



**Texas Children's Integrated Delivery
System & the Challenges Facing
Children's Health Care**

February 21, 2011

Texas Children's Vision

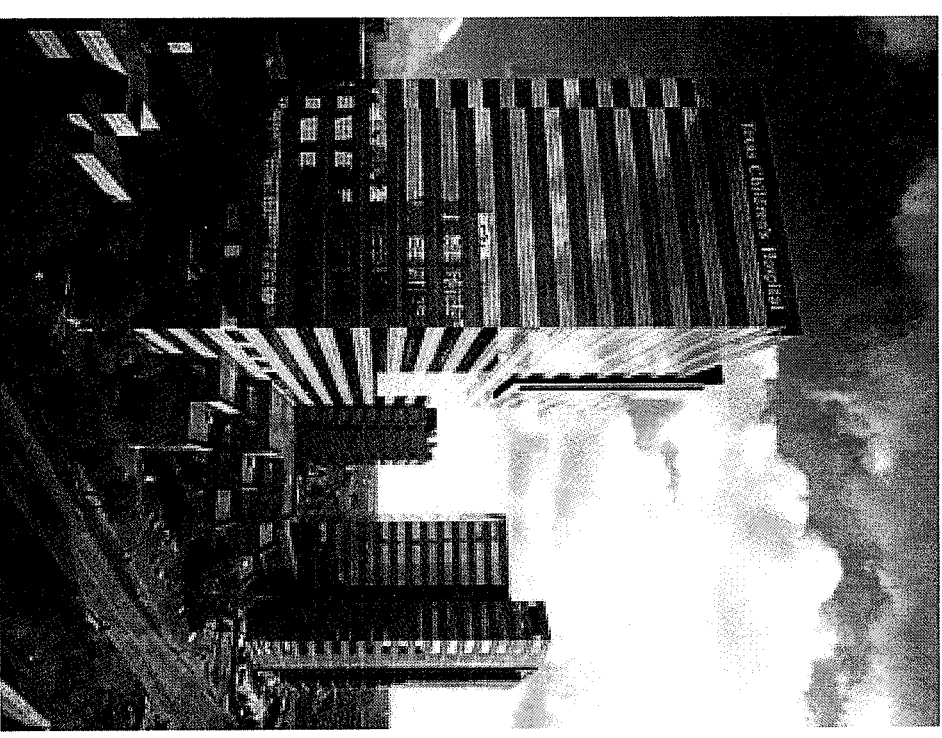
- We are committed to a community of healthy children by providing the finest possible pediatric patient care, education and research

Texas Children's Mission

- To support excellence in patient care, education and research with a commitment to quality service and cost-effective care to enhance the health and well-being of children locally, nationally and internationally

