2026 LEGISLATIVE REPORT

TENNESSEE HOSPITAL ASSOCIATION

SESSION SNAPSHOT

The second regular session of the 114th Tennessee General Assembly adjourned in April following a fast-paced and consequential legislative session for Tennessee hospitals.

Throughout the session, the Tennessee Hospital Association (THA) remained focused on advancing policies that protect access to care, strengthen hospital financial stability, improve accountability within the insurance market, and support long-term sustainability of Tennessee's healthcare system.

The 2026 legislative session presented significant challenges for hospitals, including continued financial pressure from under-reimbursement, growing uncompensated care costs, rising operational expenses, and ongoing uncertainty related to federal Medicaid financing changes and implementation of the One Big Beautiful Bill Act (OBBBA). Against that backdrop, THA and its members successfully elevated hospital priorities and secured several key policy and funding wins.

This report focuses on the major healthcare and hospital-related legislation considered during the 2026 session and highlights the policy priorities, advocacy efforts, and outcomes most relevant to Tennessee hospitals.

Please refer to THA's Strong Hospitals. Strong Communities. advocacy materials for additional detail and background on these issues.

KEY HIGHLIGHTS INCLUDE:

Passage of the annual hospital assessment, preserving a critical funding mechanism supporting TennCare services and supplemental hospital payments statewide.

Inclusion of $137 million in TennCare reinvestments in the final state budget to help offset reliance on hospital assessment dollars for core TennCare benefits.

Passage of legislation protecting patient transparency and hospital quality improvement committee processes, providing needed statutory clarity to preserve open communication with patients while safeguarding the integrity of quality improvement efforts essential to patient safety.

Significant legislative engagement surrounding insurance payer reform, increasing awareness among policymakers regarding prior authorization delays, downcoding, denials, audit practices, and insurer transparency.

Major debate and a negotiated compromise on Certificate of Need (CON) reform.

Final approval of Tennessee's Rural Health Transformation Program application, bringing approximately $207 million in year one federal rural health transformation funding to the state.

THA also successfully amended, delayed, or defeated multiple bills that would have negatively impacted hospitals, helping protect hospital operations, healthcare access, and patient care statewide.

THA LEGISLATIVE AGENDA

FINANCIAL ADVOCACY AND HOSPITAL ASSESSMENT

Throughout the 2026 legislative session, THA continued to emphasize the importance of long-term financial stability for Tennessee hospitals and the need for sustainable TennCare funding solutions.

Tennessee hospitals continue to face mounting financial pressure as reimbursement rates fail to keep pace with the cost of care, operating costs rise, uncompensated care increases, and insurer payment delays and denials continue to grow. At the same time, federal policy changes tied to OBBBA (HR1) are expected to further reduce Medicaid reimbursement beginning in 2028.

THA's advocacy efforts focused on preserving the annual hospital assessment, maintaining the Hospital Investment Program (HIP), and securing additional state reinvestments to reduce the reliance on hospital assessment dollars for core TennCare services.

HOSPITAL ASSESSMENT

***SB1939* by Sen. Ferrell Haile (R-Gallatin)**
***HB1867* by Rep. Gary Hicks (R-Rogersville)**

THA's annual hospital assessment legislation passed unanimously in both chambers. The legislation continues Tennessee's annual six percent hospital assessment, which remains a critical funding mechanism supporting TennCare services and supplemental hospital payments.

The hospital assessment generates the state matching dollars necessary to draw down federal funding that supports TennCare benefits and services statewide. Without continuation of the assessment, Tennessee would face substantial reductions to TennCare reimbursement and healthcare services.

THA emphasized throughout session that the assessment has evolved from a temporary measure during the Great Recession into a long-term reliance on hospitals to finance core TennCare services. Continued legislative support and state reinvestment remain necessary to preserve hospital stability and access to care.

The bill has been enacted as Public Chapter 991 and will become effective on June 30, 2026, at 11:59 p.m.

