

By: VanDeaver

H. B. No. 18

A BILL TO BE ENTITLED

# 1 AN ACT

2 relating to the establishment and administration of certain  
3 programs and services providing health care services to rural  
4 counties.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. This Act may be cited as the Rural Health  
7 Stabilization and Innovation Act.

8 SECTION 2. Section 526.0301, Government Code, as effective  
9 April 1, 2025, is amended to read as follows:

10 Sec. 526.0301. STRATEGIC PLAN FOR RURAL HOSPITAL SERVICES;  
11 REPORT. (a) The commission shall develop and implement a strategic  
12 plan to ensure that the citizens in this state residing in rural  
13 areas have access to hospital services. The commission shall  
14 consult with the State Office of Rural Hospital Finance established  
15 under Section 526.0304 when developing and implementing the  
16 strategic plan.

17 (b) The strategic plan must include:

18 (1) a proposal for using at least one of the following  
19 methods to ensure access to hospital services in the rural areas of  
20 this state:

21 (A) an enhanced cost reimbursement methodology  
22 for the payment of rural hospitals participating in the Medicaid  
23 managed care program in conjunction with a supplemental payment  
24 program for rural hospitals to cover costs incurred in providing

1 services to recipients;

2 (B) a hospital rate enhancement program  
3 applicable only to rural hospitals;

4 (C) a reduction of punitive actions under  
5 Medicaid that require reimbursement for Medicaid payments made to a  
6 rural hospital provider, a reduction of the frequency of payment  
7 reductions under Medicaid made to rural hospitals, and an  
8 enhancement of payments made under merit-based programs or similar  
9 programs for rural hospitals;

10 (D) a reduction of state regulatory-related  
11 costs related to the commission's review of rural hospitals; or

12 (E) in accordance with rules the Centers for  
13 Medicare and Medicaid Services adopts, the establishment of a  
14 minimum fee schedule that applies to payments made to rural  
15 hospitals by Medicaid managed care organizations; [and]

16 (2) target dates for achieving goals related to the  
17 proposal described by Subdivision (1); and

18 (3) a rural hospital financial needs assessment and  
19 financial vulnerability index quantifying the likelihood that a  
20 rural hospital, during the next two-year period, will be able to:

21 (A) maintain the types of patient services the  
22 hospital currently offers at the same level of service;

23 (B) meet the hospital's current financial  
24 obligations; and

25 (C) remain operational.

26 (c) Not later than December [November] 1 of each  
27 even-numbered year, the State Office of Rural Hospital Finance

1 [commission] shall submit a report regarding the [commission's]  
2 development and implementation of the strategic plan to:  
3 (1) the legislature;  
4 (2) the governor; and  
5 (3) the Legislative Budget Board.

6 SECTION 3. Subchapter G, Chapter 526, Government Code, as  
7 effective April 1, 2025, is amended by adding Sections 526.0304 and  
8 526.0305 to read as follows:

9 Sec. 526.0304. STATE OFFICE OF RURAL HOSPITAL FINANCE. The  
10 commission shall establish and maintain the State Office of Rural  
11 Hospital Finance as a division within the commission to provide  
12 technical assistance for rural hospitals and health care systems in  
13 rural areas of this state that participate or are seeking to  
14 participate in state or federal financial programs, including  
15 Medicaid.

16 Sec. 526.0305. TEXAS RURAL HOSPITAL OFFICERS ACADEMY. (a)  
17 In this section:

18 (1) "Institution of higher education" has the meaning  
19 assigned by Section 61.003, Education Code.

20 (2) "Rural county" means a county with a population of  
21 68,750 or less.

22 (3) "Rural hospital" has the meaning assigned by  
23 Section 548.0351.

24 (b) To the extent money is appropriated to the commission  
25 for the purpose, the commission shall contract with at least two but  
26 not more than four institutions of higher education to establish  
27 and administer an academy to provide professional development and

1 continuing education programs for the officers of rural hospitals  
2 and other health care providers located in rural counties. The  
3 academy must offer at least 100 hours of coursework each year that  
4 consists of courses and technical training on matters that impact  
5 the financial stability of rural hospitals and rural health care  
6 systems, including:

7           (1) relevant state and federal regulations;  
8           (2) relevant state and federal financial programs;  
9           (3) business administration, including revenue  
10 maximization;  
11           (4) organizational management; and  
12           (5) other topics applicable to the financial stability  
13 of rural hospitals and rural health care systems.