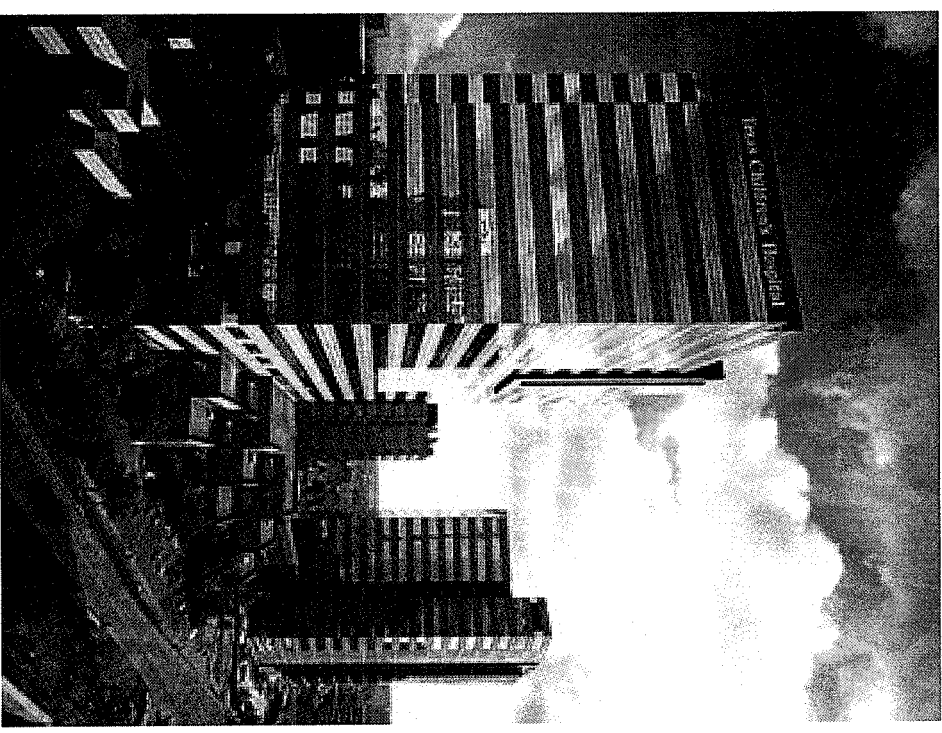
Texas Children's Hospital

- Largest children's hospital in the United States
- Non-profit hospital
- Ranked nationally as one of the top 5 children's hospitals by U.S. News & World Report for the past 5 years
 - Over 564 licensed beds today
 - 466 beds in operation today
 - Level 1 Trauma designation
- National and international referral center
 - recognized for its expertise and breakthrough developments in the treatment of cancer, diabetes, asthma, HIV, premature babies, cardio-genic and neurological disorders
- West Campus facility will add 48 community beds