TENNCARE REINVESTMENT AND HOSPITAL BUYBACKS

The General Assembly approved a FY26-27 state budget, ***SB2690* by Sen. Johnson (R-Franklin) / *HB2631* by Rep. Lamberth (R-Portland)**, that included $137 million in TennCare reinvestments.

The funding package included:

- $123 million in nonrecurring appropriations
- $14 million in recurring funding from remittance legislation

These dollars will be used to buy back core TennCare services currently funded through the hospital assessment, helping free up additional assessment capacity to support the Hospital Investment Program (HIP).

Legislative leaders emphasized during budget discussions the importance of developing a long-term and sustainable funding strategy for TennCare buybacks rather than relying on annual one-time appropriations.

The FY26-27 budget bill has been enacted as Public Chapter 1142 and will become effective on July 1, 2026; provided, however, that any provision of this act which authorizes prior or immediate expenditures and any section or item which specifies an immediate effective date takes effect upon becoming a law, the public welfare requiring it.

REMITTANCE LEGISLATION

***SB2166* by Sen. Watson (R-Hixson)**
***HB2502* by House Speaker Sexton (R-Crossville)**

THA supported remittance legislation that dedicates 38% of generated revenue toward TennCare hospital buybacks. The legislation provides a recurring funding source that will help reduce reliance on hospital assessment dollars to fund core TennCare services and benefits.

THA supported the legislation as part of broader efforts to create a more sustainable long-term funding structure for TennCare and hospital supplemental payment programs.

The bill has been enacted as Public Chapter 1035 and became effective upon becoming law on April 22, 2026, for rulemaking and on January 1, 2027, for all other purposes.

PROTECTING PATIENT TRANSPARENCY AND QUALITY IMPROVEMENT (CANDOR CLARIFICATIONS)

***SB2413* by Sen. Bo Watson (R-Hixson)**
***HB2259* by Rep. Esther Helton-Haynes (R-East Brainerd)**

THA successfully advanced legislation protecting Quality Improvement Committee (QIC) communications and reinforcing Tennessee's longstanding commitment to patient safety and transparency.

The legislation provides a narrow statutory clarification protecting Quality Improvement Committee communications that are essential to patient safety, internal review, and candid communication with patients and families.

The legislation was introduced following recent court interpretations that raised concerns regarding the confidentiality protections surrounding hospital quality improvement and patient safety discussions.

THA emphasized throughout the session that preserving protected quality improvement communications is essential to maintaining open and honest conversations following adverse events and supporting continuous improvement efforts that ultimately improve patient care outcomes.

The bill has been enacted as Public Chapter 1019 and became effective upon becoming law on May 19, 2026.

INSURANCE PAYER REFORM

Insurance payer reform remained one of THA's primary legislative priorities during the 2026 session.

Throughout the session, THA worked closely with lawmakers, hospital leaders, physicians, and provider partners to elevate concerns about prior authorization delays, claim denials, downcoding, payment delays, audit practices, and the increasing insurer use of automated decision-making tools.

While THA's payer reform legislation ultimately did not advance to final passage this year, the issue gained substantial legislative attention and momentum throughout the session.

PATIENTS FIRST BILL (DOWNCODING)

***SB2155* by Sen. Bo Watson (R-Hixson)**
***HB2619* by Rep. Dan Howell (R-Cleveland)**

The Patients First Bill represented a collaborative effort between THA, the Tennessee Medical Association (TMA), and additional healthcare provider organizations.

The legislation focused on addressing problematic payer practices while maintaining the integrity of the managed care system.

Key provisions included:

- Protections against discriminatory downcoding
- Same-specialty physician review requirements
- Greater transparency around automated and AI-driven decision-making
- Clear standards for payment timelines and audits
- Requirements for clinical oversight of insurer determinations

Despite significant advocacy efforts and strong engagement from hospitals and providers statewide, the legislation ultimately failed to advance out of Senate Commerce and Labor Committee.

