

Healthcare:

Protecting Rural Hospitals in Texas

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Top Line

1. Texas leads the nation in rural hospital closures, and a growing share of remaining rural facilities are at risk of shutting down or reducing core services.
2. Rural hospitals are financially strained by high uninsured rates, low reimbursement, rising costs, and a payer mix that often does not cover the cost of care.
3. Hospital closures and service reductions leave rural Texans farther from emergency care, maternal care, mental health services, and specialty providers, worsening health and economic disparities.
4. Texas should stabilize rural hospitals by expanding Medicaid, strengthening rural reimbursement, investing in healthcare workforce pipelines, preserving essential services, and coordinating long-term rural health funding.

Rural hospitals are core healthcare infrastructure for Texas communities. They provide emergency care, inpatient services, maternal care, behavioral health support, and chronic disease management in areas where residents often have few alternatives. As rural hospitals close, cut services, or operate with negative margins, the state's healthcare system becomes less accessible, less equitable, and less prepared to meet the needs of rural Texans.

CPP Research Analyst Nichole led the research and writing for this paper.

Backup

1. Texas leads the nation in rural hospital closures, and a growing share of remaining rural facilities are at risk of shutting down or reducing core services.

a. Rural hospitals are essential infrastructure in communities with limited healthcare alternatives.

- Rural hospitals often serve as the main access point for emergency care, inpatient treatment, diagnostics, and basic specialty services in rural communities. [1]
- In many rural counties, the hospital is also one of the largest employers, meaning closure affects both healthcare access and the local economy. [2]
- When a rural hospital closes, residents may lose not only inpatient beds but also emergency care, laboratory services, imaging, rehabilitation, and access to local physicians connected to the hospital.

b. Texas has lost more rural hospitals than any other state.

- Since 2005, Texas has lost approximately 24 rural hospitals, the highest number in the nation. [3]
- 26 Texas rural communities have lost inpatient care since 2010, also the highest number among states. [4]
- The Texas Organization of Rural & Community Hospitals similarly reports that 26 rural hospital closures, either permanent or temporary, have occurred in 22 Texas communities since 2010. [5]

c. Recent closures and service reductions show that rural hospitals remain financially vulnerable.

- Trinity County's only hospital closed in 2025 after just 14 months in operation, leaving residents about 30 miles from the nearest hospitals. [6]
- The closure shows how difficult it can be to restart rural hospital services without stable financing; local officials said the hospital went nearly a year before receiving its first payment after Medicare licensing. [6]
- In other recent cases, local officials and hospital leaders pointed to low reimbursement, low patient volume, and rising costs as major reasons rural hospitals could not remain open or had to reduce services. [7][8]

d. Many remaining rural hospitals are financially vulnerable.

- In 2022, an estimated 26% of Texas rural hospitals were at risk of closure, compared with 5% of urban hospitals. [9]
- Chartis' 2025 rural health analysis found that Texas has 47 rural hospitals vulnerable to closure, giving Texas the highest number of vulnerable rural hospitals in the nation. [21]
- Nearly half of all Texas hospitals reported negative operating margins in 2022, up from roughly one-third before the COVID pandemic. [10]
- Financial risk has grown as federal pandemic relief has ended while labor, supply, and operational costs remain elevated. [10]

2. Rural hospitals are financially strained by high uninsured rates, low reimbursement, rising costs, and a payer mix that often does not cover the cost of care.

a. Texas high uninsured rate increases uncompensated care burdens.

- Texas has the nation's highest uninsured rate in the nation at 19.2% among ages zero to 64, leaving many residents without a reliable payer for healthcare services. [11][22]
- Rural hospitals often treat uninsured patients through emergency departments and inpatient services but receive little or no payment for that care.
- High uncompensated care reduces operating revenue and makes it harder for rural hospitals to survive.

b. Medicaid non-expansion leaves rural hospitals with a weaker payer mix.

- Texas has not expanded Medicaid, leaving many low-income adults without coverage because they cannot afford private insurance. [11]
- Uninsured patients are more likely to delay care because of cost and seek treatment in more expensive emergency settings, increasing uncompensated care pressures for hospitals. [23]
- Rural hospitals in Medicaid expansion states generally perform better financially than those in non-expansion states. In non-expansion states, 53% of rural hospitals operate in the red, compared with 43% in expansion states. [4]

- Expanding Medicaid would not solve every rural hospital challenge, but it would reduce uncompensated care and create a more stable revenue stream.

c. Reimbursement rates often fail to cover the actual cost of rural care.

