital stayed an average of 14.4 days compared to 6.2 days for children who were originally admitted to a children's hospital.

Overall, 54% of the patients transferred to a children's hospital were Medicaid patients, with an average stay of 14.1 days. Without adequate Medicaid reimbursement, these services would not be available to children who need them.



# CHILDREN REQUIRE MORE HOSPITAL STAFF TO CARE FOR COMPLEX NEEDS.

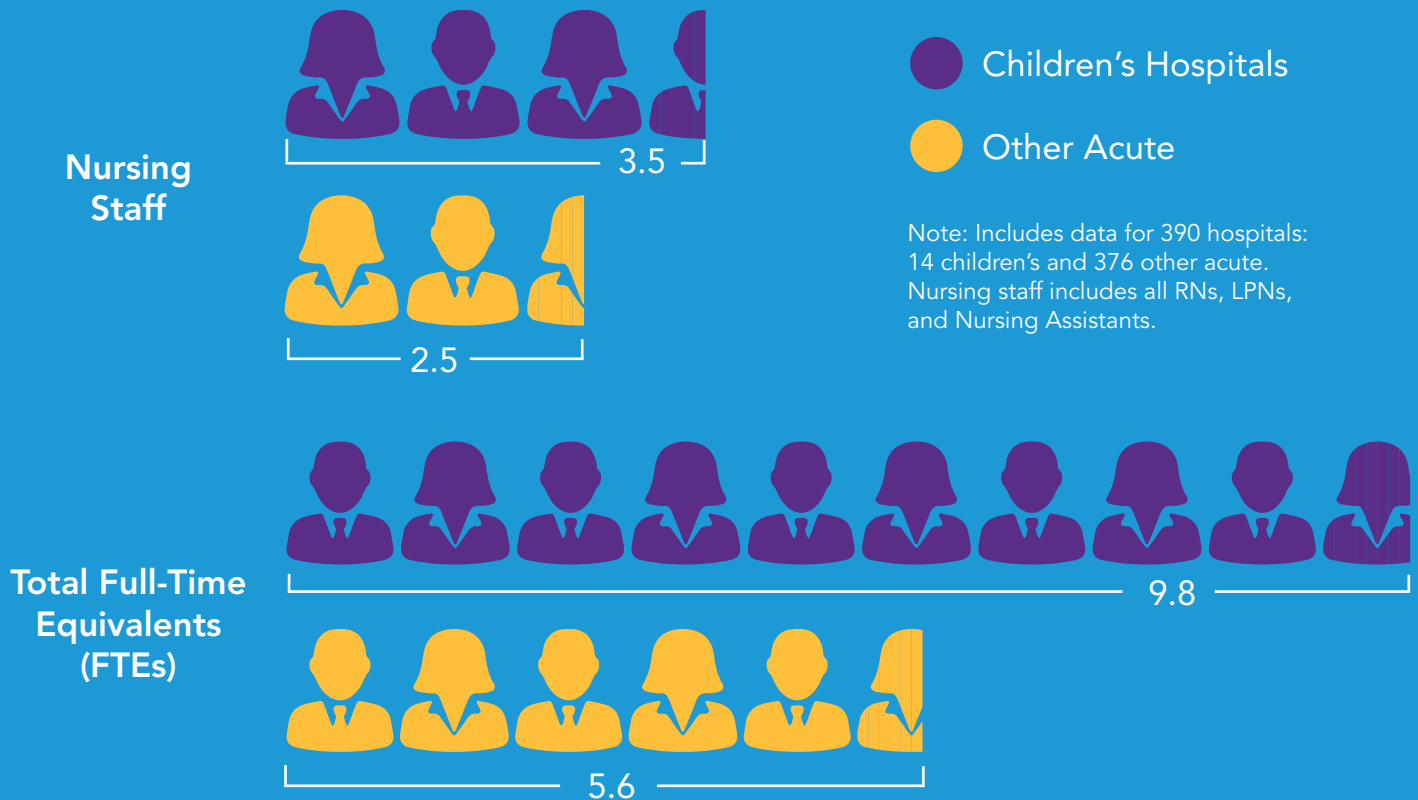
While patients of any age require health care that is focused on their unique needs, children require more time and attention for their care, including personalized medication and specially trained providers. Treating children also involves the child’s family, particularly the parents. This type of care is best delivered in a child-centered environment.

