Texas Hospital Association

In the Crosshairs: Texas Hospitals Face $10 Billion Crisis

CMS Withholds Funding from Texas Hospitals

Editor's Note: Texas hospitals and other Medicaid providers faced a daily loss of $27 million per day starting Sept. 1, 2026, as the Centers for Medicare & Medicaid Services (CMS) withheld approval of funding already budgeted to keep hospitals staffed and emergency rooms running. **This situation was resolved two weeks later following negotiations between Texas Governor Greg Abbott and CMS.**

What is Happening

Texas hospitals are confronting an escalating funding crisis as CMS is refusing to approve critical Medicaid directed payment programs (DPPs) and threatening to disrupt funding for state fiscal year 2027. After months of negotiation, CMS has still not approved three DPPs – CHIRP, TIPPS, and RAPPS – for the fiscal year beginning Sept. 1. Without urgent federal action, **Texas hospitals stand to lose an estimated $27 million per day** – funding that hospitals rely on to bridge the persistent gap between Medicaid's low base payment rates and the actual cost of care.

The funding CMS is refusing to approve in these three programs is responsible for **nearly 90,000 Texas jobs and over $20 billion** in statewide annual economic impact.*

DPP	Name	Amount	Benefiting
CHIRP	Comprehensive Hospital Increase Reimbursement Program	**$9,148,763,141**	Hospitals
TIPPS	Texas Incentives for Physicians and Professional Services	**$643,788,875**	Physician groups, including those affiliated with hospitals
RAPPS	Rural Access to Primary and Preventive Services	**$15,121,852**	Rural health clinics, including hospital-based clinics

Source: Texas Health and Human Services Commission (HHSC)

What is at Stake

The money CMS is withholding directly supports lifesaving care. For many Texas hospitals, Medicaid funding helps pay nurses and keep critical services running, including trauma care, behavioral health, labor and delivery, and NICU services.

Hospitals cannot simply absorb the loss. If CMS continues to withhold approval, hospitals will have to make difficult decisions about staffing and medical services. Worst-case scenario? Some hospitals could be forced to close their doors entirely.

Financial damage will mount by the day and cannot be instantly undone. Because of the unpaid Medicaid backlog that's accumulating, even briefly stalling approval starves hospitals of cash for many months. This is a painful, destabilizing situation that can push hospitals into riskier methods of funding operations, like taking on debt.

The unnecessary disruption puts access to care for millions of Texans at risk. Hospitals that depend heavily on Medicaid, along with financially distressed hospitals that have limited cash reserves, will feel the impact first – and the hardest. According to a recent state report, 41% of rural hospitals in Texas have less than 30 days of cash on hand.

The services most at risk are those Texas families rely on. Cuts will directly impact hospital services used most by children, mothers, and babies – the primary populations covered under Texas Medicaid. This includes labor and delivery, obstetric, and neonatal care; well-child visits; mental health and substance use hospitalizations; treatment of pediatric cardiac and respiratory conditions; ear tube surgery; treatment for allergic or autoimmune disease; and care for serious craniofacial, oral-motor, feeding and swallowing disorders.

Service Line Vulnerability**

Higher threat index value = larger threat to service from loss of Medicaid payments.

Rank	Inpatient Service Line	Threat Index	Outpatient Service Line	Threat Index
1	Neonatology	113.57	Dental	168.56
2	Obstetrics	82.18	Allergy & Immunology	162.82
3	Cardiovascular/Thoracic Surgery	42.26	Obstetrics	57.82
4	Rheumatology	30.58	Otolaryngology	40.94
5	Otolaryngology	28.73	Evaluation & Management	39.87
6	Behavioral Health	26.58	Behavioral Health	36.66

CMS is imperiling Texas Medicaid enrollees' ability to access the continuum of care.

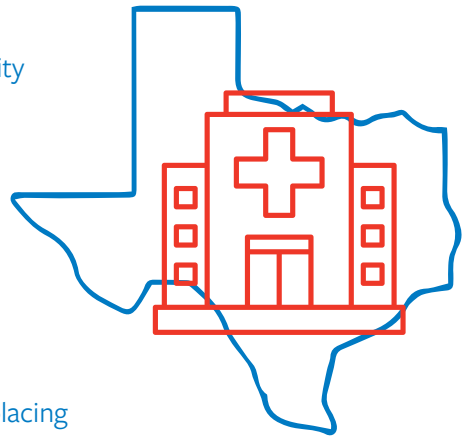
Hospitals cannot continue to operate at full strength facing $27 million in daily losses. Difficult choices will be made about what service lines can remain available. Staff reductions would worsen an already severe healthcare workforce shortage – and financially struggling hospitals could be on thin ice.

Making it Worse: Others Factors at Play

Beyond CMS holding SFY 27 funds at ransom, several other decisions remain in limbo that could further destabilize Texas' Medicaid system. These threats are not happening in isolation. Together, they create a growing financial strain on hospitals that could force difficult decisions about the services they can continue to provide – putting access to care for Texas patients at risk.

Scenario: **CMS Withholds 2026 Quality Incentive Payments**

CMS is also currently interrupting $1.4 billion in 2026 CHIRP funds meant to reward high-quality hospital care *in a program it already approved last year.*



Scenario: **H.R. 1**

Cutting nearly $1 trillion nationwide from Medicaid over the next decade will put additional pressure on states like Texas, which rely on supplemental payments to help fill funding gaps.

Scenario: **Expiration of Enhanced Premium Tax Credits**

The expiration of EPTCs has resulted in a sharp increase in the number of uninsured Texans, placing significant financial strain on hospitals. As hospitals absorb more uncompensated care, the pressure on the healthcare system as a whole continues to grow.

* IMPLAN input-output analysis performed by THA.
**Texas Health Care Information Collection (THCIC) and THA Compass discharge/encounter data. Analysis performed by THA.

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