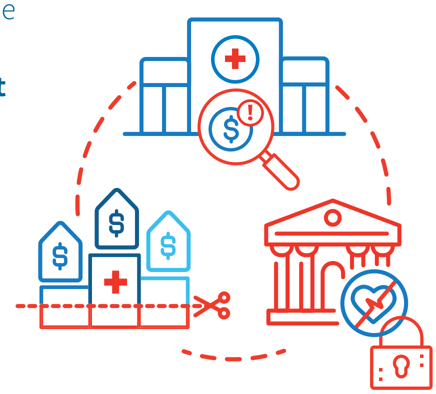
Texas Hospital Association

The Legislature Shouldn't Dictate Payment Rates in the Private Health Care Market

The Texas Legislature should continue to allow hospitals and health insurance companies to negotiate reimbursement rates for health care services in the private market. **Imposing a rate or ceiling on any portion of that market will only serve to reduce reimbursement to providers for their fixed costs.** Government rate-setting undermines businesses, **reduces access to care** and hinders providers. In the 88th Regular Session, hospitals opposed legislation that would have forced hospitals to accept a government-set maximum rate for services provided outside of insurance, including for charity care and prompt pay, and required hospitals and physicians to accept as payment the lowest commercial contracted rate that the hospital or physician has with any health plan.



Hospitals oppose rate-setting and rate caps in the private market because:

- The government would be **undermining existing private contracts** and picking winners and losers in the private market.
- Setting a rate in statute would result in a significant financial benefit for the insurance industry **without any assurance that health plans will pass these savings on to consumers** through lower premiums. A statutory rate is a legal ceiling that incentivizes big health insurance companies to drive down contracted rates with providers, creating more cost-shifting and more out-of-network providers.
- The rates paid by health insurance companies to health care providers reflect the concept of "discount for volume," where providers accept lower rates from health insurance companies to secure a critical mass of patients. This is a basic tenet of the commercial health insurance market in this country. Rate-capping laws penalize the insured patients who pay premiums to secure lower rates.
- Hospitals already have publicly available prompt pay policies that are below the lowest contracted rate.
- **Rate caps for cash-pay patients de-incentivize having insurance,** leading to more patients going uninsured to receive care at the lowest rate. Additional uninsured patients will only result in greater amounts of unreimbursed care, further destabilizing hospitals.
- Texas hospitals are **already delivering free or discounted care to patients** with financial hardship under their charity care policies. Public, nonprofit and investor-owned hospitals all maintain charity care policies to be eligible for uncompensated care pool payments. Texas law also requires that nonprofit hospitals deliver a minimum amount of charity care every year. In 2023, **Texas hospitals provided at least $8.1 billion in uninsured charity care,[1]** of which $3.1 billion went completely unreimbursed after hospital supplemental payments (uncompensated care pool and disproportionate share hospital funding).
- In the 2024-25 budget, the Texas Legislature appropriated $5 million to the Health and Human Services Commission to contract with a third party to study and report on hospital finances and utilization. Charity care and community benefit compliance is an element of this study. The report is due to the Legislature on Dec. 1, 2024.

[1] https://pfd.hhs.texas.gov/sites/rad/files/documents/pfc/uc-mdl-fnl-rule-7-6-2023.xlsx

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