14           (b-1) An institution of higher education that establishes  
15 an academy under Subsection (b) shall establish an interagency  
16 advisory committee to oversee the development of the academy's  
17 curriculum. The advisory committee is composed of the following  
18 members appointed by the president of the establishing institution  
19 of higher education:

20           (1) a representative of the commission;  
21           (2) a representative of one or more institutions of  
22 higher education;  
23           (3) a representative of the Department of State Health  
24 Services;  
25           (4) a representative of the Texas Department of  
26 Insurance;  
27           (5) a representative of the state auditor's office;

1 and

2                   (6) a representative of any other state agency the  
3 president determines is appropriate.

4                   (b-2) The advisory committee established under Subsection  
5 (b-1) is abolished on the earlier of:

6                   (1) the date the advisory committee adopts a  
7 curriculum; or

8                   (2) September 1, 2027.

9                   (b-3) This subsection and Subsections (b-1) and (b-2)  
10 expire September 1, 2028.

11                  (c) An institution of higher education that establishes an  
12 academy under Subsection (b) shall:

13                  (1) appoint a panel that consists of at least five but  
14 not more than 11 representatives from the entities from which  
15 members of the advisory committee established by the institution  
16 under Subsection (b-1) are appointed to establish a competitive  
17 application process and selection criteria for academy  
18 participants; and

19                  (2) subject to Subsection (d), select academy  
20 participants using the competitive application process developed  
21 under Subdivision (1).

22                  (d) Participation in an academy is limited to individuals  
23 who are responsible for, or who anticipate becoming responsible  
24 for, the financial stability of a rural hospital or rural health  
25 care system in this state.

26                  (e) The panelists appointed under Subsection (c) shall  
27 review applications for the academy and provide recommendations to

1 the establishing institution of higher education regarding  
2 participant admission.

3 (f) An institution of higher education that establishes an  
4 academy under Subsection (b):

5 (1) shall accept new participants for the academy each  
6 year;

7 (2) shall offer to reimburse academy participants for  
8 travel and related expenses; and

9 (3) may not claim or charge a participant for  
10 admission to or participation in the academy or any associated  
11 services.

12 SECTION 4. Chapter 526, Government Code, as effective April  
13 1, 2025, is amended by adding Subchapter G-1 to read as follows:

14 SUBCHAPTER G-1. GRANT PROGRAMS FOR RURAL HOSPITALS, HOSPITAL  
15 DISTRICTS, AND HOSPITAL AUTHORITIES

16 Sec. 526.0321. DEFINITIONS. In this subchapter:

17 (1) "Hospital district" means a hospital district  
18 created under the authority of Sections 4 through 11, Article IX,  
19 Texas Constitution.

20 (2) "Office" means the State Office of Rural Hospital  
21 Finance established under Section 526.0304.

22 (3) "Rural county" means a county with a population of  
23 68,750 or less.

24 (4) "Rural hospital" has the meaning assigned by  
25 Section 548.0351.

26 (5) "Rural hospital authority" means a hospital  
27 authority located in a rural county.

1                   (6) "Rural hospital district" means a hospital  
2 district located in a rural county.

3                   Sec. 526.0322. FINANCIAL STABILIZATION GRANT PROGRAM. (a)  
4 To the extent money is appropriated to the commission for the  
5 purpose, the commission may establish a financial stabilization  
6 grant program to award grants to support and improve the financial  
7 stability of rural hospitals, rural hospital districts, and rural  
8 hospital authorities that are determined to be at a moderate or high  
9 risk of financial instability. If the commission establishes a  
10 financial stabilization grant program under this section, the  
11 office shall administer the grant program for the commission.

12                   (b) The determination of whether a grant applicant is at a  
13 moderate or high risk of financial instability shall be made using  
14 the hospital financial needs assessment and financial  
15 vulnerability index developed as part of the strategic plan  
16 required under Section 526.0301.

