CHRISTUS Health®

August 28, 2017

Ms. Seema Verma
Administrator
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
7500 Security Boulevard
Baltimore, MD 21244–1850

Re: **Medicaid Program; State Disproportionate Share Hospital Allotment Reductions (CMS–2394–P)**

Dear Administrator Verma,

CHRISTUS Health ("CHRISTUS") appreciates the opportunity to submit the following comments to the Centers for Medicare and Medicaid Services (CMS) in response to the Medicaid Program; State Disproportionate Share Hospital Allotment Reductions ("Proposed Rule") as published in the Federal Register on July 28, 2017. CHRISTUS is an integrated, not-for-profit international health system that includes nearly 350 services and facilities, including more than 50 hospitals in seven U.S. states.

We share the Administration's strong commitment to promoting health and wellness solutions that improve the lives of the individuals and communities we serve, and we appreciate the ongoing efforts by CMS to administer and improve access to quality hospital care. CHRISTUS is amenable to the agency's proposal to modify the DSH Health Reform Methodology (DHRM); however, we urge CMS to reconsider the proposed reductions to state Medicaid disproportionate share hospital (DSH) allotments annually beginning on fiscal year (FY) 2018 through FY 2025 due to the detrimental effect they will have on our nation's hospitals and health care providers.

In FY 2018 alone, if these cuts occur, Texas hospitals stand to lose an estimated $148.1 million. The cumulative loss for FY 2018 through FY 2024 is $3.2 billion. The FY 2018 loss represents a 14.1 percent cut in the state's Medicaid DSH payments and is the fourth highest total dollar reduction nationally.

Only New York ($329.4 million), New Jersey ($153.7 million), and California ($153.4 million) – all states that have expanded their Medicaid programs to include higher-income individuals - have higher estimated total dollar reductions. These Medicaid DSH cuts will create challenging and potentially unsustainable financial circumstances for Texas'

approximately 180 safety-net hospitals, which ultimately could result in reduced access to essential health care for uninsured and low-income Texans.

The Affordable Care Act, as amended, reduced federal funding for Medicaid DSH payments under the assumption that hospitals' collective uncompensated care costs would decrease as more people gained health insurance coverage. Congress repeatedly has delayed these cuts, recognizing that they will negatively impact vulnerable populations and the safety-net hospitals that care for them. Unless Congress acts, however, Medicaid DSH cuts will begin in FY 2018 with a $2 billion reduction. The Medicaid DSH reductions increase by $1 billion per year through FY 2024, when annual, national reductions will total $8 billion.

Texas has the largest number of uninsured individuals in the country – a number that is only likely to increase as the state's population growth continues to exceed that of most other states. While most states between 2013 and 2014 experienced a slight decrease in their uncompensated care costs as a share of hospital operating expenses, according to the Medicaid and CHIP Payment and Access Commission, uncompensated care costs at Texas hospitals as a share of hospital operating expenses increased 12 percent. Health Management Associates predicts that Texas hospitals' uncompensated care costs will total $9.6 billion in 2017, well beyond our current Medicaid DSH allocation and current uncompensated care funding available through the Medicaid 1115 Transformation Waiver.

Any reduction to vital Medicaid DSH payments will harm Texas hospitals and our patients. These payments not only offset some of the costs of care provided to Medicaid and uninsured patients, but also help our safety-net hospitals deliver essential community services such as trauma care, graduate medical education and neonatal intensive care. Permanently repealing these impending harmful Medicaid DSH reductions - or, at a minimum, a continued delay - is necessary to give Texas safety net hospitals financial stability and support their vital work in communities across the state.

On behalf of CHRISTUS Health, thank you again for the opportunity to provide feedback. We are hopeful that CMS will reassess the impending DSH reduction, particularly in light of the severe financial impact these cuts will have on CHRISTUS Health's hospitals in Texas, which will deprive them of resources they need to make sure every patient receives quality care.

Thank you for your leadership and your consideration of our concerns.

Sincerely,

Randy W. Safady
Executive Vice President and Chief Financial Officer
CHRISTUS Health