Studies have found that children’s hospitals have “consistently shown greater development in terms of volume, programs of care, multidisciplinary approaches, and the concept of humanizing the hospital than have pediatric departments in general hospitals. Other medical specialties such as surgery, anesthetics, radiology, otorhinolaryngology and ophthalmology, and dermatology have been developed within programs of care where the child is the focal point, bringing physicians, nurses, and allied health professionals together.”<sup>5</sup>

This need for a team-based approach causes children’s hospitals to need more staff of all types, resulting in higher costs.

## Staffing Level Comparisons, 2022<sup>B</sup>

Number of Healthcare Professionals per Staffed Bed













## CHILDREN'S HOSPITALS PROVIDE CHILD LIFE SERVICES AND SCHOOLING TO SUPPORT CHILDREN AND FAMILIES.

Hospitalization can be a traumatic disruption in a child's development, and children's hospitals are designed to serve a child's medical needs while keeping an emphasis on the child's social, emotional, and educational needs. Child life services provide informative and reassuring psychological preparation before and during procedures, helping children prepare for procedures and adjust to life-changing injuries and illnesses.

Child life services focus on the needs of children and collaborate with parents and other healthcare staff to:

-  Ease a child's fear and anxiety with therapeutic and recreational play activities.
-  Encourage understanding and cooperation by providing preparation and support for children undergoing tests, surgeries, and other medical procedures.
-  Advocate for patient and family-centered care.
-  Engage and energize children and families by coordinating special events, entertainment, and activities.
-  Consider the needs of siblings or other children who may also be affected by a child's illness or trauma.
-  Offer pre-admission hospital tours, resources, and consultations for families.
-  Support families confronting grief and loss.
-  Provide education and resources for parents and members of the interdisciplinary team.



Because some school-age children with serious conditions face long hospital stays, it is important to maintain educational activities. Children's hospitals work with local school districts and support education by providing space at the hospital for teaching.