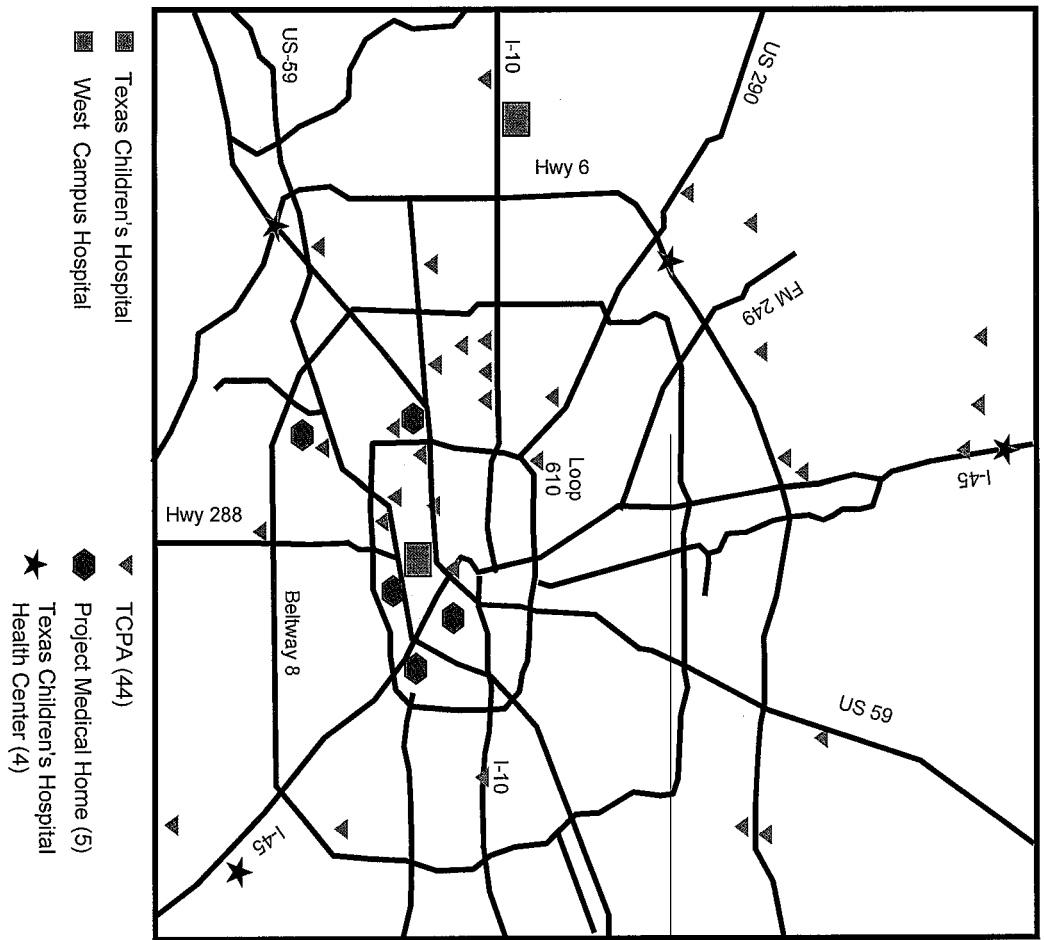
Texas Children's Hospital Today

- Currently we have 1,475 board certified, primary care physicians, pediatric subspecialists, pediatric surgical subspecialists and dentists
- Over 7,200 employees
- Baylor College of Medicine, our academic partner, has 800 faculty members based at Texas Children's



Snapshot of Volume, Locations & Market Share

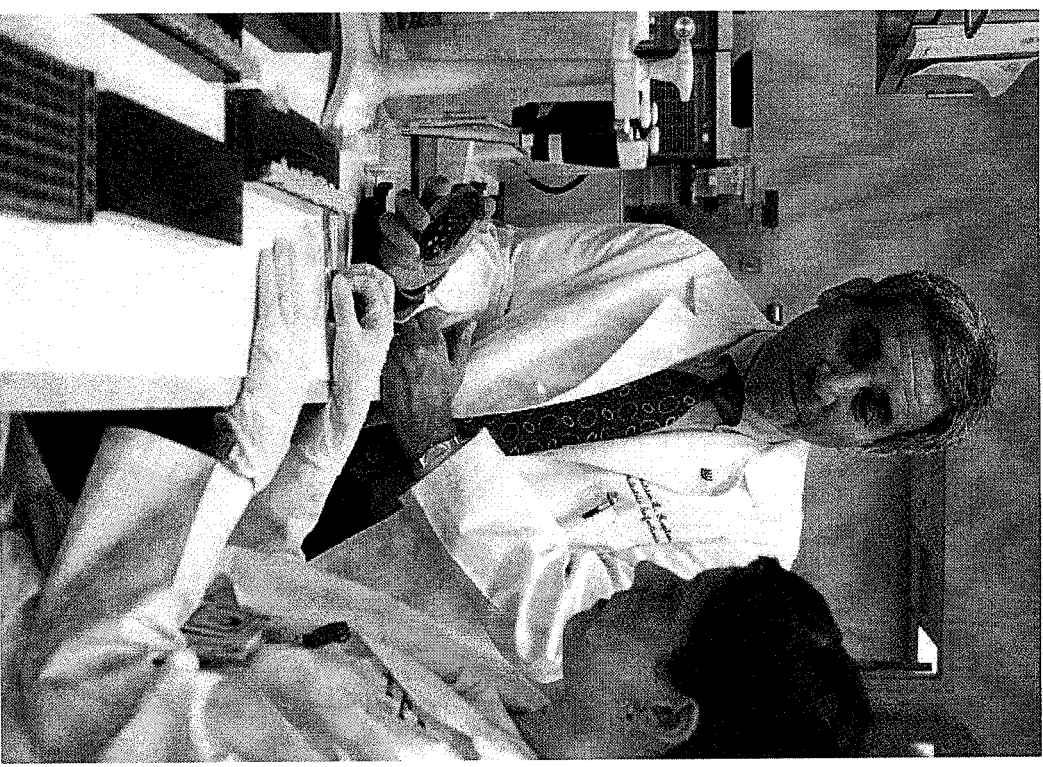
(As of September 30, 2010)



