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## Kilday Hart: State rules for health care complicates lives, industry

By Patricia Kilday Hart

Updated 11:15 a.m., Wednesday, February 1, 2012

### Patricia Kilday Hart

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What could be scarier than government health care, where bureaucrats controlling huge pots of money create rules that affect both patient access and the ability of providers to make money? Thank goodness we live in Texas, where our state leaders would embrace secession before letting government paper-pushers dictate how private health care entities do business. It would rain flying pigs first, right?

Better check that weather report. When Gov. [Rick Perry](#) signed the new state budget last summer, he set

in motion a little matter called the "Texas Healthcare Transformation and Quality Program Medicaid 1115 Waiver," an administrative action that revolutionizes how hospitals and other health care organizations will earn money from the federal government.

No longer will the current - and complicated - lump-sum payments be issued for hospitals treating Medicaid patients.

Instead, the waiver empowers the state's local hospital districts to create new (and probably more complicated) plans dictating how providers get paid for treating the poor. That strange reverberation you've noticed across the city isn't your imagination, it's the racing heartbeat of Texas health care executives, whose business models could be thoroughly upended in the next six months.

In Houston, [Harris County Hospital District](#) CEO [David Lopez](#) maintains a cool outward appearance, but his words convey the magnitude of being tasked with "transforming" Texas health care: "We're being asked to do something that's never been done before." At the state level, [Health and Human Services](#) Commissioner [Tom Suehs](#) has called it the biggest transformation of Medicaid - the federal health care program for the poor - in his career.

#### How did we get here?

What has everyone's blood pressure rising is this: One, nobody understands how it's going to work; and, two, it's already in place. Also, the state could win some \$14 billion in additional medical dollars - or lose an equal amount by not managing the program correctly. Lopez compares his task to flying an airplane as he builds it.

How did we get here? Faced with a budget crisis, Perry, Lt. Gov. [David Dewhurst](#) and House Speaker [Joe Straus](#) asked all state agencies in 2010 to find ways to trim their budgets. At HHSC, Suehs quickly targeted extending the state's managed care system for Medicaid to the Rio Grande Valley, which for political reasons had escaped the additional scrutiny. That would save the state an additional \$400 million in real money, except it had an unpleasant effect of costing the state \$1.9 billion in a complicated (no, I really can't use that word too much in this story) federal matching formula that pays hospitals for charity care.

So Suehs and legislative leaders decided to ask the federal government for a "waiver" that would

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allow them to literally reinvent how Medicaid dollars will be disbursed over the next five years.

Under the new plan, the state's hospital districts are in charge of creating "regional partnerships" with health care providers in a multi-county era, based on a survey of local needs. Providers will be reimbursed, based on their true costs of delivering health care to the indigent, and also have an opportunity to win reimbursement for delivering health care in creative new programs if they meet certain metrics.

Which will be determined in lots of meetings over the next few months.

### Going to get stormy

"Change makes people nervous," acknowledged Rep. [Garnet Coleman](#), D-Houston. "This turns the whole thing upside down." Nonetheless, he's a proponent of the waiver. The old, lump-sum payments to hospitals were inefficient, he says, and some providers made a lot of money off what should have provided more health care to the poor.

Both Lopez and Coleman believe that a new funding scheme can reduce public health care costs by cutting down on over-utilization of expensive services - like the emergency room. Putting more money into primary care and mental health services will reduce ER use. That in turn, will help Texas prepare for the implementation of the federal health care reform law, which will add significant numbers to the Medicaid rolls in 2014.

How did such a revolutionary idea get adopted by the Legislature with so little public debate? "Tom Suehs is a good salesman, and the governor didn't get in the way," Coleman told me. Conservatives were assured that the waiver would not expand Medicaid.

"It can be a very good thing for Texas," said Coleman, chairman of a legislative committee overseeing the issue. "But we need to build trust." That will involve winning over such disparate interests as county elected officials, medical school presidents, hospital CEOs and doctor organizations. There's a Nobel Peace Prize in this for someone.

Recreating a government program that underpins much of the state's economy will create winners and losers. As one observer told me, the "fundamental financials" will change for everyone delivering health care. The weather ahead may not produce flying pigs, but it's likely to get stormy. A little rain is going to fall.

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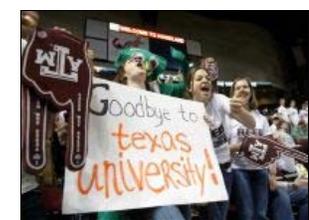
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**mikeca51** 5:14 PM on February 2, 2012

Changing our broken health care system should be a high priority and successfully implementing this new regulation is a good first step. Increasing funding for primary care for the poor will reduce the volume for hospital ERs, which have in effect become free clinics for the poor and uninsured. The overwhelming majority of patients seen in Hospital ERs today present with non-emergent symptoms that they should be seeing a primary care Physician to treat. This is not only very expensive, as you mentioned, but overburdens ER staff and interferes with the the treatment of true emergencies. Emergency rooms should be just that, and not free clinics.

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