Texas Hospital Association

1108 Lavaca Street, Suite 700, Austin, Texas 78701
512/465-1000
www.tha.org

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Ms. Victoria Grady & Ms. April Ferrino
Texas Health and Human Services Commission (HHSC)
Department of Provider Finance
4900 North Lamar Blvd.
Austin, TX 78751
Mail Code H-400
Via electronic submission to Victoria.grady@hhs.texas.gov

Comments on One Big Beautiful Bill Act Rural Health Transformation Program

Dear Ms. Grady and Ms. Ferrino:

On behalf of our more-than 450 member hospitals and health systems, including 127 rural hospitals and many more teaching, children's and acute care hospitals that serve rural Texans, Texas Hospital Association (THA) appreciates the opportunity to comment on concepts and priorities suited to Congress' generational investment in rural health and hospital sustainability in H.R. 1, the One Big Beautiful Bill Act (OBBBA).

As HHSC develops the state's application for submission to the Centers for Medicare & Medicaid Services (CMS), we urge the agency to prioritize initiatives that direct funding to hospitals that care for rural Texans, and whose long-term solvency underpins the vitality of rural communities. We also encourage HHSC to privilege concepts that foster strategic partnerships between hospitals and other health care providers, as OBBBA rural transformation funds unlock numerous opportunities to strengthen the entire rural continuum of care.

In this letter, we detail general principles we believe should guide OBBBA rural transformation funding allocation. THA also developed five concepts for HHSC consideration based on member input, separately submitted, and is a member of stakeholder coalitions that have submitted additional concepts. These fall into categories our members identified as top priorities for OBBBA rural transformation funds: (1) direct financial relief, (2) clinical workforce recruitment and retention, (3) infrastructure, (4) technology and innovation, and (5) enhancing the continuum of care.

OBBBA Prioritizes Hospitals for Funding

Congress added the Rural Health Transformation Program to the OBBBA primarily as a mechanism for states to direct funding to financially distressed hospitals serving rural areas. Hospitals were made the target of relief because hospitals will be absorbing the bill's major Medicaid cuts, such as those that permanently constrain Medicaid financing and supplemental payments. The average hospital is expected to lose between 0.4% and 1.4% of its annual net revenue due to OBBBA's healthcare provisions, translating to $25 billion per year in lost hospital revenue nationwide.[1] In rural Texas, the local hospital is often the main or only access point to acute care, primary and preventive care, long term care, skilled nursing, home health, behavioral health and more. In disasters and

[1] Kodiak Solutions. (Sep 2025). How four different Medicaid disenrollment scenarios would impact hospitals' net revenue and income.

public health emergencies, rural hospitals also serve as the core public health infrastructure in their communities. Loss of those access points threatens the economy and health of rural communities in Texas. The result is that residents must travel long distances for basic health care services, and skilled workers leave the community. When it created the Rural Health Transformation Program, Congress was deliberately responding to the risk of rural hospital closures.

OBBBA is explicit that states' Rural Health Transformation Program plans include strategies to maintain rural hospital access, and to address solvency and closure risk. It also contemplates opportunities to enhance the entire continuum of care through chronic disease prevention and management, behavioral health, ambulatory and post-acute care. We believe these objectives can be balanced through a coordinated strategy with hospital partnerships at the core – rather than through thinly dispersed and potentially fractured efforts across many projects and provider types.

Rural Hospitals' Financial Challenges are Significant

Rural hospital solvency presents a challenge for many reasons. Rural hospitals' payer mixes consist of more uninsured and publicly insured patients, with a smaller share of commercially insured patients. Rural hospitals fare poorly in payment rate negotiations with commercial insurers due to lack of negotiating power and do not generally have profitable commercial business to offset other losses. They also have less administrative capacity to efficiently collect payments from payers and contend with payer misuse of denials, delays and utilization management practices. Rural hospital financing is heavily weighted toward debt, as opposed to equities, and those hospitals' short-term liquidity and financial reserves are minimal. Many rural Texas hospitals at immediate risk of closure report having fewer than two weeks' cash on hand.