- Population is ~5.9 million
 - Projected growth of 38% between 2000 and 2015
- Hospital Inpatient
 - 138,737 Pediatric and Neonatal Inpatient Days (est. 37.2% share)
- Hospital Outpatient & Health Centers
 - 472,420 Outpatient Visits
- Pediatric Associates
 - 49 practice locations, including 5 Project Medical Home locations
 - 1,078,231 patient encounters (est. 20% share)
- Health Plan Membership
 - 81,803 CHIP Members (est. 54.8% share)
 - 202,486 STAR Members (est. 42.6% share)
 - Currently 6 counties for STAR and 20 counties for CHIP
 - STAR expanding to all 20 counties in September 2011
- Average Medical Loss Ratio over the last 4 years 88%

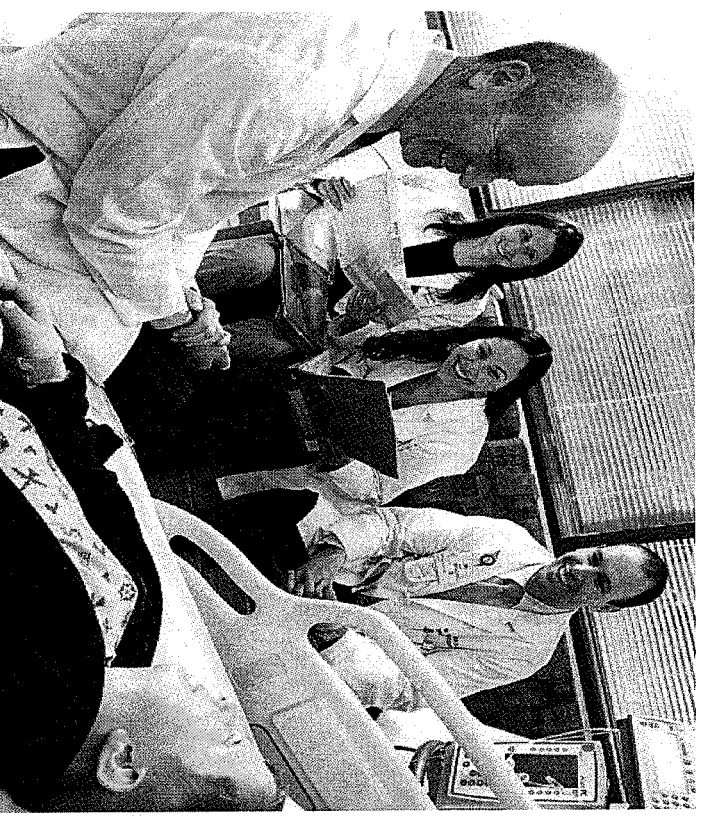
Texas Children's Research

- In 2010, Texas Children's provided more than \$48.6 million for over 1,000 clinical, basic and translations research projects
- Baylor pediatric research grants exceed \$100 million annually
- Feigin Research Center
 - Building dedicated pediatric research and health information technology such as pediatric cardiology, asthma, infectious diseases and improved data exchange
- Neurological Research Institute (NRI)
 - The NRI is the first dedicated facility in the United States to utilize collaborative research to understand the unique issues of a child's brain structure, developmental patterns, and related diseases

