

## **EXECUTIVE SUMMARY**

### **RESOLUTION: Resolution of the Board of Directors In Support of Preparation for Implementation of the Affordable Care Act**

**FROM:** Dr. Larry R. Kaiser, Chairman, Health Care Policy Advisory Committee

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The Greater Houston Partnership supports legislative initiatives to increase the number of insured Texans and increase access to quality, integrated health care.

At an estimated 6 million, Texas leads the nation in the highest number of uninsured residents, with about 1.5 million uninsured children. More than half these children are eligible for Medicaid or the Children's Health Insurance Program (CHIP), but are not currently enrolled. The Texas Health and Human Services Commission estimates that after implementation of federal health reform in 2014, over 2.3 million people will remain uninsured.

To increase access to appropriate health services and improve the quality of health care for uninsured residents, the Greater Houston Partnership is seeking legislation that addresses the following components:

- Support for regional health care initiatives;
- Enhancement of performance improvements, enrollment process and funding for Medicaid and CHIP eligibility systems;
- Creation of state and regional health insurance exchanges;
- Preservation of safety net health facilities and Disproportionate Share Hospital funding;
- Appropriation of designated funds to enhance the state's trauma network;
- Creation of medical homes and accountable care organizations;
- Implementation of health information technology;
- Expansion of health care work force;
- Integration of physical and behavioral health medicine;
- Promotion of prevention and health wellness initiatives; and
- Consideration to increase resources that encourage healthy behaviors as an alternative to cutting health care programs for children or other vulnerable Texans.

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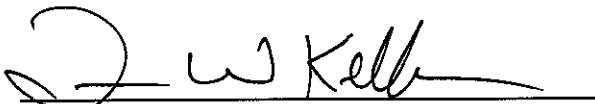
To increase access to appropriate health services and improve the quality of health care for uninsured residents, the Greater Houston Partnership is seeking legislation that incorporates the following components:

- Supports regional health care initiatives, including those seeking collaboration with area counties caring for uninsured residents
- Builds upon the performance improvements of 2010 in our Medicaid and CHIP eligibility systems to fully eliminate delays, backlogs, and erroneous denials. Staffing levels, computer processes and procedures must be designed to meet or exceed federal processing standards so that eligible children are not erroneously denied or disenrolled from Medicaid and CHIP.
- Facilitates the enrollment of as many Medicaid- and CHIP-eligible people as possible, both now and after health care reform;
- Maximizes federal funding available to:
  - Support Medicaid and CHIP services and realistically budget for program enrollment and provider payments and
  - Offer a Medicaid intermediate level of care for the mentally ill;
- Makes use of available state revenue to maintain CHIP and Medicaid provider fees and covered benefits, as well as, non-Medicaid safety net health care programs such as mental health, children with special health care needs, HIV/AIDS, Kidney Health, etc. Reducing funding for safety net programs that currently function along thin margins will be detrimental to the overall health of children and ultimately more costly to the state.
- Facilitates the creation of a state health insurance exchange ahead of the federal deadline and allows regional health insurance exchanges to be created;
- Recognizes the continued importance of safety net health facilities;

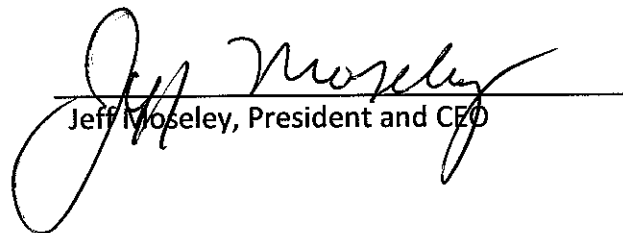
- Preserves Disproportionate Share Hospital funding to support critical safety net providers to provide care to the uninsured;
- Sustains resources and develops additional efficiencies and equities in funding systems for uncompensated care;
- Encourages full appropriation of the funds accumulated in the Designated Trauma Facility and Emergency Medical Services Account to enhance the state's trauma network;
- Encourages the creation and rewarding of medical homes and the primary care work force;
- Allows accountable care organizations to be successfully formed;
- Supports the implementation of health information technology and exchange of electronic health information;
- Expands the supply of primary care physicians and mid-level practitioners and allied health professionals;
- Encourages the integration of physical and behavioral health medicine;
- Promotes prevention and health wellness initiatives in the workplace and other appropriate sites; and
- Identifies ways to increase resources, particularly those that also encourage healthy behaviors as an alternative to cutting health care programs for children or other vulnerable Texans.



