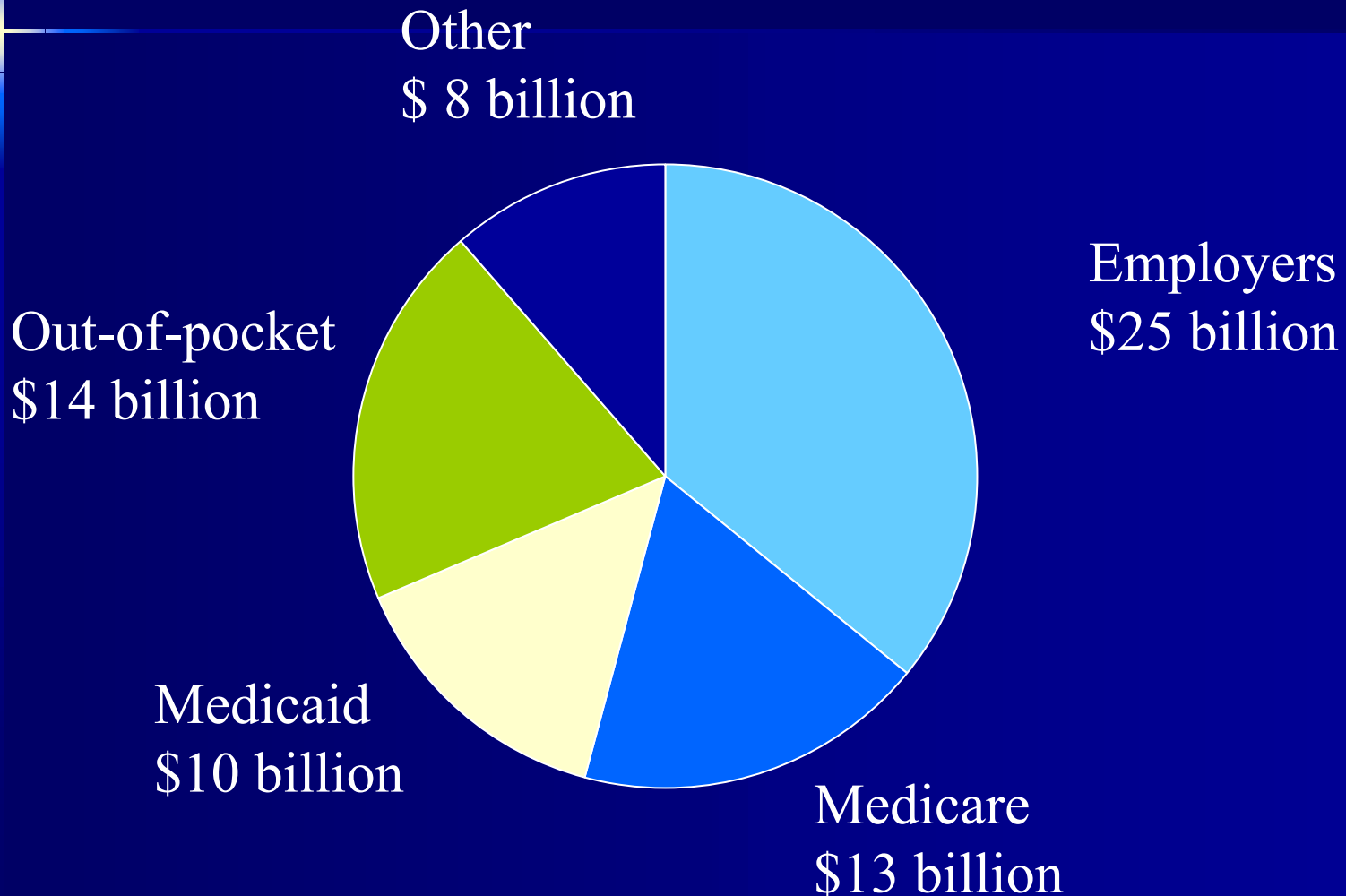


SHOW ME THE MONEY!!

"Every significant decision involves deciding how to allocate benefits and costs"

Christopher Lindley, former Mayor Rochester, NY

Health Care Spending in Texas in Perspective



Overview of the Indigent System

- Two different systems
 - Medicaid
 - Indigent Care Entities
- Counties are required to provide care for the indigent
 - Hospital Districts
 - Public Hospitals
 - County Indigent Health Care Program
- Indigent programs cover non-Medicaid eligible adults and children
- Income threshold: 21% of the Federal Poverty Level

Local Expenditures

- SFY 2000
 - \$57 million for the CIHCPs
 - \$1.1 Billion in Hospital District tax expenditures

Payments to Indigent Care Entities

- Disproportionate Share Hospital (DSH - \$509 million)
 - Federal funds through the Medicaid Program
 - Paid to Hospitals
 - Federal payments are limited
- State (\$9.6 million)
 - State appropriated matching funds
 - Paid only to CIHCP counties
- Tobacco funds
 - Paid to the Indigent Care Entity
 - Payments contingent on investment returns

Alternative Arrangements

- Majority of local funds are unmatched
- Relieving the burden on local taxpayers
 - Match local dollars with federal funds
 - County Funds
 - Hospital Districts
 - State approps/state operated medical centers and medical school spending
- Certified funds

