

The Value of Hospitals



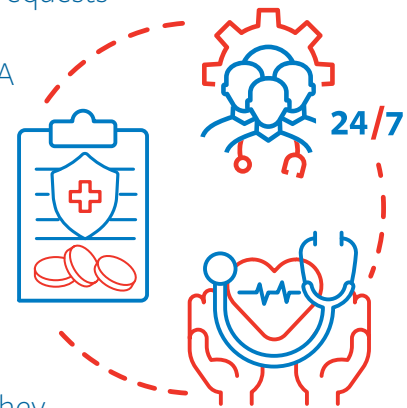
Hospitals are open to everyone.

Hospitals exist to save lives and heal patients. They are open 24/7. Hospitals are the safety net for their communities and emergency departments are usually the front doors of hospitals. The federal Emergency Medical Treatment and Active Labor Act (EMTALA) requires hospitals to screen anyone who comes to the emergency department and requests examination or treatment. Hospitals are required to stabilize an emergent condition regardless of a patient's ability to pay. EMTALA applies to all Medicare-participating hospitals with dedicated emergency departments, and to every single patient – not just Medicare beneficiaries.



Hospitals are more than emergency departments. They have physicians and specialists available 24/7 should you need them; they admit patients who need the highest level of care; and they provide

labor and delivery services to their communities. Hospitals have expanded their outpatient footprints to serve patients closer to home in a lower-cost setting than in their emergency departments. Many of these clinics serve low-income Medicaid and uninsured patients in their communities.



Advocacy tips:

- *Detail how many physicians are on your medical staff.*
- *Include information on your number of annual emergency department visits and inpatient admissions.*
- *Describe your outpatient clinics and services, whom they serve and how many patients they serve.*
- *Note how many babies were born at your hospital last year and your level of maternal and neonatal state designation.*

Hospitals are employers.

The single largest budget item for hospitals – roughly 60% – is their workforce.

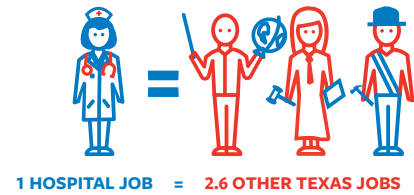
In 2022, Texas hospitals reported 445,265 employees (358,698 full-time and 86,567 part-time). These numbers do not include thousands of contracted staff and physicians with privileges to practice medicine in Texas hospitals.¹ This is an increase of more than 35,000 jobs since 2020.



¹ DSHS/AHA 2022 Annual Survey of Hospitals.

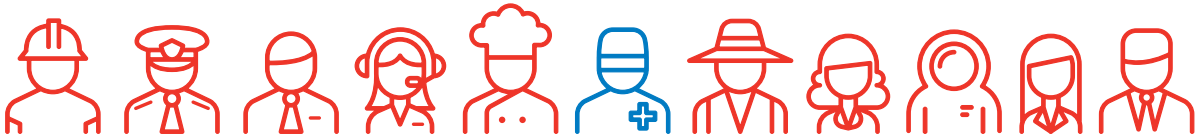


The goods and services hospitals purchase from other businesses create additional economic value for the community. When you add in these “ripple effects,” **each Texas hospital job is worth 2.6 jobs in the Texas economy.** Moreover, every dollar spent by Texas hospitals generates more than \$2 of additional economic impact through the goods and services produced in their communities.²



Overall, Texas hospitals in 2020:

- Provided nearly 1.1 million total jobs – roughly **one out of 12 jobs in Texas.**
- Generated over **\$190 billion in economic activity.**



Advocacy tips:

- *When talking with policymakers, include information on how many Texans you employ in your community, directly and indirectly. Reemphasize the number of physicians on your staff.*
- *Are you the largest or second-largest employer in your community? If so, highlight that.*
- *Multiply your total number of employees by 2.6 and your total expenses by two to detail your hospital’s total impact on the community. (These figures denote your hospital’s direct and indirect impact on the local labor market and economy.)*

Hospitals protect their communities.

Every hospital is different. Every community is different. A safe and healthy hospital facility needs effective measures to protect patients from preventable disease. Vaccinations are one such tool. Local hospital leadership, which includes physician and nursing leaders, should be able to maintain their flexibility to craft policies based on the threat of disease and the medical care being provided. A one-size-fits-all approach to health care does not work in Texas. As the saying goes, “If you’ve seen one hospital, you’ve seen one hospital.”