Patrick Oxford, Chairman



Larry Kellner, Secretary



Jeff Moseley, President and CEO

## BACKGROUND MEMORANDUM

**DATE:** December 20, 2010

**TO:** Greater Houston Partnership Board of Directors

**FROM:** Dr. Larry R. Kaiser, Chairman  
Health Care Policy Advisory Committee

**SUBJECT:** Resolution of the Board of Directors In Support of Preparation for Implementation of the Affordable Care Act

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### RECOMMENDATION

The Greater Houston Partnership supports legislative initiatives to increase the number of insured Texans and increase access to quality, integrated health care.

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- Facilitates the enrollment of as many Medicaid- and CHIP-eligible people as possible, both now and after health care reform;
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- Recognizes the continued importance of safety net health facilities;
- Preserves Disproportionate Share Hospital funding to support critical safety net providers to provide care to the uninsured;
- Sustains resources and develops additional efficiencies and equities in funding systems for uncompensated care;
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- Encourages the creation and rewarding of medical homes and the primary care work force;
- Allows accountable care organizations to be successfully formed;
- Supports the implementation of health information technology and exchange of electronic health information
- Expands the supply of primary care physicians and mid-level practitioners and allied health professionals;
- Encourages the integration of physical and behavioral health medicine;
- Promotes prevention and health wellness initiatives in the workplace and other appropriate sites; and
- Identifies ways to increase resources, particularly those that also encourage healthy behaviors as an alternative to cutting health care programs for children or other vulnerable Texans.

## **BACKGROUND**

Texas has the highest number of uninsured residents in the nation and stands to benefit greatly from the federal health reform measures that will reduce the number of uninsured. However, the Texas Health and Human Services Commission (HHSC) estimates that over 2.3 million Texas residents will remain uninsured after implementation of health reform.<sup>1</sup> Texas must adequately prepare for reform provisions so that health insurance is accessible for as many Texans as possible, as quickly as possible. Moreover, Texas must calculate and prepare for the impact that the remaining uninsured will have on hospitals, clinics, physicians and other local health systems.

Additionally, the lack of integration in Texas' health care delivery systems, including behavioral health, leads to poor quality and high cost. The federal reform bill attempts to address issues in

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<sup>1</sup> House Select Committee on Federal Legislation. Thomas M. Suehs. Presentation, 22 April 2010. "Federal Health Care Reform—Impact to Texas Health and Human Services."

coordination of health care, but it will not be sufficient without strong efforts from the state. As such, the Texas legislature should take measures not only to decrease the number of uninsured residents but to improve coordination of care for all patients.

#### Regional Health Care Initiatives

Establishing a regional oversight board comprised of business leaders, government leaders, community leaders, media and health care providers is critical to developing an effective collaborative action plan. This regional oversight board would be responsible for the development of a strategic plan to address the lack of access to health services for the uninsured and to reduce the number of uninsured in the region.

The strategic plan should emphasize a coordinated, collaborative approach to addressing the health care needs of the community. By engaging the larger community and working together to develop innovative and practical solutions, this regional oversight board can advocate for adequate programs and funding from federal, state and local government. In addition, the regional oversight board should hold all stakeholders accountable for their “fair share” of the contributions that will be necessary to successfully achieve the goals of the strategic plan.

#### Medicaid expansion

Texas Medicaid enrollees currently consist of almost exclusively children and pregnant women. Non-pregnant parents are only eligible for Medicaid if they qualify for Temporary Assistance for Needy Families (TANF) or Social Security Income. For a parent with two children, the income ceiling for TANF is currently \$188 per month.<sup>2</sup> Childless, non-disabled adults are not eligible for Medicaid at all.

Under federal health reform, all eligible residents – including parents and childless adults – below 133 percent of the Federal Poverty Level will become eligible for Medicaid in 2014. HHSC estimates that this expansion will result in over 1.3 million newly insured residents. However, more than 280,000 people who are eligible for Medicaid will still be un-enrolled. After the implementation deadline, and in the months and years preceding it, every effort must be made to reach these people, because every Texas benefits when the health care system provides cost-effective, preventive care instead of expensive emergency room and acute hospital care after untreated conditions become severe.