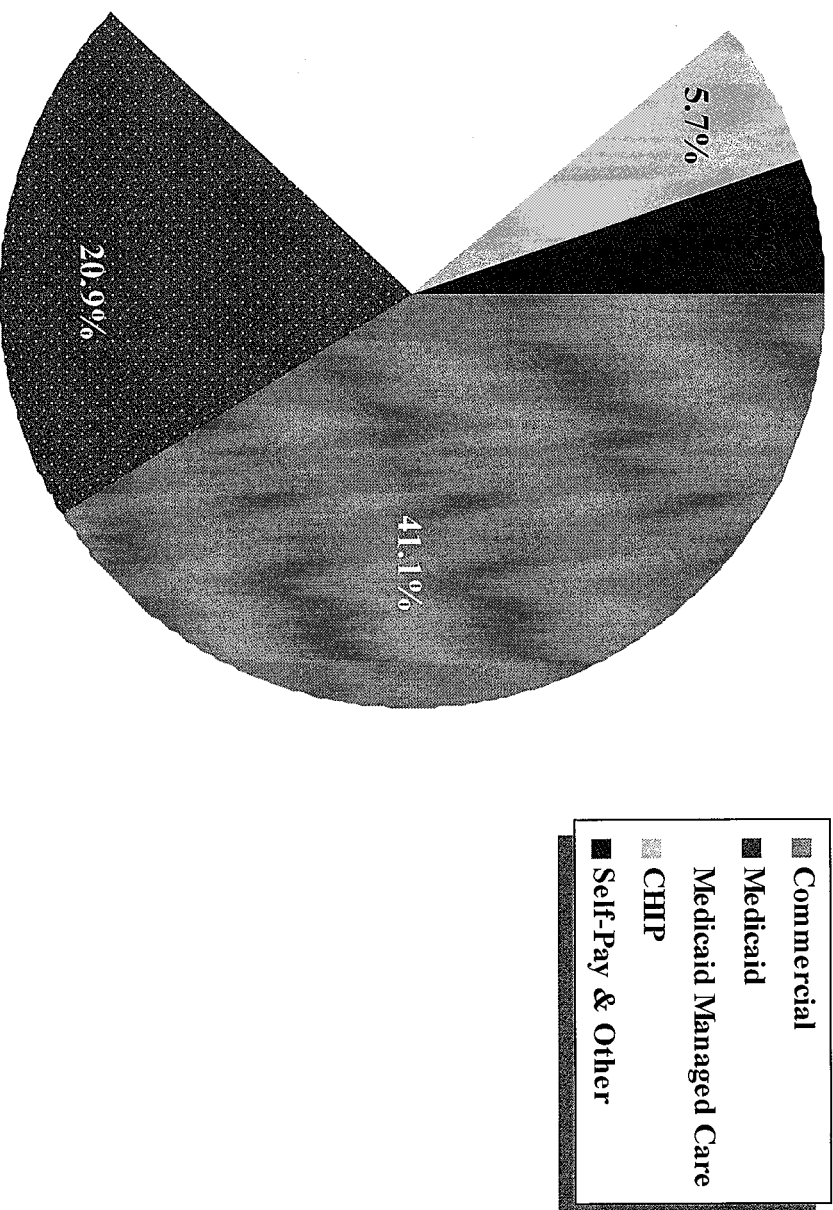


Texas Children's Training

- TCH invests over \$25 million in health professions education annually
- One of the largest pediatric training programs in the country
- A total of 889 residents rotated through our facilities in 2010
 - 167 residents and 160 fellows
- Over the past 30 years TCH and BCM have trained 40% of pediatric physicians currently practicing in Harris County
- We have well over 1000 applicants apply to train at Texas Children's annually