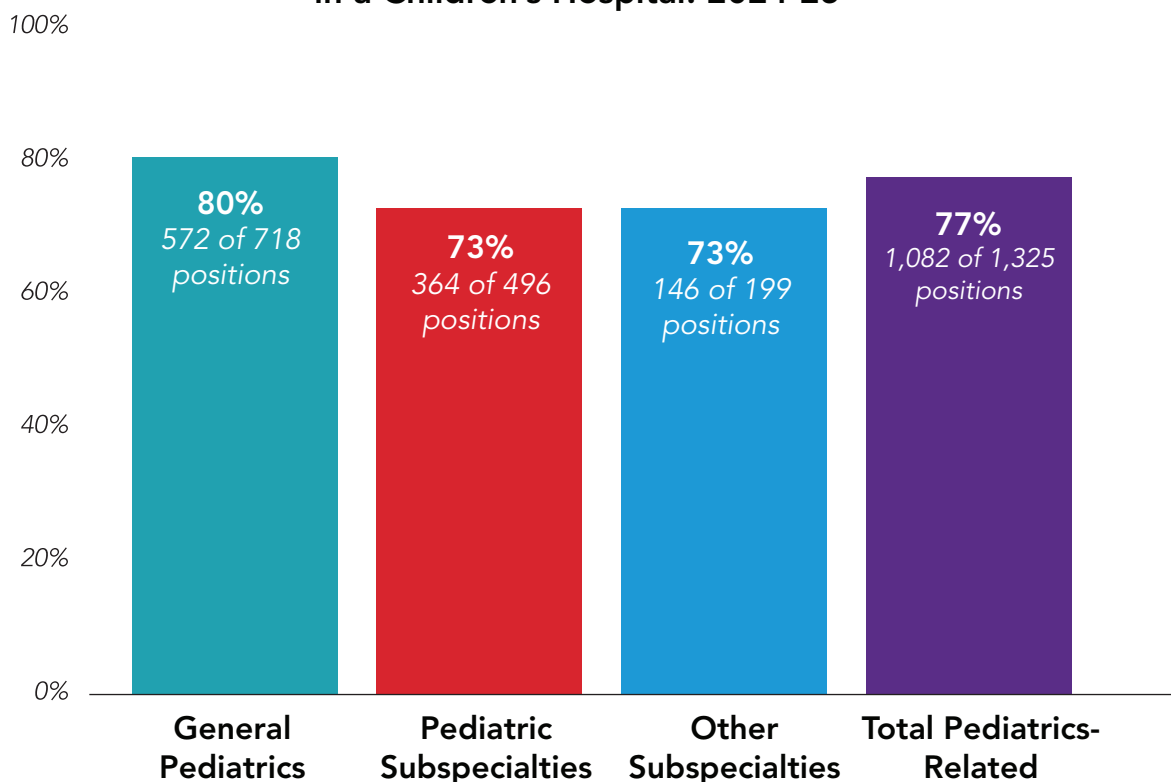




# CHILDREN'S HOSPITALS TRAIN FUTURE PEDIATRICIANS.

Children's hospitals play an essential role in training pediatricians and pediatric specialists and subspecialists. More than 75% of pediatricians and pediatric specialists received some level of training in a children's hospital in the 2024-2025 academic year. For certain subspecialties, like congenital cardiac surgery, pediatric otolaryngology, and developmental behavioral pediatrics, the only place available for a future specialist to train is at a children's hospital.

**Percent Filled Residency Positions in Texas Receiving Training in a Children's Hospital: 2024-25<sup>c</sup>**



Unlike hospitals serving adults, children's hospitals do not receive Medicare payments for graduate medical education that offset teaching expenses for physicians in residency programs. In Texas, seven hospitals receive a limited amount of federal funding for Children's Hospital Graduate Medical Education, a separate program that pays less than half the amount per resident that adult hospitals receive for training physicians. This leaves hospitals to pick up the cost of this training.

One study that looked at how much it cost community providers to train a resident in the 2013-2014 academic year found that those providers incurred more than \$157,000 each year to train a resident. On average, children's hospitals receive \$79,000 to train a resident. Given the age of the study data and the higher costs that children's hospitals incur, it is clear that children's hospitals are shouldering a substantial financial burden in training pediatricians and pediatric specialists.

## Filled Fellowships and Residencies in Texas, 2024-2025<sup>c</sup>

	All Facilities in Texas	Children's Hospitals	% Children's*
<b>General Pediatrics</b>	<b>718</b>	<b>572</b>	<b>79.7%</b>
<b>Pediatric Subspecialties</b> <i>Includes 19 programs, with examples below</i>	<b>496</b>	<b>364</b>	<b>73.4%</b>
Developmental Behavioral Pediatrics	6	6	100%
Neonatal-Perinatal	70	47	67.1%
Pediatric Cardiology	42	33	78.6%
Pediatric Emergency Medicine	47	43	91.5%
Pediatric Hematology/Oncology	43	29	67.4%
Pediatric Hospital Medicine	27	23	85.2%
Pediatric Infectious Diseases	12	9	75%
Pediatric Transplant Hepatology	1	1	100%
<b>Other Specialties</b> <i>Includes 15 pediatric-related specialty programs, with examples below</i>	<b>199</b>	<b>146</b>	<b>73.4%</b>
Child & Adolescent Psychiatry	100	58	58.0%
Child Neurology	43	34	79.1%
Congenital Cardiac Surgery	1	1	100%
Neurodevelopment Disabilities	11	11	100%
Pediatric Anesthesiology	11	11	100%
Pediatric Cardiac Anesthesiology	3	3	100%
Pediatric Orthopedics	7	7	100%
Pediatric Otolaryngology	3	3	100%
Pediatric Surgery	8	6	75%
Pediatric Urology	4	4	100%
<b>Grand Total</b>	<b>1,413</b>	<b>1,082</b>	<b>76.6%</b>