#### Outreach Efforts, Realistic Budgeting, and Maximizing Federal Funds

Outreach efforts are important because many people who are eligible for Medicaid or CHIP are simply not enrolled. Even though these two programs have targeted almost exclusively children, Texas still had 1.53 million uninsured children in 2008, of which about half were Medicaid- or CHIP-eligible. The low participation rate in these health care programs for families needing assistance and for children results, in part, from a lack of adequate funding, which creates barriers and disincentives on both ends of Medicaid and CHIP.

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<sup>2</sup> Texas Health and Human Services Commission. Texas Medicaid and CHIP in Perspective, Seventh Edition. Chapter 4.

On the consumer side, enrollment is low because of inadequate HHSC capacity to meet demand and of inefficiencies in the enrollment process – enrollment systems have been poorly managed, poorly staffed and trained, and inadequately funded. On the provider side, participation in these programs is too low because of inadequate reimbursement of actual provider costs.

Texas Medical Association Survey data from 2008 show that only 42 percent of Texas physicians accept new Medicaid patients, which is down from 67 percent in 2000. The ripple effect of physicians' inability to accept Medicaid patients results in a higher number of uninsured, more uncompensated care and higher insurance premiums for everyone. Although 2008 saw increases in reimbursement for some services mandated by the Frew settlement, reimbursement falls below providers' actual costs in many cases. This fall, there will a one percent rate cut for providers.

The federal health reform bill only raises reimbursement rates for primary care physicians, and only for the years 2013 and 2014. Significantly, excluded are the specialist providers that are already in short supply in Medicaid and CHIP. Texas must revitalize the Medicaid physician network and improve patients' access to cost-effective care by assuring that payment rates are competitive, especially in light of the number of people who will be newly eligible for Medicaid under federal health reform. When hospitals and physicians do not receive enough payment to cover the cost of providing care, the economy suffers and insured Texans pay a hidden tax.

The federal government pays for a larger portion of state Medicaid and CHIP than the state does. Federal match rates for Texas in 2008 were \$1.53 and \$2.62, respectively, for every state Medicaid and CHIP dollar expended. When Texas does not draw the maximum amount of federal funds available for these programs, those funds are made available to other states. By maximizing federal funds, Texas can begin to decrease the number of uninsured even before federal health reform provisions are implemented. This will be important even after the federal Medicaid expansion in 2014, because the higher Medicaid match rates from the federal health reform bill (starting at 100 percent in 2014 and decreasing to 95 percent over the next few years) apply only to expansion populations – not to current populations.

#### Insurance reforms

Improving the individual and small-employer, group-health insurance market in Texas is a measurable way to significantly reduce the number of uninsured Texans. Federal reform provisions such as prohibition of rescissions, exclusions for pre-existing conditions and annual and lifetime limits will help toward this end.

However, the biggest improvement in health insurance access will occur through the health insurance exchanges, which are designed to facilitate a market for individual and small group insurance, ensuring that insurance policies provide adequate coverage and administering individual insurance subsidies. Texas should begin developing the exchange or exchanges as early as possible, so that it runs as efficiently as possible after becoming operational.

Legislation concerning the exchange must be passed in the upcoming session, because states are required to pass a “readiness determination” by January 1, 2013, ahead of the operational deadline exactly one year later. Should the state choose not to create an exchange, the federal government will do so on its behalf, in which case the state would lose the freedom to design an exchange that meets its unique needs. The Texas Legislature should support measures for the state to create a Texas-specific exchange.

States have the option of creating one exchange or multiple, non-overlapping exchanges. Because most people seek health care at the local level, and because the dynamics of health systems in different Texas regions vary so greatly, Texas should also consider implementing regional exchanges, which would allow each region to be more manageable and better cater to the needs of local populations.

#### Continued support for safety net care

Although federal health reform will result in millions of newly insured residents in Texas, HHSC estimates that there will still be over 2.3 million uninsured individuals post-reform. A majority of these people are legal residents, who will continue to have a need for the safety net health care system.

The safety net health care system includes public hospitals, which play a prominent role in caring for the uninsured. The state should continue to support measures that will allow safety net health systems, including public hospitals, to remain viable. Specifically, cuts in Disproportionate Share (DSH) funding should not be considered until 2015 at the earliest, after the effects of major health reform provisions on safety net hospitals can be assessed.

Moreover, a more rational, efficient and equitable system for sharing the burden of the cost of caring for the under- and uninsured should be developed. Uncompensated care costs vary by provider, with some providers bearing more than their fair share of the burden of Texas’ high rate of uninsured. Uncompensated care policies and cost calculations are provider-specific. Texas would benefit from standardization of definitions, calculation formulas, and reporting of the costs of care for the under- and uninsured.