17                   (b-1) Notwithstanding Subsection (b), for a grant  
18 application received before December 1, 2026, the office shall  
19 determine whether the applicant is at a moderate or high risk of  
20 financial instability by evaluating data published by the  
21 commission regarding the financial stability of rural hospitals,  
22 rural hospital districts, and rural hospital authorities. This  
23 subsection expires September 1, 2027.

24                   (c) The office shall develop an application process and  
25 eligibility and selection criteria for grant applicants under this  
26 section.

27                   (d) The office may award a grant under this section only in

1 accordance with the terms of a contract between the office and the  
2 grant recipient. The contract must include provisions under which  
3 the office is granted sufficient control to ensure that:

4           (1) grant funds are spent in a manner that is  
5 consistent with the public purpose of providing adequate access to  
6 quality health care in all areas of this state; and  
7           (2) both this state and the grant recipient are  
8 benefited by the award of the grant.

9           (e) The office shall develop a formula to allocate the money  
10 available to the commission for grants under this section to rural  
11 hospitals, rural hospital districts, and rural health authorities  
12 that are determined to be at a moderate or high risk of financial  
13 instability. The formula must consider:

14           (1) the degree of financial vulnerability of the  
15 applicant as determined using the hospital financial needs  
16 assessment and financial vulnerability index developed under  
17 Section 526.0301;

18           (2) whether the applicant is the sole provider of  
19 hospital services in the county in which the applicant is located;

20           (3) whether a hospital is located within 35 miles of  
21 the applicant's facilities; and

22           (4) any other factors the office determines are  
23 relevant to assessing the financial stability of rural hospitals,  
24 rural hospital districts, and rural health authorities.

25           Sec. 526.0323. EMERGENCY HARDSHIP GRANT PROGRAM. (a) To  
26 the extent money is appropriated to the commission for the purpose,  
27 the commission may establish an emergency hardship grant program.

1    If the commission establishes an emergency hardship grant program  
2    under this section, the office shall administer the grant program  
3    for the commission.

4            (b) The office may award emergency hardship grants to rural  
5    hospitals, rural hospital districts, and rural hospital  
6    authorities that have experienced:

7                (1) a man-made or natural disaster resulting in a loss  
8    of assets; or

9                (2) an unforeseeable or unmitigable circumstance  
10    likely to result in:

11                (A) the closure of the entity's facilities during  
12    the 180-day period beginning on the date the entity submits an  
13    application for a grant under this section; or

14                (B) an inability to fund payroll expenditures for  
15    the entity's staff during the 180-day period beginning on the date  
16    the entity submits an application for a grant under this section.

17                (c) The office shall develop an application process and  
18    eligibility and selection criteria for grant applicants under this  
19    section.

20                (d) The office may award a grant under this section only in  
21    accordance with the terms of a contract between the office and the  
22    grant recipient. The contract must include provisions under which  
23    the office is granted sufficient control to ensure that:

24                (1) grant funds are spent in a manner that is  
25    consistent with the public purpose of providing adequate access to  
26    quality health care in all areas of this state; and

27                (2) both this state and the grant recipient are

1 benefited by the award of the grant.

2 Sec. 526.0324. INNOVATION GRANT PROGRAM. (a) To the extent  
3 money is appropriated to the commission for the purpose, the  
4 commission may establish an innovation grant program to provide  
5 support to rural hospitals, rural hospital districts, and rural  
6 hospital authorities that undertake initiatives that:

7           (1) provide access to health care and improve the  
8 quality of health care provided to residents of a rural county;

9           (2) are likely to improve the financial stability of  
10 the grant recipient; and

11           (3) are estimated to become sustainable and be  
12 maintained without additional state funding after the award of a  
13 grant under this section.

14           (b) If the commission establishes an innovation grant  
15 program under this section, the office shall administer the grant  
16 program for the commission.

17           (c) In awarding grants under this section, the office may  
18 prioritize initiatives focused on improving health care facilities  
19 or services for:

20           (1) women who are pregnant or recently gave birth;  
21           (2) individuals under the age of 20;  
22           (3) older adults residing in a rural county; or  
23           (4) individuals who are uninsured.