- Rural hospitals face low patient volumes but still must maintain emergency departments, staffing, equipment, and standby capacity.
- Medicare, Medicaid, and some private insurance payments often do not fully cover the cost of delivering care in low-volume rural settings. [7][8]
- Medicare Advantage growth has created additional pressure for rural hospitals because plans may pay less than traditional Medicare and often require more administrative work. [4]
- Government underpayments and commercial insurer payment delays further strain hospitals because reimbursements often fall short of the cost of care. [23]
- These payment gaps are especially difficult for rural hospitals because they have fewer high-volume service lines and privately insured patients to offset underpayment.

d. Rising costs have worsened hospital margins.

- Texas hospitals reported expenses in 2022 that were \$33.2 billion higher than pre-pandemic levels, driven by labor, supply, and medical cost increases. [10]
- Rural hospitals are especially vulnerable to these cost increases because they have smaller reserves and fewer high-margin service lines to offset losses.
- As costs continue to rise, even small changes in staffing, supply prices, or patient volume can push financially fragile rural hospitals closer to service cuts or closure.

e. Temporary funding has helped but has not fixed the underlying business model.

- COVID-era relief helped slow rural hospital closures, but much of that funding has ended. [2][10]
- Texas also relies on its Medicaid 1115 waiver, which brings federal funding to help hospitals cover care for uninsured patients and other care they are not fully paid for. The waiver provides about \$3.8 billion annually to

offset uncompensated care in Texas, but rural hospitals may not benefit as much as larger hospital systems. [2]

- These funding streams are important but do not replace the need for stable coverage, adequate reimbursement, and long-term rural health planning.

3. Hospital closures and service reductions leave rural Texans farther from emergency care, maternal care, mental health services, and specialty providers, worsening health and economic disparities.

a. Many rural Texans must travel long distances for care.

- More than 70 Texas counties have no hospital, leaving large regions without local inpatient or emergency care. [12]
- Rural Texans often travel an average of roughly 59 miles to referral centers, with some West Texas residents traveling more than 100 miles for care. [12]
- Long travel distances can delay treatment for emergencies such as heart attacks, strokes, traumatic injuries, pregnancy complications, and severe infections.

b. Maternal care access is especially limited in rural Texas.

- Nearly half of Texas counties are **maternity care deserts**, meaning they lack local obstetric services. [13]
- In some regions, pregnant patients must travel 70 miles or more for delivery care. [12]
- Loss of local obstetric services increases the burden on regional hospitals and raises risks for patients who need timely prenatal, delivery, or postpartum care.

c. Rural hospital closures weaken emergency care networks.

- When a rural hospital closes, nearby emergency departments and regional referral centers must absorb additional demand.
- Rural EMS providers may face longer transport times, fewer available destinations, and greater difficulty transferring patients to appropriate facilities.
- In communities that lose an emergency room, residents may delay seeking care because the nearest provider is too far away.

d. Workforce shortages limit access even where facilities remain open.

- Texas has projected shortages of registered nurses and physicians, with rural communities facing the most severe recruitment and retention challenges. [14]
- Some rural hospitals cannot staff all available beds, meaning physical capacity does not always translate into usable care capacity. [14]
- Workforce shortages also make it harder to maintain obstetrics, behavioral health, primary care, and specialty services.

e. Mental health and specialty care gaps leave rural hospitals handling needs they are not fully equipped to meet.

- Nearly all rural Texas counties are designated mental health professional shortage areas, meaning residents often face limited access to psychiatrists, counselors, and other behavioral health providers. [12]
- Rural emergency departments often become the default provider for behavioral health crises because outpatient and preventive mental health services are limited.
- Chartis found that chemotherapy access has also declined in rural communities. In Texas and Mississippi, 51 percent of rural hospitals that previously offered chemotherapy stopped providing the service. [21]
- Lack of specialists means rural patients often travel long distances or wait longer for cardiology, oncology, obstetrics, surgery, and behavioral health care.

f. Hospital loss also harms local economies.

- Rural hospitals are often among the top employers in their counties. [2]
- Closures can eliminate healthcare jobs, reduce local purchasing, discourage business investment, and make it harder to attract families and employers.
- The loss of a hospital can signal broader community decline, especially in counties already facing population loss, poverty, and limited infrastructure.

g. These access gaps have real consequences. Rural Texans face worse health outcomes than urban Texans, including a mortality rate that is 19 percent higher in rural areas than in urban counties. [19]

4. Texas should stabilize rural hospitals by expanding coverage, strengthening rural reimbursement, investing in healthcare workforce pipelines, preserving essential services, and coordinating long-term rural health funding.

a. Expand Medicaid to reduce uncompensated care and stabilize rural hospital finances.