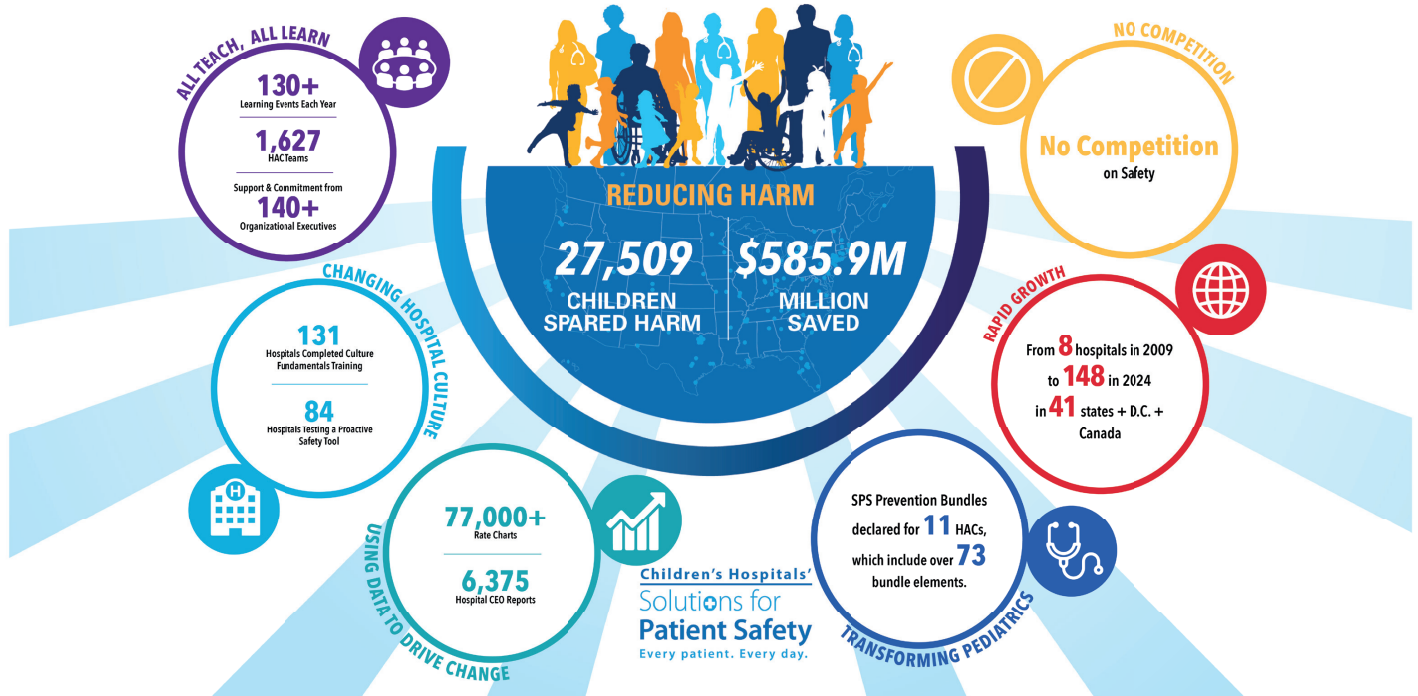
\*% filled in children's hospitals includes any positions where some or all of the months of training is in a children's hospital.



# CHILDREN'S HOSPITALS FOCUS PROACTIVELY ON QUALITY AND SAFETY.

Children's hospitals in Texas participate in Solutions for Patient Safety (SPS), which was established in 2009 and is the only hospital engagement network in the country focused on improving pediatric patient safety and reducing costs associated with care for children. The national SPS network consists of almost 150 children's hospitals in North America. Through the Texas Regional SPS Network collaborative, children's hospitals in Texas share best practices in an "all teach/all learn" environment to improve patient care.

