

IV.F. BUDGETARY IMPACTS RELATED TO FEDERAL HEALTHCARE REFORM SCHEDULE, 2012 OPERATING BUDGET

Agency/IHE code: **744**
 Agency /IHE name: **The University of Texas Health Science Center at Houston**

Item Name: Health Care Reform Impacts-UTHealth

Includes Funding for the Following Strategy or Strategies:	
Strategy	Description
01-01-01	Medical Education
01-01-02	Dental Education
01-01-03	Biomedical Sciences Training
01-01-04	Allied Health Professions Training
01-01-05	Nursing Education
01-01-06	Graduate Training in Public Health

OBJECTS OF EXPENSE:	DESCRIPTION	FY 2010 Expended	FY 2011 Expended	FY 2012 Budgeted
	TOTAL, OBJECT OF EXPENSE	\$0	\$0	\$0

METHOD OF FINANCING:	DESCRIPTION	FY 2010 Expended	FY 2011 Expended	FY 2012 Budgeted
	GENERAL REVENUE FUNDS			
	GR DEDICATED ACCOUNTS			
	FEDERAL FUNDS			
	<u>Account #</u> <u>CFDA #</u>			

TOTAL, METHOD OF FINANCING	\$0	\$0	\$0
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FULL-TIME-EQUIVALENT POSITIONS (FTE):

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:
HR 3590 PPACA (P.L. 111-148); HR 4872 Reconciliation Act (P.L. 111-152); HR 1 ARRA (P.L. 111-5)

DESCRIPTION/KEY ASSUMPTIONS:
The fiscal impact on UTHealth is difficult to measure as there are many new rules and regulations to be issued and many of the reforms do not begin until 2014. However, preliminary concerns and opportunities can be noted. The top three items that likely will have a significant impact on UTHealth are the challenge to meet an increased demand for health care workforce, the costs of implementing electronic health records and a significant change in the payor mix for patients seen in our practice plan.
Workforce Assumptions: The health care reform bill provides a greater number of insured patients and a focus on primary care. However, with an estimated national shortfall in primary care physicians of at least 45,000 by 2020, these newly insured patients will find that access to primary care will be limited and difficult.
HIT Assumptions: The implementation and widespread use of electronic medical records will provide benefits for the patient and the physician. To prevent cuts in Medicare payments and be eligible for incentive payments, UTHealth and its partners must have an approved Health Information Technology (HIT) system that will comply with federal regulations.
Patient Care Assumptions: UT Health's physician practice expects a significant change in payor mix due to the increase in Medicaid patients, expansion of Medicaid eligibility, under-insured patients and the shift on the part of many away from their current commercial payors to less expensive alternatives offered through governmental exchanges. Medicaid historically has paid only 72% of Medicare rates on average and with Medicare only covering about 80% of actual costs; one can easily project the significant shortfall in revenues.
Further assumptions are based on studies and analyses by the Centers for Medicaid and Medicare Services, the American Association of Medical Colleges, Texas Health and Human Services Commission, National Conference of State Legislatures, the Texas Medical Association and other publications. Input came from UTHealth's six schools and administration.

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CONCERNS AND COMMENTS:

Workforce: Texas will continue to face challenges in educating sufficient numbers of primary care providers since the number of postgraduate residency slots funded by Medicare remains capped at 1996 levels. In addition, declining formula funding on a per student and resident basis, severe GME reductions, and lagging faculty salaries continue to present a significant challenge as UTHealth strives to provide state of the art education. UTHealth is in the unique position to implement innovative strategies for the delivery of primary care, specifically the development of new models designed to improve efficiency and effectiveness while reducing cost; educating advance practice nurses and other providers who, working in teams, can provide a more holistic approach to patient care and put into place statewide strategies for wellness and prevention to improve the health of all Texans. Additional state funding to fully fund the formulas and GME for health related institutions and other funding mechanisms will be needed for these efforts.

HIT: To comply with federal standards, the installation of HIT will require major infrastructure expenses, significant equipment upgrades, additional FTEs, training costs, and maintenance. The majority of these costs are not expected to be offset by Medicare incentive payments. The School of Biomedical Informatics will have a HIT/workforce challenge as a leader in the education and training of the new HIT workforce. This may require more faculty and likely more infrastructure to rapidly add to the HIT workforce in Texas.

Patient Care: A TMA survey revealed that many physicians will refuse or limit Medicaid patients. Given state physician shortages, access is a major issue for Medicaid patients. Lack of access may result in any of these patients seeking care in the more expensive emergency departments of our partner hospitals. Even given on-going reduced state/federal funding sources, UTHealth may need to hire more faculty and incur other expenses that could reduce funding for other missions including education and research. Physician shortages also cause a competitive and expensive physician market.