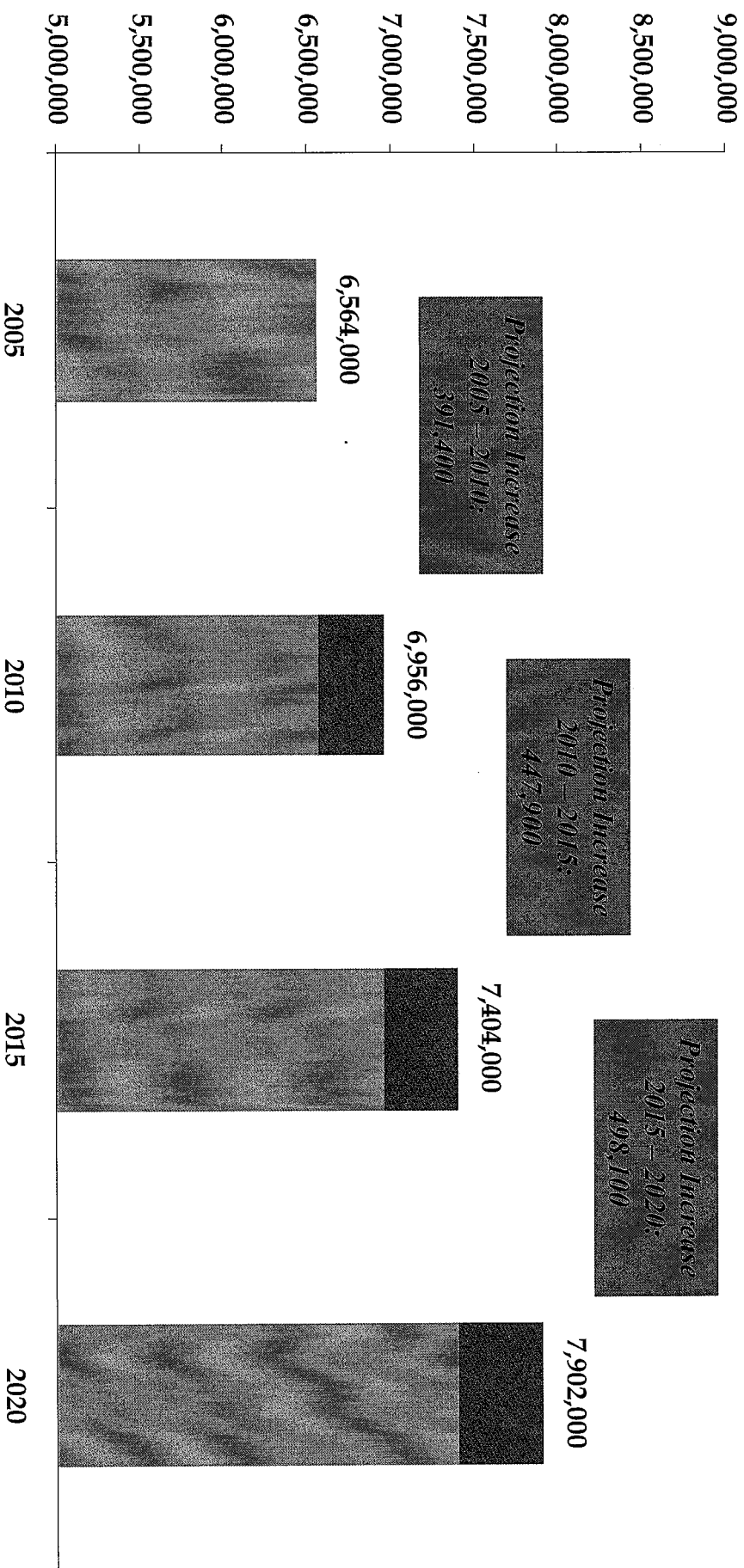
Texas Children's Hospital FY2010 Payer Mix



Children's Hospitals Depend on reasonable and adequate payments from Medicaid

Projected Growth in the Number of Children Under 19 Years of Age

(Texas from 2005 - 2020)



Note: Some years may not be mathematically due to rounding.

Source: Projections of the Population of Texas and Counties in Texas by Age, Sex, Race/Ethnicity for 2000 - 2040 (based on 2000 - 2007 Migration Scenario); Population Estimates and Projections Program, Texas State Data Center.

Pediatric Safety Net

All Children need Children's Hospitals

All Children's Hospitals are the pediatric safety net saving children's lives every day

- 72% of patients are under age 10; 97% are under age 15
- On any given day 1 in 4 patients in a children's hospital is a transfer from another facility
- Building capacity to serve fast growing child population through our training programs
- Children's hospitals serve children from all across Texas and the United States