HOUSE: *Taken off notice in the House Finance, Ways, and Means Subcommittee.*

SENATE: *Failed with a vote of 4-5 in the Senate Commerce and Labor Committee on Tuesday, April 7.*

PATIENTS' RIGHT TO KNOW ACT

***SB2554* by Sen. Shane Reeves (R-Murfreesboro)**
***HB2162* by Rep. Iris Rudder (R-Winchester)**

The Patients' Right to Know Act sought to increase transparency and accountability within the insurance market by requiring public reporting related to:

- Prior authorization practices
- Claim denial rates
- Payment timeliness
- Audit activity
- Customer service metrics

THA and hospital leaders emphasized the impact insurer administrative barriers have on hospitals, providers, and patients across Tennessee.

HOUSE: *Referred to the House Calendar and Rules Committee.*

SENATE: *Assigned to the General Subcommittee of the Senate Commerce and Labor Committee.*

HEALTH INSURANCE FAIR PRACTICES ACT

***SB711* by Sen. Richard Briggs (R-Knoxville)**
***HB1076* by Rep. Scott Cepicky (R-Culleoka)**

The legislation would have required clinician oversight, disclosure of automated decision-making, same-specialty physician review, and clear standards for payment timelines and audits. In addition, it would have prohibited unilateral payer changes that negatively impact provider reimbursement, helping ensure fairness and preserve the integrity of the managed care system.

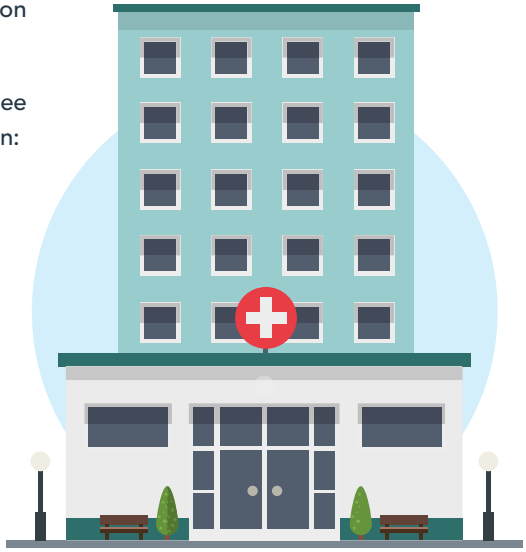
HOUSE: *The legislation was introduced as a caption bill and remained held on the desk pending adoption of the final amendment language.*

SENATE: *Assigned to the General Subcommittee of the Senate Commerce and Labor Committee.*

Although no payer reform legislation passed this session, THA and healthcare provider partners successfully elevated payer reform as a major legislative issue and increased awareness among policymakers regarding the operational, financial, and patient care impacts of insurer practices. Hospitals and other providers will continue to raise these issues until they are resolved.

RURAL HEALTH TRANSFORMATION PROGRAM (RHTP)

Tennessee received final federal approval from CMS for its Rural Health Transformation Program (RHTP) during the 2026 legislative session.



The program brings approximately $207 million in year one federal funding to Tennessee and is intended to support long-term rural healthcare transformation efforts focused on:

- Expanding access to care
- Strengthening healthcare workforce capacity
- Enhancing healthcare infrastructure and technology
- Improving population health outcomes

THA remained actively engaged throughout discussions surrounding RHTP implementation and corresponding federal policy commitments.

Hospitals emphasized the importance of ensuring that transformation efforts strengthen existing hospitals and preserve rural healthcare access rather than unintentionally destabilizing healthcare systems.

The Tennessee Department of Health subsequently announced statewide informational sessions and funding guidance related to upcoming grant opportunities tied to the program.

CERTIFICATE OF NEED

CON REFORM LEGISLATION

***SB1369* by Sen. Bo Watson (R-Hixson)**
***HB819* by Rep. Johnny Garrett (R-Goodlettsville)**

Certificate of Need (CON) reform remained one of the most heavily debated healthcare policy issues during the 2026 legislative session.

