Kentucky Hospital Association

2026 State Legislative Priorities

Representing Kentucky Hospitals and Health Systems

The Patient's Health is Always Job One

While legislative priorities are subject to change from session to session, one constant is making sure that Kentucky hospitals are represented by one powerful voice in the constant effort to make sure the patient has care when needed. The Kentucky Hospital Association is dedicated to nimble thinking, but the association's efforts are firmly tied to making sure our hospitals receive the support they need from both the Kentucky General Assembly and from Kentucky's federal delegation in Washington, DC.

The federal changes to the Medicaid program that will be phased in over the next few years greatly shape this year's legislative priorities at both the Kentucky and Washington, DC levels of government.

A direct consequence of the One Big Beautiful Bill Act is a phase down of the Kentucky state-directed payment program, HRIP. In response to that, the hospital association will seek a similar phase down of an old provider tax, which is no longer paid by all providers, and which does not aid in the match of federal state-directed payment funds. Removing that tax will result in significant savings to Kentucky hospitals at a time when the loss of federal funding pressures are building. Removing a tax on the industry is going to take considerable resources and may take multiple years of effort to bring it to full fruition but the timing is crucial and the savings to the industry are significant.

In the upcoming session, KHA will also continue to seek support for the 340B Drug Pricing Program at both the state and federal levels of government as well as work to secure funding for our Trauma System and, of course, KHA will continue to work to protect and reform the Certificate of Need program.

The full list of legislative objectives follows but as always, these priorities reflect the will of the KHA Board and the greatest needs of the industry that exists to serve patients and their families.

Frozen Provider Tax Phase-out

Hospitals in Kentucky pay two provider taxes: a "frozen" provider tax originally passed in 1994 and **a provider tax in support of our State Directed Payment Program (HRIP).** The **"frozen" provider tax paid by hospitals is currently one (1) percent of net patient revenue and is used for the general Medicaid program, not in direct support of hospitals. Given the nature and scale of the changes to State Directed Payment Programs and provider taxes recently enacted in federal law, KHA supports the repeal of the "frozen" provider tax on hospitals.**

Of the provider taxes levied in 1994, **the revenues generated from nursing homes, ambulatory services, and Supports for Community Living are used to directly support those services.** Additionally, **physicians and pharmacies saw their 1994 provider tax completely repealed. That leaves hospitals as the only providers still paying this tax but not receiving a direct benefit in return.**

HR 1 ("One Big Beautiful Bill") reduces the rate at which states can receive a full federal match for provider taxes from the current six (6) percent to 3.5 percent over the course of five (5) years. Additionally, HRIP reimbursement will be reduced by 10 percent each year from the average commercial rate until it reaches the Medicare reimbursement rate, a loss of $2.2 billion for our hospitals.

Retain Certificate of Need

The Certificate of Need (CON) program serves a valuable function allowing hospitals to safely invest in expensive plant and equipment needed to treat patients. The CON program also helps to preserve the quality of care for our patients by keeping standards high.

The CON program plays a critical role in supporting a level playing field.

While opinions vary about specific aspects of the CON program and the program may require updating from time to time, the CON program plays a critical role in supporting a level playing field among providers and is particularly important to those serving vulnerable communities.

Kentucky outperforms non-CON states by a number of measures. Our hospitals' prices and costs are among the lowest in the nation and they compare favorably to neighboring states.

According to various studies, Kentucky ranks better than non-CON states in providing access to care and total per capita health care costs are less than the national average and superior to nearby non-CON states like Ohio, Indiana, and Pennsylvania.

The health care regime in the United States is a government driven system largely operating outside of free market principles. Hospitals do not have pricing power because payment rates are set by federal authorities.

Further, federal law in the form of The Emergency Medical Treatment and Labor Act (EMTALA) requires hospitals, unlike any other business or health care provider, to treat any patient coming into the emergency room of the hospital regardless of their ability to pay. This is an unfunded mandate faced by no other business.

The CON program is an acknowledgement that a non-free market requires other government intervention in the operation of health care services.

KHA supports retaining CON for new beds, ambulatory surgical centers, expensive technology, or where sufficient volumes are needed to ensure good outcomes.

Protecting 340B

Big Pharma continues to attack the 340B program with attempts to limit covered entities to no more than one contract pharmacy and higher pricing for 340B medication. Big Pharma hopes to pad its bottom line by limiting patients' access to 340B discounted medications.

