

AN ACT

relating to the establishment of locally based demonstration projects to provide health care benefits to certain low-income individuals.

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

SECTION 1. Subtitle I, Title 4, Government Code, is amended by adding Chapter 534 to read as follows:

CHAPTER 534. LOCALLY BASED MEDICAID AND OTHER RELATED HEALTH CARE

INITIATIVES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 534.001. LEGISLATIVE INTENT. It is the intent of the legislature that certain local governmental entities collaborate to the extent necessary with other local governmental entities and small business employers to provide or deliver cost-effective health care services to persons eligible to participate in the initiatives established under this chapter.

Sec. 534.002. DEFINITIONS. In this chapter:

(1) "Local governmental entity" means:

(A) a hospital district created and established under the authority of Sections 4 through 11, Article IX, Texas Constitution;

(B) a hospital authority created and established under Chapter 262 or 264, Health and Safety Code, that to some extent uses tax or other public revenue to provide health care

1 services to indigent persons;

2 (C) a hospital owned and operated by a  
3 municipality, county, or hospital authority and created under  
4 Chapter 262 or 264, Health and Safety Code;

5 (D) a medical school operated by this state;

6 (E) a medical school that receives state funds  
7 under Section 61.093, Education Code, or a chiropractic school that  
8 receives state funds under the General Appropriations Act;

9 (F) a teaching hospital operated by The  
10 University of Texas System;

11 (G) a county that provides health care services  
12 and assistance to indigent residents of the county under Subchapter  
13 B, Chapter 61, Health and Safety Code;

14 (H) a governmental entity that provides funds to  
15 a public hospital for the provision of health care services to  
16 indigent persons under Section 61.062, Health and Safety Code;

17 (I) a county with a population of more than  
18 400,000 that provides funds to a public hospital and that is not  
19 included in the boundaries of a hospital district;

20 (J) a hospital owned by a municipality and leased  
21 to and operated by a nonprofit hospital for a public purpose,  
22 subject to federal approval of matching funds from such an entity;

23 (K) a health services district created and  
24 established under Chapter 287, Health and Safety Code; and

25 (L) a statewide rural health care system  
26 established under Chapter 20C or 845, Insurance Code.

27 (2) "Managed care organization" means a person who is

1 authorized or otherwise permitted by law to arrange for or provide a  
2 managed care plan.

3 (3) "Managed care plan" means a plan under which a  
4 person undertakes to provide, arrange for, pay for, or reimburse  
5 any part of the cost of any health care services. A part of the plan  
6 must consist of arranging for or providing health care services as  
7 distinguished from indemnification against the cost of those  
8 services on a prepaid basis through insurance or otherwise. The  
9 term includes a primary care case management provider network. The  
10 term does not include a plan that indemnifies a person for the cost  
11 of health care services through insurance.

12 (4) "Task force" means the task force on local health  
13 care initiatives established under Section 534.101.

14 Sec. 534.003. RULES. (a) The commission shall adopt rules  
15 as necessary to implement this chapter.

16 (b) The commission may require the Texas Department of  
17 Human Services or any other health and human services agency to  
18 adopt, with the approval of the commission, any rules that may be  
19 necessary to implement this chapter.

20 [Sections 534.004-534.100 reserved for expansion]

21 SUBCHAPTER B. TASK FORCE

22 Sec. 534.101. TASK FORCE ON LOCAL HEALTH CARE INITIATIVES.

23 (a) The commissioner shall establish a task force on local health  
24 care initiatives.

25 (b) The commissioner shall appoint as members of the task  
26 force:

27 (1) 10 representatives of local governmental

1 entities, at least seven of whom must be representatives of local  
2 governmental entities located in counties or municipalities with a  
3 population of 500,000 or more and one of whom represents the  
4 interests of local governmental entities in rural areas;

5 (2) two representatives of health care providers,  
6 including one member who represents the interests of private  
7 nonprofit health benefit plans;

8 (3) one representative of small business owners;

9 (4) one physician licensed under Subtitle B, Title 3,  
10 Occupations Code; and

11 (5) one public member.