Rural hospitals have operating margins roughly half of their urban counterparts – 3.1% for rural, compared to 5.4% for urban hospitals. Rural hospitals isolated from large population centers or which carry low-volume or Medicare-dependent hospital CMS designations operate on even thinner margins, around 1.7%-1.8% on average, with many faring worse.[2] Hospitals cannot remain viable long-term through consecutive years of negative or marginal profitability. For these reasons, 54% of Texas' 156 rural hospitals are at risk of closure and 13% (21 hospitals) face immediate risk.[3]

Texas' long-term approach to rural hospital protection and Medicaid rate enhancements has been crucial for mitigating closure risk. While OBBBA's time-limited infusion of resources does not correct the fundamental causes of financial disadvantage for rural hospitals, the new law's generational infusion of resources carries great promise. We expect it will amplify the state's stabilization efforts, support innovations for the future and preserve rural hospitals' long-term viability.

Prioritize Sustainability and Adaptability

THA is aligned with HHSC on prioritizing sustainable efforts that do not place critical rural infrastructure at risk when awards are discontinued in five years. This brings to bear key lessons from other recent examples of time-limited programs, such as Meaningful Use, the Delivery System Reform Incentive Payment program, and COVID-19 Provider Relief Funds. We can minimize future disturbance from expiration of OBBBA resources by

[2] Kaiser Family Foundation (Dec 2024). Hospital Margins Rebounded in 2023, But Rural Hospitals and Those With High Medicaid Shares Were Struggling More Than Others.
[3] Center for Healthcare Quality & Payment Reform (Aug 2025). Rural hospitals at risk of closing.

choosing concepts that are self-sustaining and address one-time needs, or at least do not create ongoing state and local funding obligations.

It is also important that the state create a continuous feedback loop with stakeholders to iterate on the Rural Transformation Plan over time. It is impossible to anticipate every challenge or crisis. New or emerging innovations may be also worthy of additional OBBBA support as they mature. Adaptability ensures that OBBBA funds significant, high-impact efforts regardless of when they are conceived. It also minimizes waste and prevents Texas from accumulating unspent dollars that would, by law, be recouped by the federal government and redistributed to other states. In its application for OBBBA funds, Texas should urge CMS to allow states the flexibility to refine initial plans through the duration of the program.

Minimize Administrative Retention of OBBBA Dollars

The OBBBA permits states to retain up to 10% of OBBBA awards for administrative purposes. Given the state's existing infrastructure for rural hospital finance and health care workforce support, we anticipate the state can support additional administrative needs due to OBBBA with a much leaner percentage of funds. Any dollar HHSC spends for an administrative purpose is a dollar that does not reach health care providers serving rural Texans in their communities. We also encourage HHSC to manage contractors or vendors engaged for OBBBA-funded projects with the same philosophy and rigor.

Administer Funds Simply and Transparently

HHSC has made transparency in provider payments an institutional practice in the Medicaid program, and we encourage HHSC to mirror those practices in administering OBBBA Rural Health Transformation funds. HHSC should make publicly available the application materials, plans and reports it will use to administer funds, sharing where funds are allocated, for what purpose, their expected impact and, eventually, the outcomes. Texas should demonstrate to CMS and Congress its judicious deployment of funds and ensure that the public benefits from the same transparency. We also suggest that HHSC can achieve maximum transparency and accountability with simple applications and reporting requirements for providers. Complex bureaucratic processes or excessive paperwork could increase hospitals' costs of implementation and even delay or prevent health care facilities from getting the support that Congress intended.

Thank you for your consideration of these comments. If you have any questions, please do not hesitate to contact me at jhawkins@tha.org or 512-465-1000.

Respectfully submitted,

John Hawkins
President/CEO
Texas Hospital Association