Other states are looking at legislation to protect 340B covered entities to ensure that patients are not limited to a single contract pharmacy.

KHA supports efforts to advance legislation to ensure covered entities may use more than one contract pharmacy and patients will have access to medications at a pharmacy close to home.

Protecting Kentucky's 340B program is crucial for our state's safety-net providers. These hospitals depend on savings from the program to offer quality services to low-income communities.

The 340B program plays a major role in strengthening the state's healthcare system. **As of August 8, 2025, twenty-one (21) states have passed laws to protect the program at the state level and KHA supports doing the same in Kentucky.**

Failing to enact such anti-discrimination legislation would allow drug companies to cost-shift to Kentucky hospitals to cover the discounts being offered in other states that already have laws to require delivery of outpatient pharmaceuticals at the federally agreed discount rate. Kentucky needs legislation to ensure that drug companies do not discriminate against Kentucky hospitals and our contract pharmacies.

A few states have recently enacted 340B reporting requirements and a bill to establish reporting requirements was introduced in the 2025 Regular Session in Kentucky. **As there is already transparency inherent in the federal 340B law, especially through the auditing process, KHA will continue to oppose duplicative, unnecessary reporting requirements.**

Liability Reform

A lack of meaningful liability reform continues to be a significant detriment to Kentucky's hospitals. KHA is supportive of tort reform legislation and a constitutional amendment aimed at placing reasonable caps on damages.

Kentucky is consistently among the worst states in terms of meritless lawsuits. In the absence of reform, costs for businesses continue to increase, including runaway medical malpractice insurance rates, and inflated damages persist. This results in poorer

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outcomes for Kentuckians. Recent reporting estimates Kentucky households are subjected to over $2,500 in increased costs each year from a lack of tort reform. For our patients, the status quo often leads to defensive medicine and physician vacancies, as they opt to practice in surrounding states with more reasonable liability environments.

During the pandemic, 2021 Senate Bill 5 took important first steps towards reform. Unfortunately, those reforms expired with the public health emergency declaration. However, it demonstrated that reasonable changes would not preclude jury trials or put lawyers out of business.

We look forward to working with those interested in advancing healthcare and business in the Commonwealth on this important issue during the 2026 session.

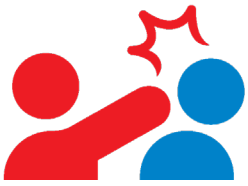
Trauma System Funding

Traumatic Injury causes 47% of deaths of those under age 45 in Kentucky and that is one-third higher than in the rest of the country. Trauma is the number one killer of those in their prime working years from 18-45, but it does not have to be. **Trauma is more deadly in rural areas of Kentucky because of a lack of trauma facilities. Quick access to trained trauma providers is the key to saving lives.**

The Kentucky Trauma Center seeks to work more closely with rural hospitals to address this challenge to the health of our people and economies of our communities. **Kentucky law already establishes a trauma system but does not fund it. Most states fund their trauma systems through general fund appropriations, fees, fines, or some combination. This results in increased survival rates, lower cost of treatment, and improved triage and destination determination for higher levels of care.**

The system is not expensive, and the need can be met for $1 million annually. The Trauma System needs a consistent source of revenue in the form of annual appropriations, which KHA supports.

High-acuity Youth



During the 2024 and 2025 Regular Sessions, KHA partnered with psychiatric hospitals, the Cabinet for Health and Family Services, and the Department for Juvenile Justice (DJJ) to prepare legislation addressing high-acuity youth. Such legislation is needed to **focus on the placement and care of high-acuity youth by establishing a standardized assessment and placement process to ensure these youth receive proper mental health treatment.**

High-acuity youth means a child who has been determined by a clinical professional, following a behavioral assessment, to need an environment and specialized treatment capable of addressing manifest aggression, violence towards persons, or property destruction. **Currently a child charged with a public offense or subject to a court order may be taken to a hospital, which is required to accept and treat the child, even if the child does not meet medical necessity criteria for treatment.**

Instead of the current process, Kentucky's private psychiatric hospitals support having a process under which a psychiatric hospital can remand a DJJ involved youth to detention when the youth is in the facility and perpetrates violence or incites others to act violently to staff and/or other patients of the facility.

