



**Testimony by the Children's Hospital Association of Texas  
House Appropriations Article II Subcommittee  
February 14, 2011**

The mission of the Children's Hospital Association of Texas (CHAT) is to support the development of an effective, comprehensive, high-quality and appropriately funded children's healthcare delivery system in Texas.

CHAT member hospitals are:

- Children's Medical Center of Dallas
- CHRISTUS Santa Rosa Children's Hospital (San Antonio)
- Cook Children's Health Care System (Fort Worth)
- Covenant Children's Hospital (Lubbock)
- Dell Children's Medical Center of Central Texas (Austin)
- Driscoll Children's Hospital (Corpus Christi)
- Texas Children's Hospital (Houston)

Our hospitals are the pediatric safety net for all Texas children and have unique expertise and experience in caring for children. Children are not little adults; serving children requires specialized skills, training and equipment that are concentrated in children's hospitals.

Almost 80 percent of the patients in children's hospitals are age 14 or younger. In all other hospitals, 80 percent of the patients are age 18 or older. Only about 3% of all the inpatient hospital beds in Texas are in children's hospitals.

Children's hospitals care for children with the most complex medical conditions. (Figure 1) Every day, almost 25 percent of the patients in children's hospitals are transfers from other medical facilities that could not provide the necessary specialized pediatric care. Because children's hospitals serve children with the most complex problems, more than 40 percent of the beds in children's hospitals are for intensive care.

There will be nearly 8 million children (under age 19) living in Texas in 2020, almost one million children more living here compared to 2010. (Figure 2) Children's hospitals are working to create the clinical capacity to care for this fast growing population by training and recruiting pediatric subspecialists and building outpatient clinics and inpatient care facilities.

Children's hospitals play an essential role helping to train pediatricians and pediatric subspecialists. More than 70 percent of the pediatricians in residency programs in Texas are training at CHAT hospitals. (Figure 3)

Children's hospitals are regional centers that serve children from all over Texas. In 2008, children from 243 of the 254 counties in Texas were patients at children's hospitals (and only 6,000 children live in the other 11 counties). (Figure 4)

Almost 60 percent of the patients in children's hospitals are covered by the Medicaid program. (Figure 5) No other class of hospital is as dependent on the Medicaid program.

The proposed cuts to Medicaid funding will diminish the ability of children's hospitals to provide clinical care, to train and recruit the doctors and other clinicians that Texas children need, and to advance the quality of care provided to children.

The bill cuts outpatient hospital reimbursement by 10 percent. As a result, Medicaid outpatient reimbursement (which now covers only about 82 percent of costs) will drop to about 72 percent of costs. There were about 1 million outpatient visits and almost 500,000 emergency department visits to children's hospitals in 2009 for all payers. Children with chronic and complex conditions get specialty outpatient care at children's hospitals and often get primary as well.

The bill eliminates funding for the children's hospital Upper Payment Limit (UPL) program which has been funded at \$12.5 million per year in state general revenue funds. This program started in 2006 and has provided from \$31.7 to \$43 million per year to children's hospitals. The program helps to fund Medicaid losses due to below cost Medicaid outpatient reimbursement. Children's UPL payments also help to offset the costs of physician residency training programs.

Medicaid inpatient payments to children's hospitals are based on audited Medicaid allowable costs through a methodology known as "TEFRA" cost based reimbursement. In Texas, rural hospitals can be reimbursed through the same methodology. Maintaining TEFRA cost based reimbursement is essential to enabling children's hospitals to be the pediatric safety net for all children in Texas.

In addition, there are other cutbacks in the introduced budget bill that will affect children's hospitals and services to children with disabilities and complex medical conditions:

- Reimbursement rates and services provided in the Children with Special Health Care Needs (CSHCN) program at the Department of State Health Services (DSHS) will be reduced,
- Cutbacks to physician and dental provider payments in Medicaid and CHIP are likely to reduce provider participation and increase the demand for emergency department, outpatient and inpatient services.

Children's hospitals ask the House Appropriations Committee to:

1. Continue the TEFRA cost-based reimbursement system for children's hospitals during the upcoming biennium.
2. Support the funding requested by the Health and Human Services Commission (HHSC) to maintain access to primary care and specialty services, and consistent with that request, reduce proposed payment cutbacks for outpatient hospital services at children's hospitals to preserve access to pediatric specialty services.
3. Direct HHSC to preserve UPL funding to children's hospitals by using local public funds instead of state funds if necessary, as is done in other UPL programs.