Texas Hospital Association

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

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Texas Senate Committee on Health & Human Services
Sen. Lois Kolkhorst, Chair
Sen. Charles Perry, Vice Chair

Texas Hospital Association Interim Charge Recommendations

Consolidation/Vertical Integration:

Examine consolidation in the health care market, including vertical integration between physicians, hospitals, and health plans. In examining consolidation and vertical integration, review the factors that contribute to the following:

- Physicians selling practices to hospitals, health plans or other entities. Review the market conditions and factors that contribute to physician practice sales, including but not limited to reimbursement rates, practice viability, and administrative functions such as prior authorization and other administrative costs.
- Hospital consolidation, including rural hospital sales and closures. In examining the health of the rural hospital industry, examine reimbursement rates and rising costs for rural hospitals, including workforce, supply chain and administrative and regulatory costs. Review the positive and negative impact of hospital consolidation, including the impact on health care access and prices.
- Health plan consolidation and vertical integration, including the rate of health plan physician practice purchases. In reviewing health plan vertical integration, examine how health plan ownership of provider practices impacts the medical loss ratio and what regulations are in place to ensure enrollees are not exclusively steered to health plan-owned practices.

Health Care Costs:

Examine the reasons for the growing cost of delivering health care, including but not limited to:

- Mandates on both health care providers and health plans, as well as an examination of the impact eliminating health plan mandates has on providers and patients. Additionally, examine the benefits a reduction in mandates on hospitals and physicians may have on reducing provider costs and the overall cost of delivering health care.

- The uninsured population in Texas, including an examination of payment programs meant to partially reimburse the cost of uninsured care in Texas.
- Workforce costs, including examining health care workforce shortages and the growth of workforce costs on health care entities.
- Drug costs.
- The cost of hospital and physician supplies.
- Administrative costs, including the cost to providers and health plans associated with utilization review processes and unfunded mandates.
- Underpayments to providers by government and private insurance. Study the impact shortfalls from government payers and the uninsured have on private insurance costs.

Health Plan Utilization Review:

Study the impact of utilization review on the cost of health care, administrative burden and associated costs to providers and beneficiary access. Specifically, study the impact of prior authorization, concurrent reviews, and retrospective denials.

Background: While prior authorizations and utilization review polices can be beneficial in preventing clinical or administrative errors, the misuse and overuse of prior authorization strains an already depleted health care workforce by pulling doctors and nurses away from patient care to justify their professional decision-making to insurance companies. Administrative expenses account for as much as 31% of total health care spending, with 82% of these expenses attributed to insurance and billing.

1. A recent federal OIG audit found high variance in prior authorization denial rates among Medicaid managed care organizations and showed that Texas lacks a process for Medicaid beneficiaries to seek external medical reviews when an MCO upholds a denial at the first level of appeal.
2. Reducing the administrative burden on all providers would lower the cost of delivering health care to Texans.

Public Health Needs:

Review the state's emergency response to public health events including vaccine preventable disease outbreaks, natural disaster impacted communities or other mass casualty events. Two recent events, the measles outbreak in West Texas and the Central Texas floods on the Fourth of July, highlight the need for continued review of the resiliency and funding needs of our health care community, especially in rural and underserved communities.

Study the cost to the state and local governments associated with responding to natural disasters and public health emergencies. Specifically, review the impact on the cost of health care and the strain on local and state emergency services when there is a demand for medical services.

Examine how regulatory flexibilities can improve access to and innovation in healthcare delivery while still ensuring patient safety. Study and make recommendations regarding how to reduce hospital and health system regulatory burden and inefficiencies, with the goal of improving access to quality, innovative healthcare statewide, and reducing healthcare costs.

Emergency Care Copays:

Examine the financial and operational sustainability of the state's emergency care system, including the effects of uncompensated care, clinician burnout and payment collection models. Evaluate how current patient cost-sharing responsibilities are managed, and consider policy options to improve transparency, reduce administrative burden on providers and ensure fair reimbursement for emergency care delivered to health plan enrollees. Make recommendations to strengthen the emergency care safety net and preserve access to high-quality, timely care across all regions of Texas.

Mental Health:

Study the mental health continuum of care as it relates to "frontline" mental health crisis response. Explore the inter-relationships of law enforcement, schools, hospitals, psychiatric hospitals, mental health facilities, social workers, the judicial system, and all related state agencies including the Department of Family and Protective Services. Make recommendations to improve communication, make the administrative process more efficient and reduce the number of patients who cycle through part or all of this response system.

Identify reasons that patients exit their care programs before completion. What administrative or financial reasons are limiting bed capacity in public and private mental health institutions in Texas? What opportunities are there for patients to finish their treatment in a space other than an inpatient setting? Consider approaches used by other non-Medicaid expansion states and make recommendations to increase the number of patients completing treatment programs and reducing readmissions.

Investigate the range of programs available to individuals with an intellectual or developmental disability (IDD). What resources are available for patients who are unable to benefit from traditional mental health treatment provided by hospitals and institutions for mental diseases, yet present a danger to themselves or their home communities? Make recommendations for the state to survey the availability of placement for IDD

patients in public and private hospitals and institutions for mental disease as well as the appropriateness of their current placements.

Explore mental health hospitalization rates and bed capacity. Identify alternative pathways to inpatient stays for patients requiring mental health services. Consider such interventions as partial hospitalization programs and intensive outpatient therapy programs and make recommendations to reduce the number of patients requiring a hospital stay and occupying valuable bed space while completing their treatment. Analyze the cost implications of having less expensive treatment options available, like step down services, that may have a higher utilization rate.

Hospital Finance:

Examine the state's mechanisms for hospital financing, including Medicaid base, supplemental and directed payment programs; existing state efforts to maximize transparency of Medicaid financing and payments; and the growth in percentage of Medicaid hospital inpatient and outpatient costs not covered by Medicaid base payment rates over time.