Hospitals have stated their willingness to bring outpatient services and partial hospitalization services into detention facilities for youth unable to be treated in hospitals.

With regard to admission of a DJJ youth into a private psychiatric hospital, a psychiatric hospital, just like every other hospital, must retain the authority to determine which patients are admitted to the facility. **The admission decision is a clinical decision, and must be made by a physician with admitting privileges at the hospital.**

In order for a patient to be admitted, they must meet medical necessity criteria, and the hospital must have the resources to meet the patient's needs. Hospital clinicians (the psychiatrist and treatment team) currently make admission determinations. Hospital licensing regulations also make this process clear. **Psychiatric hospitals are required to follow the provisions in the acute care hospital regulations regarding the administration and operation of the facility.**

It would be inappropriate for outside state agencies, such as the Department for Juvenile Justice, to overrule the authority of a private hospital to determine patient admission. This would violate state regulations and could result in forcing a hospital to admit

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patients with aggression that they are not equipped to handle, subjecting the hospital to potential liability, property damage, staff injury and loss of staff, and the inability to admit and treat other patients.

Psychiatric hospitals are eager to be part of the solution but cannot by themselves solve the problem of an increasing number of aggressive youth in state custody. Legislation, such as 2025 Regular Session Senate Bill 111, is needed in Kentucky.

Workplace Safety Challenges

Assaults on healthcare workers have become all too common throughout the hospital. Nurses, therapists, and doctors report not just abusive language but physical violence from patients and family members in all areas of the hospital. **The high-stress job of saving lives and restoring health should not be further complicated by violence or threats of violence to those seeking to care for patients. Kentucky's health care workers deserve protection of the law and the ability to carry out their service to patients without the risk of physical violence or abusive behavior.**

In the second quarter of 2022, **an analysis by Press Ganey revealed that on average, two nurses were assaulted every hour, translating to 57 assaults per day, 1,739 per month, or 20,868 per year.** Surveys by the **American College of Emergency Physicians indicate that 85% of emergency physicians believe violence in emergency departments has increased over the past five years.**

The COVID-19 pandemic intensified these trends, with health care personnel reporting heightened levels of harassment and aggression. Further, a 2023 survey found that 45.5% of nurses reported an increase in workplace violence in the past year, and around 60% have considered changing or leaving their job due to such violence.

Given these troubling trends, it is imperative to protect healthcare workers and prioritize their safety. Kentucky's healthcare professionals deserve the legal backing to perform their duties without fear of physical violence or abuse.

The presence of dedicated hospital police forces—trained in both law enforcement and the unique needs of medical environments—can provide critical deterrence, rapid response, and specialized de-escalation.

Evidence shows that hospitals with professional police units experience fewer serious incidents and greater staff confidence in safety protocols. These officers can partner with medical teams to protect patients, visitors, and staff, creating an environment where healing can happen without fear.

Protecting those who protect us is not optional — it is a moral and operational necessity. **Hospital police forces are a vital step toward ensuring healthcare facilities remain places of safety, compassion, and trust.**

To that end, the Kentucky Hospital Association (KHA) respectfully urges the Kentucky General Assembly to pass—and the Governor to sign—legislation aimed at strengthening security and protection for hospital workers throughout the state.

Food is Medicine

Like several other priorities, Food is Medicine (FIM) has both a federal and state component and will require KHA to work with partners in Washington DC as well as in Frankfort. FIM is a joint venture with the Kentucky Department of Agriculture with a goal of **connecting Kentucky hospitals and farmers to provide more fresh Kentucky-grown produce and protein for our patients.** We know that good nutrition will improve health outcomes and lead to fewer unplanned readmissions.

KHA is working with state legislators to establish a loan fund for farmers and hospitals seeking to launch FIM efforts. We are working closely with Commissioner of Agriculture Jonathan Shell to advance the program in Washington, DC as part of the Make America Healthy Again (MAHA) campaign.

In the year ahead, KHA will seek federal support for the FIM program as part of our efforts as well as pursuing the loan fund with the General Assembly.

Kentucky Hospital Association

For more information about KHA's Legislative Priorities, contact:

James C. Musser, Esq.
KHA Senior Vice President, Policy and Government Relations
502-593-2339 or **jmusser@kyha.com**