24           (d) The office shall develop an application process and  
25 eligibility and selection criteria for grant applicants under this  
26 section.

27           (e) The office may award a grant under this section only in

1 accordance with the terms of a contract between the office and the  
2 grant recipient. The contract must include provisions under which  
3 the office is granted sufficient control to ensure that:

4           (1) grant funds are spent in a manner that is  
5 consistent with the public purpose of providing adequate access to  
6 quality health care in all areas of this state; and  
7           (2) both this state and the grant recipient are  
8 benefited by the award of the grant.

9           (f) A grant recipient may not use the proceeds of a grant  
10 awarded under this section to:

11           (1) reimburse an expense or pay a cost that another  
12 source, including Medicaid, is obligated to reimburse or pay by law  
13 or under a contract; or

14           (2) supplant, or be used as a substitute for, money  
15 awarded to the recipient from a non-Medicaid federal funding  
16 source, including a federal grant.

17           Sec. 526.0325. RURAL HOSPITAL SUPPORT GRANT PROGRAM. (a)  
18 To the extent money is appropriated to the commission for the  
19 purpose, the commission may establish a rural hospital support  
20 grant program to award support grants to rural hospitals, rural  
21 hospital districts, and rural hospital authorities to improve the  
22 financial stability, continue the operations, and support the  
23 long-term viability of the grant recipient. If the commission  
24 establishes a rural hospital support grant program under this  
25 section, the office shall administer the grant program for the  
26 commission.

27           (b) The office shall develop an application process and

1 eligibility and selection criteria for grant applicants under this  
2 section.

3 (c) The office may award a grant under this section only in  
4 accordance with the terms of a contract between the office and the  
5 grant recipient. The contract must include provisions under which  
6 the office is granted sufficient control to ensure that:

7 (1) the grant funds are spent in a manner that is  
8 consistent with the public purpose of providing adequate access to  
9 quality health care in all areas of this state; and

10 (2) both this state and the grant recipient are  
11 benefited by the award of the grant.

12 Sec. 526.0326. GENERAL GRANT PROVISIONS. (a) Chapter 783  
13 does not apply to the solicitation of applicants for a grant under  
14 this subchapter.

15 (b) To the extent practicable, the office shall award a  
16 grant under this subchapter not later than the 180th day after the  
17 date the office receives the recipient's grant application.

18 (c) A Medicaid provider's receipt of a grant under this  
19 subchapter does not affect any legal or contractual duty of the  
20 provider to comply with any applicable Medicaid requirements.

21 SECTION 5. Section 532.0155, Government Code, as effective  
22 April 1, 2025, is amended by adding Subsection (g) to read as  
23 follows:

24 (g) To the extent allowed by federal law and subject to  
25 available appropriations, the executive commissioner, in addition  
26 to the cost-based reimbursement rate calculated by the executive  
27 commissioner under Subsection (b), shall develop and calculate an

1 add-on reimbursement rate for rural hospitals that have a  
2 department of obstetrics and gynecology. The executive  
3 commissioner shall calculate the rate required by this subsection  
4 annually.

5 SECTION 6. Section 548.0351, Government Code, as effective  
6 April 1, 2025, is amended by adding Subdivision (6-a) to read as  
7 follows:

8                   (6-a) "Rural hospital" means a health care facility  
9 licensed under Chapter 241, Health and Safety Code, that:

10                   (A) is located in a county with a population of  
11 68,750 or less; or

12                   (B) has been designated by the Centers for  
13 Medicare and Medicaid Services as a critical access hospital, rural  
14 referral center, or sole community hospital and:

15                   (i) is not located in a metropolitan  
16 statistical area; or

17                   (ii) if the hospital has 100 or fewer beds,  
18 is located in a metropolitan statistical area.