Advocacy tip: *Detail the importance of public health in your community.*



² AHA Impact of Community Hospitals on U.S. Economy; All States, DC, and Total U.S., 2020

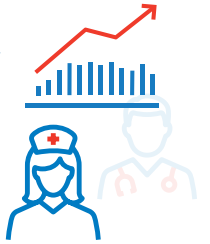


The Challenges Hospitals Face



Hospitals are understaffed.

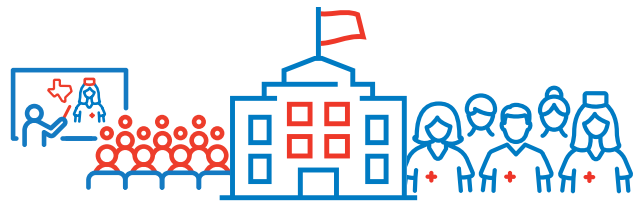
In 2022, Texas hospitals reported nearly 50,000 vacancies. The issue is particularly acute in the nursing field. The registered nurse vacancy rate increased from 6% in 2019 to 18% in 2022. The licensed vocational nurse vacancy rate increased from 6% to 23% over the same time span. **By 2032, demand for full-time registered nurses will so far outpace supply that the state will have a deficit of more than 57,000 positions.** This means 16% of the patient demand will not be met.



In 2023, Texas nursing schools turned away 13,705 qualified applicants.³ Texans want to become nurses, but nursing schools are unable to accommodate more students without additional preceptors, faculty and clinical space. Texas needs more nurses in the pipeline to meet growing demand.

Advocacy tips: Include information on:

- Your hospital's vacancy rate.
- Your hospital's workforce costs; and
- Your hospital's educational programs and partnerships to train new health care workers.

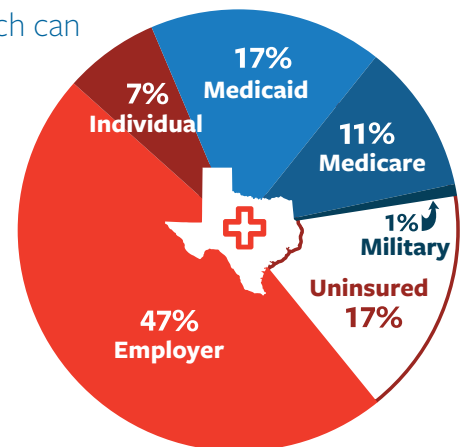


Texas is in a coverage crisis.

Five million Texans have no health insurance. This is 17% of Texas' population.

Approximately 47% of Texans receive health insurance coverage from their employers. About 17% of Texans receive coverage from Medicaid, which covers low-income children, pregnant women, people with disabilities and older adults in long-term care. About 11% of Texans receive coverage from Medicare, which is the federal program available to adults aged 65 and over. Individual market coverage and military/veteran's coverage account for the remaining 8%.

When people lack health insurance, they tend to delay care, which can increase the acuity of illnesses. They also are more likely to seek care in the emergency room, often the most expensive care setting for preventable conditions. Additionally, **uninsured patients increase uncompensated care for hospitals, which drives up the cost of care for everyone else,** including taxpayers and employer-provided insurance. Texas hospitals support comprehensive coverage for all Texans.



Advocacy tips:

- Include information about your payer mix.
- Describe your issues with payers, such as Medicare Advantage, traditional Medicare and Medicaid.

³ https://www.dshs.texas.gov/sites/default/files/chs/cnws/NEPIS/2023/RN/2023%20RN%20AEG_Accessible.pdf



The government underpays hospitals.

About 30% of Texans have government coverage, but about 50% of total hospital payments come from government sources like Medicare and Medicaid. Patients with government health insurance use more hospital care due to age, pregnancy status and complex medical needs. The government pays hospitals well below the cost of providing care. On average, Texas Medicaid base payments reimburse hospitals at 72% of the cost of care for inpatient services and 75% of the cost of care for outpatient services.⁴ Medicare now reimburses hospitals at a historic low of 82 cents on the dollar, down from 84 cents in 2020.^{5,6} The government requires Texas hospitals to stabilize all patients regardless of their ability to pay. When government payment sources do not keep up with cost, patients pay the difference through cost-shifting to commercial insurance rates and taxes.