## The SPS Journey Toward Zero Harm



Through the implementation of best practices, SPS hospitals have saved 27,509 children from serious harm and saved \$585.9 million since 2012, with a consistent upward trend in harm prevented every month (as of May 2024).<sup>6</sup> Children's hospitals are working together proactively to achieve significant improvement in outcomes for children and cost savings for the healthcare system. The agreement not to compete on safety and share best practices is unique to children's hospitals.

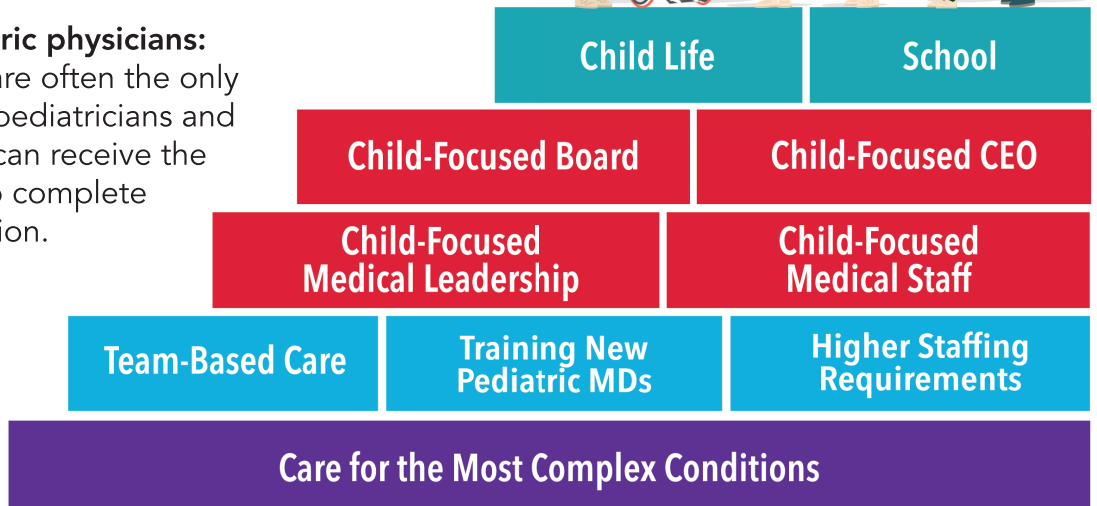


# CHILDREN’S HOSPITALS FACE HIGHER COSTS AND REQUIRE A DIFFERENT LEVEL OF REIMBURSEMENT.

There are multiple factors that distinguish a freestanding, separately licensed children’s hospital from other hospitals in Texas. Specialty pediatric care and programming contribute to higher costs, but only a portion of this difference is captured in Medicaid payment rates. These specialized care and services include:

- Treating more children with medically complex conditions:** Children’s hospitals serve three times the number of children with medically complex conditions (like cancer and heart defects) than other hospitals. This treatment often requires long hospital stays, is labor-, technology-, and supply-intensive, and requires the best doctors, nurses, and staff who focus solely on children.
- Caring for the most fragile neonates — tiny babies with complicating medical factors:** Of the babies born with a condition requiring surgery, the majority (54%) were discharged from a children’s hospital, and almost 80% of these infants had been transferred to a children’s hospital.
- Treating children with severe medical conditions who were transferred from other facilities:** A third of all care provided at children’s hospitals results from a transfer from another hospital not equipped to handle the level of pediatric care needed. Sicker children require longer hospital stays. Children transferred to a children’s hospital stayed more than twice as long, on average, than children who were originally admitted to a children’s hospital.
- Requiring more staff:** Children’s hospitals require more staff of all types because of the unique level of care required to serve children of all ages.
- Addressing the whole child and family:** Child life programs ease the child’s and family’s fears about procedures and surgeries, support the child’s and family’s adjustment to life-changing injuries and illnesses, and coordinate with local school districts so children with long hospital stays do not fall behind.
- Training new pediatric physicians:** Children’s hospitals are often the only places where future pediatricians and pediatric specialists can receive the training they need to complete their medical education.