Advantages and Disadvantages

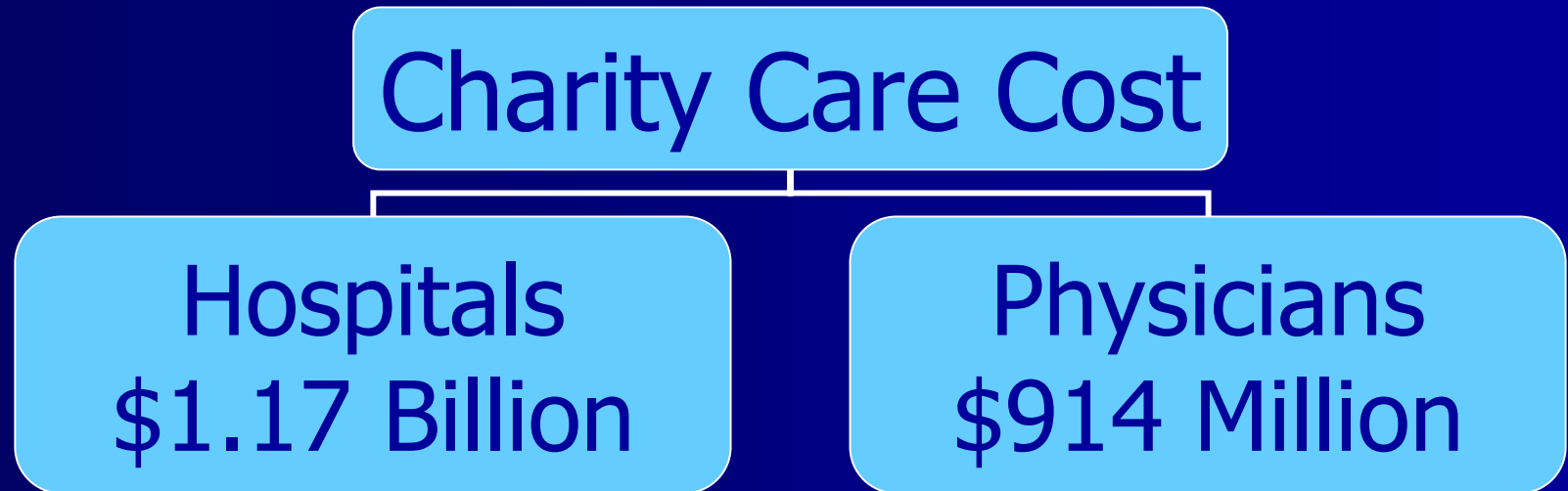
	Advantages	Disadvantages
Urban Hospital Districts only	<ul style="list-style-type: none">■ Tax funds are committed to health care■ Maximizes an existing funding stream■ Ideal pilot program	<ul style="list-style-type: none">■ Equity - Concentrates the burden■ Less participation
All indigent care entities	<ul style="list-style-type: none">■ Spreads the burden more evenly■ Achieves broader buy-in	<ul style="list-style-type: none">■ Requires coordination of more entities■ Diverse agendas

Issues for Funding Expansion

- Protecting the fiscal investment of participating entities
- County control
- Reconciling rural and urban needs

Generating *New* Revenue

Unmatched Dollars



Source: Texas Health Care Spending, Texas Comptroller, March 2001

Health Care Related Taxes

- No Provider Donations
- Distribution of Equal Burden
- No Hold Harmless Clause
- Increase in Reimbursement

Health Care Related Taxes

Hospital Taxes

- Total Revenue
- Admit Fee
- Bed Fee

Physician Taxes

- Total Revenue
- Office Visit Fee

Provider Tax Estimates

Hospital Taxes		
Total Revenue:	1%	\$450 Million
Admit Fee:	\$3	\$87 Million
Bed Fee:	\$3	\$32 Million
Physician Taxes		
Office Visit Fee:	\$3	\$365 Million

Source: Data derived from TDH hospital survey data

Relieving the Burden

- “Sick Taxes”
- A Few Small Taxes vs. One Big Tax
- Distribute the Burden
 - Providers
 - Consumers
 - Third Party Payers
- Increase in Reimbursement

Incentives

- Decrease in Uninsured Individuals
- Decrease in Uncompensated Care
- A More Reliable Source of Funds
- A More Effective Health Care Option

Health Care Related Taxes

- Providers
 - Pharmaceuticals
 - Nursing Home Facilities
- Additional Revenue
- Relieve Fiscal Stress

Franchise Tax

- Does it cover all Businesses?
- *New Franchise Tax*
- Current Exemptions: \$650 Million
- Relieve Fiscal Stress

Franchise Tax

- Health Care Industry Dollars
- Maximize Dollars
- Current Revenue: \$36 Million
- Exemptions: 1,050

Excise Taxes

- Taxes on items that have been linked to poor health and health care cost
 - Soft Drinks
 - Tobacco Products
 - Alcohol
 - Snack Foods

Soda Tax

- Tax Justification
- Wholesale or Retail level
- Revenue Generating Capability:
 - \$.01 tax → \$118 Million

Cigarette Taxes

- Increase in Cigarette Taxes
- Tax Justification
- Revenue Generation Ability:
 - \$.04 increase → \$46 Million Dollars

Tax Implications

- Taxes
 - Provider Tax
 - Franchise tax
 - Excise Tax
- Maximizing funds

Concluding Remarks

Funding Expansion

- Why we expand
- How we fund expansion

Funding Design Considerations

- Local entity difference
- Local control
- Certification vs. Transfer
- Phase-In

What Next?

- Continued dialogue
- Maximize buy-in