19 SECTION 7. Section 548.0352, Government Code, as effective  
20 April 1, 2025, is amended to read as follows:

21                   Sec. 548.0352. ESTABLISHMENT                           OF                   PEDIATRIC  
22 TELE-CONNECTIVITY RESOURCE PROGRAM FOR RURAL TEXAS. The commission  
23 with any necessary assistance of pediatric tele-specialty  
24 providers shall establish a pediatric tele-connectivity resource  
25 program for rural Texas to award grants to rural hospitals  
26 [~~nonurban health care facilities~~] to connect the hospitals [~~the~~  
27 ~~facilities~~] with pediatric specialists and pediatric

1 subspecialists who provide telemedicine medical services or with an  
2 institution of higher education that is a member of the Texas Child  
3 Mental Health Care Consortium established under Chapter 113, Health  
4 and Safety Code.

5 SECTION 8. Section 548.0353, Government Code, as effective  
6 April 1, 2025, is amended to read as follows:

7 Sec. 548.0353. USE OF PROGRAM GRANT. A rural hospital  
8 [~~nonurban health care facility~~] awarded a grant under this  
9 subchapter may use grant money to:

10 (1) purchase equipment necessary for implementing a  
11 telemedicine medical service;

12 (2) modernize the hospital's [~~facility's~~] information  
13 technology infrastructure and secure information technology  
14 support to ensure an uninterrupted two-way video signal that is  
15 compliant with the Health Insurance Portability and Accountability  
16 Act of 1996 (Pub. L. No. 104-191);

17 (3) pay a service fee to a pediatric tele-specialty  
18 provider under an annual contract with the provider; or

19 (4) pay for other activities, services, supplies,  
20 facilities, resources, and equipment the commission determines  
21 necessary for the hospital [~~facility~~] to use a telemedicine medical  
22 service.

23 SECTION 9. Section 548.0354, Government Code, as effective  
24 April 1, 2025, is amended to read as follows:

25 Sec. 548.0354. SELECTION OF PROGRAM GRANT RECIPIENTS. (a)  
26 The commission [~~with any necessary assistance of pediatric~~  
27 ~~tele-specialty providers~~] may select [~~an~~] eligible rural hospitals

1 [nonurban health care facility] to receive a grant under this  
2 subchapter.

3 (b) To be eligible for a grant, a rural hospital [nonurban  
4 ~~health care facility~~] must maintain [have:

5 [←1) a quality assurance program that measures the  
6 compliance of the facility's health care providers with the  
7 facility's medical protocols;

8 [(2) on staff at least one full-time equivalent  
9 physician who has training and experience in pediatrics and one  
10 individual who is responsible for ongoing nursery and neonatal  
11 support and care;

12 [(3) a designated neonatal intensive care unit or an  
13 emergency department;

14 [(4) a commitment to obtaining neonatal or pediatric  
15 education from a tertiary facility to expand the facility's depth  
16 and breadth of telemedicine medical service capabilities; and

17 [(5) the capability of maintaining] records and  
18 produce [producing] reports that measure the effectiveness of a  
19 [the] grant received by the hospital under this subchapter  
20 [facility would receive].

21 (c) To the extent practicable, the commission shall award a  
22 program grant to a grant recipient not later than the 180th day  
23 after the date the commission receives the recipient's program  
24 grant application under this section.

25 (d) Chapter 783 does not apply to the solicitation of  
26 applicants for a program grant award under this subchapter.

27 SECTION 10. Section 548.0357, Government Code, as effective

1 April 1, 2025, is amended to read as follows:

2 Sec. 548.0357. BIENNIAL REPORT. Not later than December 1  
3 of each even-numbered year, the commission shall submit a report to  
4 the governor and members of the legislature regarding the  
5 activities of the program and grant recipients under the program,  
6 including the results and outcomes of grants awarded under this  
7 subchapter. The commission may combine the report required by this  
8 section with the report submitted by the State Office of Rural  
9 Hospital Finance under Section 526.0301.

10 SECTION 11. Section 113.0001, Health and Safety Code, is  
11 amended by adding Subdivision (4) to read as follows:

12 (4) "Rural hospital" has the meaning assigned by  
13 Section 548.0351, Government Code.