#### Trauma Care Funding

The Houston region has an overburdened trauma system. The American College of Surgeons Committee on Trauma recommends one Level I trauma center for every one million residents in a region. In July 2009, Harris County had population of 4 million and the 13-county Houston-Galveston planning region had 6 million. Yet, there are only two Level I trauma centers in the 10-county Houston MSA – Ben Taub General Hospital, a facility of the Harris County Hospital District, and Memorial Hermann Hospital-Texas Medical Center. Based on recommended standards, there should be an appropriate number and geographic distribution of trauma centers necessary to meet the needs of the region.

Trauma centers are financially vulnerable because, in their role of providing critical care services to a community, they treat a disproportionate share of uninsured and underinsured

patients. In 2003, the Texas Health and Safety Code was amended to authorize the Department of State Health Services to distribute up to 96 percent of funds in the Designated Trauma Funds and Emergency Medical Services Account. According to the Texas EMS and Acute Care Foundation, the 81st Texas Legislature appropriated an estimated \$75 million to designated trauma facilities, EMS and trauma service area Regional Advisory Councils for each year of the current biennium from the DTF/EMS Account. However, more than \$350 million remains unappropriated in the dedicated account. It is estimated that as a result of state budget cuts, the total distribution will reduce by \$5 million during the 2009-2010 fiscal year.

### Medical homes

An emerging concept in health care service delivery improvement is the “medical home” model. More than just a usual source of care, the medical home concept utilizes a physician-led team that includes all the providers involved in a patient’s comprehensive, coordinated care. Because comprehensive patient care is coordinated across individual providers and because preventive care is emphasized, medical homes improve quality and access of care while controlling cost by reducing avoidable emergency department visits and hospitalizations.

Greater adoption of the medical home concept is significantly dependent on a primary care physicians and mid-level practitioners sufficient to serve patients; the availability of integrated electronic health records; and a reimbursement methodology that values provider activity designed to keep patients well. The state should support measures that incentivize growth in the primary care work force; the adoption of electronic health records particularly by solo or small group providers; and appropriate changes in state-directed health care reimbursement policies.

### Accountable care organizations

One federal health reform provision that seeks to encourage coordination of care is the concept of accountable care organizations (ACOs), which incorporates many ideas central to medical homes. While ACOs are designed to provide the overall care of Medicare beneficiaries, they can also work with other health payers such as Medicaid and private insurance companies. Instead of being incentivized to provide more care, as is the case under current fee-for-service models, ACOs will share in cost savings that they achieve from integrating care and preventing adverse health conditions.

Like medical homes, one key aspect of ACOs is its level of integration across health care entities. Clinics, hospitals, specialty care centers and other providers will be expected to work with each other to ensure the best health outcome of their patients. For ACOs to function adequately, Texas needs to pass legislation that facilitates the creation of ACOs and removes the barriers to their formation.

### Health information technology

Health information technology is proving to be integral in delivering quality, coordinated care. HIT revolves around electronic medical records (EMR) that would follow patients as they move from one provider to another, helping doctors avoid duplicate testing and giving providers a

more complete understanding of their patients' medical needs. Electronic records also provide patients with improved access to their own health information and opportunities to better manage their own health.

While EMRs are accessible by providers within a practice or a hospital system, it is often difficult to transfer those files between different providers and hospitals due to incompatible computer programs. Thus, the purpose of EMRs is defeated should patients switch providers or be referred to specialists who use incompatible EMR software. In this context, the Texas Legislature should support the greater utilization of EMRs, as well as efforts to improve their interoperability through support of electronic health information exchange among providers.

Recent federal investments in regional extension centers and state health information exchange planning should be further leveraged by Texas. Strong support for the development and growth of local or regional health information exchanges should be provided to better meet the needs of local and regional health care delivery markets.

#### Expanded health care work force

Several factors contribute to the increased need for an expanded supply of health care workers, specifically for primary care, including physicians and mid-level practitioners. An increase of registered nurses and mental health professionals – psychiatrists, registered nurses with psychiatric specialties, social workers, psychologists and counselors – are also needed. The ripple effects of the work force shortage cut into one of the state's largest and fastest growing industries – health care – and in turn, limits the state's ability to prosper, recruit new businesses and retain and grow the existing businesses.