- Texas is one of only a handful of states that have not expanded Medicaid. Medicaid Expansion is provided by the Affordable Care Act, under which almost all of the cost is paid by the Federal government.
- Texas should expand Medicaid to cover more low-income adults and reduce the number of uninsured patients treated by rural hospitals. [11]
- Medicaid expansion would directly reduce uncompensated care, improve payer mix, and provide more predictable revenue for rural providers, as well as improving physical and economic health.
- Evidence from national rural hospital analyses shows that hospitals in expansion states are financially stronger than those in non-expansion states. [4]
- [See CPP's Medicaid expansion paper for more detail.](#)

b. Increase and stabilize reimbursement rates for rural providers.

- Texas should strengthen rural Medicaid reimbursement so payments better reflect the cost of providing care in low-volume settings. The American Medical Association notes that low patient volume and fixed service costs make rural hospital care more expensive per patient, while payments from many plans often do not cover the actual cost of services. [20]
- The state should maintain inflation adjustments that allow rural hospitals to preserve legislatively required cost-based reimbursement. [15]
- Policymakers should protect Disproportionate Share Hospital funding and 340B drug pricing, both of which help safety-net and rural providers manage uncompensated care and pharmacy costs.
- Federal and state policymakers should monitor Medicare Advantage payment practices and reduce administrative barriers that delay or reduce rural hospital reimbursement.

c. Fully fund and implement Texas rural hospital grant programs.

- Texas should fully fund the Rural Hospital Stabilization Grant Program and ensure funds reach hospitals at greatest risk of closure. [15]
- The Rural Health Stabilization and Innovation Act was an important step toward strengthening rural hospital support, but its impact will depend on how quickly and effectively the state implements it. Texas should use the Act's grant programs to reach financially distressed hospitals before they are forced to cut services or close. [24]
- Grants should prioritize facilities that preserve emergency care, obstetric access, behavioral health access, and other essential services in counties with few alternatives.

d. Invest in rural healthcare workforce development and retention.

- Texas should increase funding for rural residency programs, loan repayment, clinical training partnerships, and provider incentives tied to service in rural counties.
- The state should revisit and fund rural residency infrastructure authorized through prior legislation, including programs designed to help rural hospitals build training capacity. [14]
- Workforce policy should focus not only on physicians, but also nurses, EMS workers, mental health professionals, behavioral health providers, pharmacists, allied health professionals, and other essential rural healthcare workers.
- Texas should support "grow-your-own" rural health pipelines through community colleges, regional universities, medical schools, and hospital partnerships.

e. Use Rural Health Transformation funding for long-term stabilization, not short-term patches.

- Texas will receive about \$281 million per year for five years through the federal Rural Health Transformation Program, totaling more than \$1.4 billion. [18]
- These funds should be used to strengthen rural care delivery, workforce capacity, behavioral health access, chronic disease prevention, telehealth, and hospital sustainability.
- Texas should avoid using the funding only as temporary relief; projects should be tied to measurable improvements in access, financial stability, and health outcomes.

f. Expand telehealth and broadband infrastructure to support rural care access.

- Telehealth cannot replace rural hospitals, but it can expand access to specialty care, behavioral health, chronic disease management, and follow-up appointments.
- Rural telehealth investments should be paired with broadband expansion, equipment support, digital literacy, and reimbursement policies that make virtual care financially viable.
- Telehealth strategies should prioritize areas with long travel distances, provider shortages, and limited specialist access.

g. Establish a statewide rural health strategy to identify risk before hospitals close.

- Texas should create a coordinated rural health plan that aligns Medicaid policy, workforce programs, hospital grants, EMS planning, broadband, and economic development.
- The state should track hospital margins, service line closures, staffing shortages, transfer delays, maternity care access, and travel times to identify at-risk regions earlier.
- Better data would allow policymakers to intervene before a hospital closes, rather than responding after communities have already lost care.

Texas has already taken steps to support rural hospitals, including HB 18’s Rural Health Stabilization and Innovation Act (2025), rural hospital grant programs, reimbursement adjustments, and new federal rural health funding. But the scale of the problem is larger than temporary funding alone can solve.

Without broader coverage, adequate reimbursement, workforce investment, and long-term planning, more rural communities will lose access to essential healthcare services. All Texans deserve access to healthcare, including Texans in rural areas. Protecting rural hospitals is essential for health, quality of life, economic development, and public safety.

More Information

1. Texas Hospital Association, 2025, <https://www.tha.org/issues/rural-health-care/>
Provides the most useful current Texas-specific overview of rural hospital policy needs, including rural stabilization funding, cost-based reimbursement, and state priorities for

protecting rural healthcare access. It is more current than the 2022 Kaufman Hall financial report and better for policy context.

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Details Texas's most recent major rural health funding development: more than \$1.4 billion through the federal Rural Health Transformation Program, including about \$281 million per year for five years to support rural health projects.
3. Center for Healthcare Quality and Payment Reform, "Rural Hospitals at Risk of Closing", https://ruralhospitals.chqpr.org/downloads/Rural_Hospitals_at_Risk_of_Closing.pdf

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