Throughout session, lawmakers considered multiple proposals, ranging from targeted modernization efforts to broader repeal of Tennessee's remaining CON framework.

THA remained actively engaged throughout negotiations to ensure hospitals remained part of discussions impacting healthcare access, rural hospital stability, and long-term system planning.

After extensive negotiations and multiple amendments throughout session, the General Assembly approved CON legislation establishing the following framework:

- Effective July 1, 2028, CON requirements are removed for cardiac catheterization services and freestanding emergency departments, while maintaining the requirement that both services operate as outpatient departments of a hospital licensed under Title 68.
- Effective July 1, 2030, CON requirements are removed for acute care hospitals, with newly licensed hospitals required to participate in TennCare and provide comparable levels of charity care.
- The final legislation also directs the state to develop additional licensing standards and regional payer mix reporting requirements.

Throughout the debate, THA maintained that any modernization efforts should be measured and thoughtful to avoid destabilizing rural hospitals or undermining access to care.

The bill has been enacted as Public Chapter 887 and became effective upon becoming law on May 5, 2026, for rulemaking purposes. All remaining provisions take effect on the dates noted above.

OTHER HEALTHCARE LEGISLATION OF INTEREST

HEALTH FACILITIES COMMISSION CLEAN UP

***SB2431* by Sen. Ed Jackson (R-Jackson)**
***HB2110* by Rep. Clark Boyd (R-Lebanon)**

This legislation makes various changes within the HFC statute, with the goal of expediting data transfer to Certificate of Need facilities, changing oversight of critical access hospitals from the Department of Health to HFC, exempting PET machines used for diagnostic purposes from licensure requirements, and certain other changes.

The bill has been enacted as Public Chapter 1136 and became effective upon becoming law on April 21, 2026, for rulemaking purposes. All remaining provisions become effective on July 1, 2026.

MEDICAL NECESSITY DETERMINATIONS

***SB1753* by Sen. Ferrell Haile (R-Gallatin)**
***HB1770* by Rep. Brock Martin (R-Huntingdon)**

This legislation, supported by the Tennessee Medical Association (TMA), clarified that medical necessity determinations constitute the practice of medicine and remain subject to oversight by the Board of Medical Examiners.

The legislation reinforced physician governance over clinical decision-making and became part of broader legislative discussions involving payer oversight and utilization management.

The bill has been enacted as Public Chapter 697 and became effective upon becoming law on April 14, 2026.

FAIR RX ACT / PHARMACY BENEFIT MANAGER REFORM

***SB2040* by Sen. Bobby Harshbarger (R-Kingsport)**
***HB1959* by Rep. Rick Scarbrough (R-Oak Ridge)**

The FAIR Rx Act, supported by the Tennessee Pharmacy Association (TPA), advanced significant reforms related to pharmacy benefit manager (PBM) transparency and oversight.

The legislation sought to separate financial control from patient care decisions and to establish additional transparency requirements related to PBM operations.

The bill has been enacted as Public Chapter 1111 and became effective upon becoming law on May 22, 2026.

IMMIGRATION VERIFICATION

***SB1915* by Sen. Ed Jackson (R-Jackson)**
***HB1710* by Rep. Dennis Powers (R-Jacksboro)**

This legislation, related to immigration verification and public-benefit eligibility, established new requirements for state and local governmental entities, including local health departments, to verify United States citizenship or lawful presence for applicants age 18 or older seeking certain public benefits.

The legislation also establishes reporting, complaint, enforcement, and funding-withholding provisions tied to violations, along with monthly reporting requirements to state agencies and legislative leadership and referrals to the centralized immigration enforcement division.

This legislation is strictly confined to state and local governmental entities and their subsidiaries and does not directly apply to private hospitals or healthcare systems.

The bill has been enacted as Public Chapter 1106 and became effective upon becoming law for purposes of carrying out administrative duties necessary to implement the act. All remaining provisions take effect July 1, 2026.