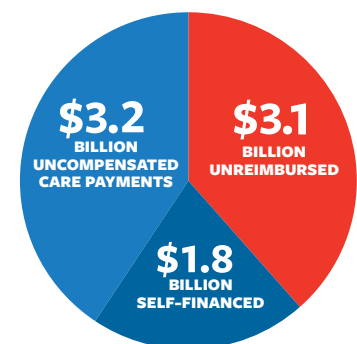
**MEDICARE REIMBURSES
TEXAS HOSPITALS AT A
HISTORIC LOW**


82 CENTS
ON THE DOLLAR



Hospitals also deliver free and discounted charity care to uninsured patients who demonstrate financial hardship. To help hospitals stay afloat, Texas hospitals receive supplemental payments for some of their charity care through the state's Medicaid waiver. However, these payments do not come close to making hospitals whole, and hospitals self-finance the state portion of these extra payments (about 40%) out of their own pockets. **In 2023, Texas hospitals provided at least \$8.1 billion in uninsured charity care – \$3.1 billion of which was unreimbursed after supplemental payments.**⁷ Hospitals self-financed \$1.8 billion to unlock \$3.2 billion in uncompensated care supplemental payments.

As a condition of tax-exempt status, the state requires nonprofit hospitals to deliver a minimum amount of charity care and community benefits each year. The Texas Legislature in 2023 appropriated \$5 million to the Health and Human Services Commission to contract with a third party to study and report on hospital charity care and transparency. The report is due to the Legislature on Dec. 1, 2024.



\$8.1B UNINSURED CHARITY CARE

Advocacy tips:

- *Include information on how much charity care you provide, your charity care policies, how much community benefit you provide and other information about programs that benefit your community.*
- *Be prepared to detail the impact of uncompensated care and chronic underpayment by government programs at your hospital.*

⁴ <https://pfd.hhs.texas.gov/rate-tables>

⁵ <https://www.aha.org/system/files/media/file/2024/01/medicare-significantly-underpays-hospitals-for-cost-of-patient-care-infographic.pdf> (AHA login required)

⁶ <https://www.aha.org/system/files/media/file/2022/02/medicare-medicaid-underpayment-fact-sheet-current.pdf> (AHA login required)

⁷ <https://pfd.hhs.texas.gov/sites/rad/files/documents/pfc/uc-mdl-fnl-rule-7-6-2023.xlsx>



Large commercial health insurance companies are rapidly consolidating and making record profits at the expense of patients.

Health insurance companies are rapidly merging with other insurers, physician groups and pharmacy benefit managers, resulting in significant market strength and bargaining power. According to a November 2022 report by the Government Accountability Office, **the state's top three commercial health insurers control more than 87% of the large-group insurance market.**⁸ The individual and small-group markets are similarly concentrated at 79% and 98%, respectively.⁹ As the cost of health insurance has increased, so have the profits of health insurance companies. For years, the strength, size and market dominance of these large insurance companies have allowed them to continue to raise premiums well in excess of medical inflation, while simultaneously increasing deductibles and only passing a portion of the new revenue to providers. In 2022, insurers reported record profits. In the meantime, **48% of Texas hospitals finished 2022 with negative margins.**¹⁰

TOP THREE COMMERCIAL
INSURERS
CONTROL
87%
OF THE LARGE-GROUP
MARKET

Policies that cap or limit hospital payments in the commercial or individual markets only contribute to systematic underpayment of hospitals for fixed expenses, threatening access to health care in this state.

Advocacy tip: Detail your experience with big insurance companies or plans that don't offer comprehensive coverage.

Administrative hurdles imposed by health insurance companies are making health care more expensive.

Misuse and overuse of prior authorization strains an already depleted health care workforce by pulling doctors and nurses away from patient care to justify their professional decision-making to insurance companies. **Administrative expenses account for as much as 31% of total health care spending, with 82% of these expenses attributed to insurance and billing.**

Advocacy tip: Let policymakers know how many of your employees work only on billing and insurance issues, and approximately how much you pay these employees.



⁸ <https://www.gao.gov/assets/gao-23-105672.pdf> (see page 49).

⁹ *Id.* at page 35 (individual market) and page 43 (small group market).

¹⁰ Kaufman Hall, The Financial Impact of COVID-19 on Texas Hospitals, <https://www.tha.org/wp-content/uploads/2022/11/Texas-Hospital-Association-Financial-Impact-Report-11.1.22.pdf>

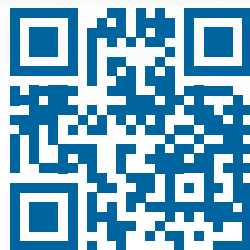


 @texashospitals

 @texashospitals

 /texas-hospital-association

 @texashospitals



Visit www.tha.org for additional information |



1108 Lavaca, Austin TX, 78701-2180

According to Texas Government Code 305.027, this material may be considered “legislative advertising.” Authorization for its publication is made by John Hawkins, Texas Hospital Association. © 2024 Texas Hospital Association. All Rights Reserved.