## How children’s hospitals support children







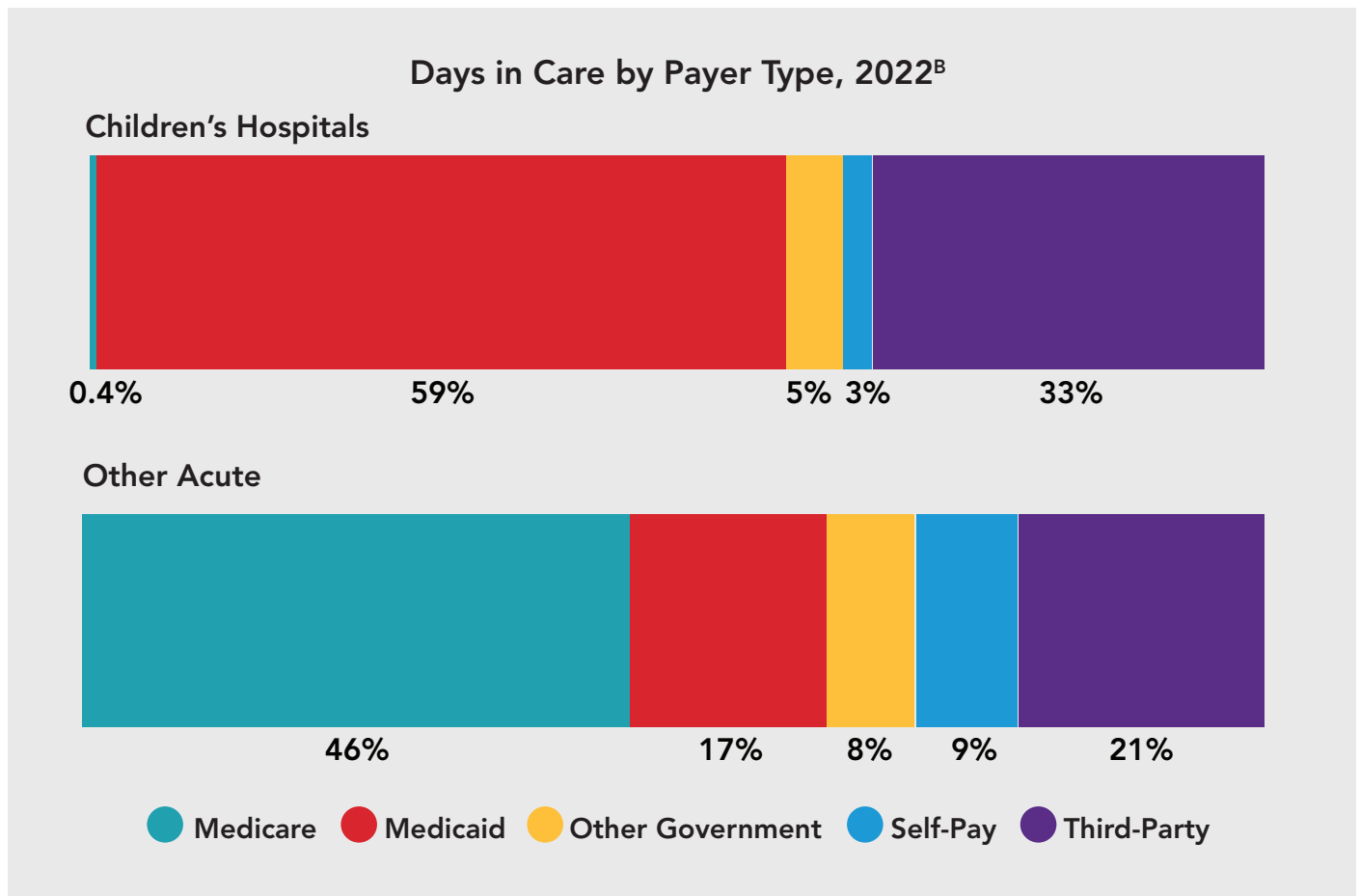
# MEDICAID IS VITAL TO CHILDREN IN TEXAS AND THE PROVIDERS WHO SERVE THEM.