Texas faces a severe shortage of primary care physicians. Historically, the primary care physician supply ratio has been below the national average.<sup>3</sup> From 1990 to 2002, the difference between Texas' primary care physicians supply ratio and that of the nation has steadily widened. Lack of primary care leads to preventable health conditions, complications resulting from primary care related conditions, and even chronic health problems. It also results in inappropriate use of already overtaxed emergency departments for primary-care related conditions.

The state also requires an increased supply of nurses to provide safe, high-quality health care for its citizens and to keep the state's health care industry competitive in a global economy. The shortage of registered nurses is a chronic problem due in large part to educational programs not having sufficient financial resources and/or budget flexibility to compete for qualified professionals to meet the demand for faculty. Despite the critical need, thousands of qualified applicants are denied admission to one or more professional nurse education programs in Texas each year due to the chronic shortage of nursing faculty. In 2009 alone, 41 percent of qualified applicants to nursing programs in Texas, representing 8,734 qualified

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<sup>3</sup> Texas Department of State Health Services. Center for Health Statistics, Health Professions Resource Center. Highlights: The Supply of Primary Care Physicians in Texas – 2005.

individuals, were turned away, while health care employers struggled to find the registered nurses work force they needed.<sup>4</sup>

With the passage of the Affordable Care Act (the final consolidated law of the Patient Protection and Affordable Care Act and the amendments of the Health Care and Education Reconciliation Act), there will be a continued growing demand for physicians, mid-level health practitioners and allied health professionals and increased faculty for medical, nursing and other health professional schools.

#### *A full continuum of physical and behavioral health services*

A significant percentage of patients seen in primary care settings have a physical ailment affected either by stress, problems maintaining healthy lifestyles or a psychological disorder. These settings are opportune sites for emphasizing wellness and prevention of alcohol, tobacco, and drug misuse or mental illness. However, the lack of integrated physical and behavioral health service delivery has resulted in inappropriate use of emergency rooms, increased medical costs and poor consumer service.

State funding for health care services should be allocated in a way that allows care for both the physical and behavioral health needs of residents. Current fragmented service delivery is inefficient, ineffective and forces consumers to seek care in multiple settings. With the increase in the number of insured residents entering the health care system in 2014, encouraging health care delivery systems to recognize behavioral health as an integral part of patients' comprehensive care will be very important to a healthy population, as well as cost-effective, efficient health care delivery.

#### *Prevention and wellness initiatives*

An analysis conducted by the Health Enhancement Research Organization Research Committee showed that ten modifiable health risk factors account for approximately 25 percent of all health care expenditures for employers. Health promotion and worksite wellness programs are designed to promote health and well-being by reducing health risks and, in turn, improve worker productivity. They typically include programs designed to reduce stress; increase physical activity and fitness; reduce high blood pressure and cholesterol; reduce excess body weight; improve nutrition; and reduce tobacco, alcohol, and substance use.

Studies have shown an average 25-30 percent reduction in medical and absenteeism costs in a period of 3.5 years<sup>5</sup> and a 27 percent reduction in absenteeism; 26 percent reduction in health care costs; and 32 percent reduction in workers' compensation and disability management cost claims as a result of worksite wellness programs.<sup>6</sup>

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<sup>4</sup> Ibid.

<sup>5</sup> Goetzel RZ and Ozminkowski RJ. "What's Holding You Back: Why Should (Or Shouldn't) Employers Invest in Health Promotion Programs for Their Workers?" NC Medical Journal. November/December 2006, Vol. 67, No. 6.

<sup>6</sup> Chapman LS. "Meta-evaluation of worksite health promotion economic return studies: 2005 update." *American Journal of Health Promotion*. 2005;19(6):1-11.

Businesses can significantly reduce health risk factors among their employees and improve worker productivity and financial performance by implementing relatively inexpensive comprehensive health promotion programs, focused on individualized risk-reduction counseling and self-management training to the highest risk employees.

## **LEGISLATION NEEDED**

The Partnership is seeking legislation that decreases the number of uninsured Texans and increases access to quality, integrated health care. This can be achieved by passing legislation that:

- Supports regional health care initiatives, including those seeking collaboration with area counties caring for uninsured residents;
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#### **FISCAL IMPACT**

There is no direct fiscal impact to the Greater Houston Partnership.

#### **KNOWN OPPOSITION**

There is no known opposition to this initiative.

#### **RESOURCES REQUIRED**

This recommendation can be implemented with available Greater Houston Partnership staff and within current operating budget resources.