Medicaid Funding

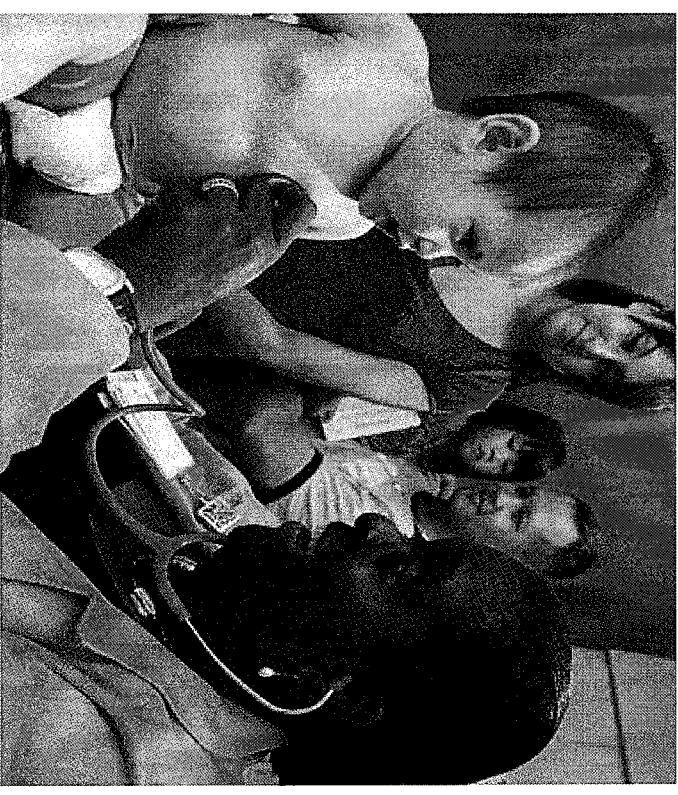
- TEHRA Cost based funding for inpatient care does not cover all costs
 - As a high volume high acuity Medicaid provider TEHRA reimbursement is **essential** to preserve our ability to take all children regardless of their ability to pay
- **Texas Children's has on average 21,200 total admissions annually**
- Texas Children's Hospital outpatient care reimbursement currently covers 55% of cost
 - Outpatient care is a substitute for more expensive inpatient care
 - Where children receive subspecialty care
 - Many children with complex special medical needs can only receive primary care through a children's hospital outpatient facility
 - Hospital outpatient clinic visits have grown in excess of 20% in the last year years
- **In 2010 Texas Children's had *over 2 million* patient encounters**

Commitment to Manage Costs

- Texas Children's Hospital takes our responsibility as a Medicaid provider very seriously. We continually search for ways to provide the best care for children at the best value for the state
- We have looked internally to see how we can provide the best care for children and be the best value for the state
 - Project Medical Home
 - Pediatric Accountable Care Organization/ Health Home for Children with Chronic Conditions
 - Center for Outcomes-Based Research
 - Advanced Quality Initiative

Project Medical Home

- After studying use of our Emergency Center, we determined we need to provide a medical home to children without access to primary care or to a family pediatrician—to provide them with a medical home
- We addressed that need through our Project Medical Home practices - TCPA practices that take all children regardless of their ability to pay
- Currently we have 5 practices in communities with critical need for pediatric primary care services
- We would like to expand the Project Medical Home concept to additional medically underserved communities if funding is available



Pediatric Accountable Care Organization/ Quality Collaborative

- Texas Children’s Hospital requests to work with CMS and the state of Texas to create a single point of accountability for the delivery, coordination, and management of primary/preventive, acute, behavioral and long-term care services for children with special health care needs enrolled in Medicaid and who receive Supplemental Security Income (SSI)
- TCH-IDS aspires to leverage our integrated delivery system and create a pediatric accountable care environment that maintains high standards of quality, efficiency, and access; combined with budget predictability that supports the mission of controlling health care costs, increasing access, and improving population health

Considerations for Children's Hospitals

- Texas Children's supports thoughtful payment reform focusing on payment for quality and outcomes
- Preserve cost based reimbursement with no 10% cut in reimbursement
 - We are committed to working closely with HHSC in the development of an APR-DRG system that will adequately reimburse pediatric safety net institutions while measuring quality and outcomes in a meaningful way
- Support HHSC proposal to limit physician cuts to 2 % to protect the primary care system
- Request that there be no further outpatient reimbursement cuts to children's hospitals. This will help preserve access to pediatric subspecialty care
- Continue Children's Hospital Upper Payment Limit (UPL) through some mechanism