More than three million children — **almost 40% of the children living in Texas** — are enrolled in Medicaid, making children’s hospitals heavily dependent on Medicaid as a payer. But Medicaid reimbursement does not fully cover the cost of care. Other hospital types receive sizable payments from Medicare, which generally covers a higher percentage of costs than Medicaid.

More than half of the days in care at children’s hospitals – 59% on average – are paid for by Medicaid. Thus, anything that happens in the Medicaid program disproportionately impacts children’s hospitals. Yet only 42% of the payments, including supplemental payments, received by children’s hospitals are from the Medicaid program.

Children’s hospitals provide highly specialized care for more complex, or higher acuity, conditions. Other hospitals can balance their high-cost patients with lower-cost patients to ensure adequate reimbursement. Children’s hospitals do not have this same ability.





Medicaid is essential to the sustainability of children’s hospitals, and the adequacy of Medicaid reimbursement is critical to ensuring that lifesaving services remain available to all children.





# CHILDREN'S HOSPITALS: WHERE HEALING BEGINS AND HOPE GROWS.

Sufficient, predictable Medicaid reimbursement is vital to ensure that freestanding children's hospitals can continue to provide comprehensive, lifesaving care to children. Multiple factors cause children's hospitals to incur higher costs and be more reliant on Medicaid:

-  The number of children in Texas covered by Medicaid;
-  The complexity of the medical issues children face;
-  The limited number of payers for children; and
-  Higher staffing needs.

As Medicaid and commercial insurance are the overwhelming majority of payers for children's hospitals, it is crucial that these payers recognize children's hospitals' higher costs when setting appropriate payment rates. Otherwise, children and their families will be in danger of not having access to pediatric-specific care in the state.



**To learn more about the important work of children's hospitals in Texas and issues impacting children's care, please visit [www.CHATexas.com](http://www.CHATexas.com).**

## Data Sources Analyzed for Report

<sup>A</sup>Texas Healthcare Information Collective Inpatient Discharge Public Use Data File, 2022. Acute care hospital discharges only, specific cohorts (e.g., ages 0-17, non-birth related) noted where applicable. Discharges are by hospital, and each patient discharge is unique.

<sup>B</sup>2022 Cooperative DSHS/AHA/THA Annual Survey of Hospitals, Department of State Health Services Center for Health Statistics. Aggregate data provided by hospitals on hospital operations (e.g., staffing, beds), payer types, and aggregate payments.

<sup>C</sup>Accreditation Council for Graduate Medical Education (ACGME), 2024-25 academic year data for Texas. Resident, fellowship and Intern data for all teaching hospitals in Texas by specialty and subspecialty.

## Footnotes

<sup>1</sup>Pediatric Complex Chronic Condition System, 2024, <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2821160#:~:text=The%20pediatric%20complex%20chronic,1%20year%20to%2024%20years>.

<sup>2</sup>Center for Disease Control, May 2024. <https://www.cdc.gov/heart-defects/data>.

<sup>3</sup>The Children's Heart Foundation, CHD Facts. <https://www.childrensheartfoundation.org/about-chds>.

<sup>4</sup>In 2022, 74% of all hospital discharges from Texas hospitals for children ages 0 to 17 are due to their birth. Most of these discharges are for healthy newborns who remain in a non-children's hospital with their mother for less than two days. While newborns with no medical conditions represent almost half (48%) of all patients younger than 18 discharged from a hospital in Texas, they account for only 20% of the days in care for patients younger than 18.

<sup>5</sup>Why Children's Hospitals are Unique and So Essential, *Frontiers in Pediatrics*, Jul. 23, 2019, <https://www.frontiersin.org/articles/10.3389/fped.2019.00305/full#:~:text=They%20were%20designed%20to%20provide,of%20children%20were%20catered%20for>.

<sup>6</sup><https://www.solutionsforpatientsafety.org/our-results/>