14 SECTION 12. Chapter 113, Health and Safety Code, is amended  
15 by adding Subchapter D-1 to read as follows:

16 SUBCHAPTER D-1. RURAL PEDIATRIC MENTAL HEALTH CARE ACCESS PROGRAM  
17 Sec. 113.0181. MENTAL HEALTH CARE ACCESS PROGRAM FOR RURAL  
18 HOSPITALS. Using the network of comprehensive child psychiatry  
19 access centers established under Section 113.0151, the consortium  
20 shall establish or expand telemedicine or telehealth programs for  
21 identifying and assessing behavioral health needs and providing  
22 access to mental health care services for pediatric patients  
23 seeking services at a rural hospital.

24 Sec. 113.0182. CONSENT REQUIRED FOR SERVICES TO MINOR. (a)  
25 A person may provide mental health care services to a child younger  
26 than 18 years of age through a program established under this  
27 subchapter only if the person obtains the written consent of the

1 parent or legal guardian of the child.

2       (b) The consortium shall develop and post on the  
3 consortium's Internet website a model form for a parent or legal  
4 guardian to provide consent under this section.

5       Sec. 113.0183. REIMBURSEMENT FOR SERVICES. (a) Except as  
6 otherwise provided by this section, a child psychiatry access  
7 center established under Section 113.0151(a) may not submit an  
8 insurance claim or charge a rural hospital, or a health care  
9 practitioner providing services at a rural hospital, a fee for  
10 providing consultation services or training opportunities under  
11 this subchapter.

12       (b) A child psychiatry access center established under  
13 Section 113.0151(a) may submit a claim for reimbursement to the  
14 commission or a contractor operating a medical assistance program  
15 on behalf of the commission if:

16           (1) the provider of the services is enrolled and  
17 credentialed as a Medicaid provider; and  
18           (2) the individual receiving services by telehealth or  
19 telemedicine is eligible and enrolled in the Medicaid program.

20       (c) Reimbursements issued under Subsection (b) shall be  
21 paid at the reimbursement rate established by the commission or in  
22 accordance with the contractual agreement between the provider and  
23 the contractor operating the medical assistance program on behalf  
24 of the commission.

25       SECTION 13. Section 113.0251, Health and Safety Code, is  
26 amended to read as follows:

27       Sec. 113.0251. BIENNIAL REPORT. Not later than December 1

1 of each even-numbered year, the consortium shall prepare and submit  
2 to the governor, the lieutenant governor, the speaker of the house  
3 of representatives, and the standing committee of each house of the  
4 legislature with primary jurisdiction over behavioral health  
5 issues and post on its Internet website a written report that  
6 outlines:

7 (1) the activities and objectives of the consortium;  
8 (2) the health-related institutions of higher  
9 education listed in Section 113.0052(1) that receive funding by the  
10 executive committee; ~~[and]~~

11 (3) the rural hospitals to which the program  
12 established under Section 113.0181 provided mental health access  
13 services;

14 (4) the cost to maintain the mental health care access  
15 program established under Subchapter D-1; and

16 (5) [4] any legislative recommendations based on  
17 the activities and objectives described by Subdivision (1).

18 SECTION 14. The following provisions of the Government Code  
19 are repealed:

20 (1) Section 548.0351(1); and  
21 (2) Section 548.0356.

22 SECTION 15. If before implementing any provision of this  
23 Act a state agency determines that a waiver or authorization from a  
24 federal agency is necessary for implementation of that provision,  
25 the agency affected by the provision shall request the waiver or  
26 authorization and may delay implementing that provision until the  
27 waiver or authorization is granted.

1 SECTION 16. (a) Not later than December 1, 2025, the Health  
2 and Human Services Commission shall contract with institutions of  
3 higher education to establish an academy under Section 526.0305,  
4 Government Code, as added by this Act.

5 (b) Not later than January 1, 2026, the president of an  
6 institution of higher education establishing an academy under  
7 Section 526.0305, Government Code, as added by this Act, shall  
8 appoint the members of the interagency advisory committee as  
9 required by that section.

10 SECTION 17. This Act takes effect immediately if it  
11 receives a vote of two-thirds of all the members elected to each  
12 house, as provided by Section 39, Article III, Texas Constitution.  
13 If this Act does not receive the vote necessary for immediate  
14 effect, this Act takes effect September 1, 2025.