REVIEW OF A CHILD'S HEALTH AND MEDICAL RECORD

***SB259* by Sen. Mark Pody (R-Lebanon)**
***HB853* by Rep. Michele Reneau (R-Chattanooga)**

This legislation allows a child's parent, legal guardian, or legal custodian to access and review all health and medical records of the child related to diagnosis, treatment recommendations, and discharge of a minor, including records related to treatments available to unemancipated minors without parental consent.

The bill has been enacted as Public Chapter 883 and became effective upon becoming law on April 16, 2026.

PUBLIC BENEFIT HOSPITAL TRANSACTIONS

***SB2194* by Sen. Jack Johnson (R-Franklin)**
***HB2337* by Rep. Jake McCalmon (R-Franklin)**

This legislation requires the attorney general, in deciding whether to object to a public benefit hospital conveyance transaction, to consider whether the proceeds will be controlled as funds independently of the acquiring or related entities.

It clarifies that such consideration does not apply if the hospital was established solely for the benefit of a county government and has an estimated sales value of more than $500 million.

The bill has been enacted as Public Chapter 718 and became effective upon becoming law on April 2, 2026.

HOSPITAL FLU AND PNEUMOCOCCAL IMMUNIZATIONS

***SB1584* by Sen. Ferrell Haile (R-Gallatin)**
***HB2569* by Rep. Sabi Kumar (R-Springfield)**

This legislation lowers the minimum age at which a hospital must offer influenza immunization prior to discharge from 65 to 50.

The legislation also requires hospitals to offer pneumococcal immunizations to inpatients aged 50 or older prior to discharge.

The bill has been enacted as Public Chapter 922 and became effective upon becoming law on April 14, 2026.

ADVOCACY AND MEMBER ENGAGEMENT

THA members remained highly engaged throughout the 2026 legislative session.

Nearly 200 hospital and health system leaders participated in THA's Legislative Day on the Hill, meeting directly with lawmakers and administration officials to discuss hospital priorities and healthcare access across Tennessee.

Throughout session, THA continued to activate members through:

- Legislative bulletins
- Voter Voice action alerts
- Committee engagement
- Social media campaigns
- Direct outreach to legislators

THA's advocacy efforts focused heavily on reinforcing the message that strong hospitals are essential to strong communities and that continued legislative partnership remains critical to preserving access to care statewide.

APPENDIX

2026 FINAL THA TRACKED BILL LIST

THA tracks hundreds of bills throughout the legislative process each year. The appendix of this report links to the 2026 Final THA Tracked Bill List, which summarizes all legislation tracked by THA during the 2026 legislative session and shows each bill's final disposition.

LOOKING AHEAD

As Tennessee hospitals continue navigating financial pressure, workforce shortages, federal policy changes, and evolving healthcare delivery challenges, THA remains committed to advancing policies that support hospitals, strengthen access to care, and improve patient outcomes.

While the 2026 session produced several significant wins for hospitals, many major healthcare policy discussions, including payer reform, TennCare sustainability, and long-term healthcare financing, will continue into future legislative sessions.

DO YOU HAVE AN IDEA FOR A BILL?

THA has created an online form for members to submit legislative proposal ideas ahead of our upcoming regional advocacy forums, which will be held in July and August. Your voice matters, and we want to hear directly from you and your subject-matter experts on policy issues impacting your facility or health system.

SHARE YOUR IDEAS

THA appreciates the continued engagement and advocacy of Tennessee hospitals and health system leaders throughout the legislative session and looks forward to continuing these efforts in partnership with lawmakers, stakeholders, and members across the state.

We need your feedback to continue evolving and meeting our hospital members where they are. Please scan the QR code below to complete the survey and provide feedback on what the State Government Affairs team is doing well and where improvements can be made to better serve members' needs.

COMPLETE THE SURVEY

TENNESSEE HOSPITAL ASSOCIATION

QUESTIONS?

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