12 (c) The members of the task force serve staggered two-year  
13 terms with as near as possible to half of the members' terms  
14 expiring February 1 of each year. The members shall draw lots at  
15 the first task force meeting to determine the length of each  
16 member's initial term and the members' terms that expire each year.

17 (d) The commissioner shall designate a member of the task  
18 force to serve as presiding officer.

19 (e) A member of the task force is not entitled to  
20 compensation for service on the task force and is not entitled to  
21 reimbursement for travel expenses.

22 Sec. 534.102. POWERS AND DUTIES. (a) The task force may,  
23 in conjunction with the commission, develop one or both of the  
24 demonstration projects authorized under Subchapter C.

25 (b) The task force shall:

26 (1) advise the commission on local health care issues  
27 and concerns affecting local governmental entities selected to

1 participate in a demonstration project developed under Subchapter  
2 C;

3 (2) assist the commission with the preparation of a  
4 report that may be required by Section 534.203;

5 (3) if one or both of the demonstration projects  
6 authorized under Subchapter C are established, identify  
7 administrative costs that the commission may incur with regard to  
8 the implementation of each of the demonstration projects that is  
9 established and develop a mechanism to provide for the  
10 reimbursement of those costs by the participating local  
11 governmental entities; and

12 (4) perform any other duty or function prescribed by  
13 this chapter or other law.

14 Sec. 534.103. MEETINGS. The task force shall meet at the  
15 call of the presiding officer.

16 [Sections 534.104-534.200 reserved for expansion]

17 SUBCHAPTER C. DEMONSTRATION PROJECTS TO PROVIDE HEALTH CARE  
18 COVERAGE TO LOW-INCOME PARENTS OF CHILDREN RECEIVING MEDICAID

19 Sec. 534.201. DEMONSTRATION PROJECT TO EXTEND MEDICAID  
20 COVERAGE TO CERTAIN LOW-INCOME PARENTS. (a) The commission and  
21 task force may jointly develop a locally based demonstration  
22 project to provide medical assistance under the state Medicaid  
23 program to an individual who:

24 (1) is the parent of a child receiving medical  
25 assistance under the state Medicaid program;

26 (2) has a family income that is at or below 100 percent  
27 of the federal poverty level;

1           (3) is not otherwise eligible for medical assistance  
2 under the state Medicaid program at the time the individual's  
3 eligibility for participation in the demonstration project is  
4 determined; and

5           (4) is not covered by health insurance or another type  
6 of health benefit plan other than a health benefit plan  
7 administered by or on behalf of a local governmental entity.

8           (b) If the demonstration project is established, the  
9 commission and task force shall jointly:

10           (1) develop a health benefit plan operating as an  
11 extension of the state Medicaid program and determine the benefits  
12 package included in the plan, which may not include all of the  
13 Medicaid program benefits;

14           (2) ensure that the project is financed using money  
15 and any other resources made available by participating local  
16 governmental entities to the commission for matching purposes to  
17 maximize federal money for the state Medicaid program;

18           (3) ensure that each participating local governmental  
19 entity receives money to provide services, through the health  
20 benefit plan, to project participants residing in the geographical  
21 area served by the entity in an amount that is at least equal to the  
22 amount of:

23                   (A) money or other resources that were provided  
24 for matching by the entity for purposes of the project; and

25                   (B) any corresponding federal matching money;

26           (4) provide participating local governmental entities  
27 with the option to form, with the assistance of the commission and

1 task force, exclusive provider networks to provide and deliver  
2 health care services to project participants using a managed care  
3 approach;

4 (5) design the project in a manner that, to the extent  
5 possible, uses a local governmental entity's existing indigent  
6 health care delivery system and administrative structure to provide  
7 services through the health benefit plan to project participants;  
8 and

9 (6) design the project in a manner that allows, to the  
10 extent allowed by federal law or other federal authorization, local  
11 governmental entities to make determinations of eligibility and  
12 enroll eligible individuals in the project.

13 (c) A health benefit plan developed under this section may  
14 require an individual who participates in the project to make  
15 copayments or pay deductible amounts on a sliding scale basis.

16 (d) Local money described by Subsection (b)(2) includes tax  
17 or other revenue spent to provide indigent health care services to  
18 project participants before they were eligible to participate in  
19 the demonstration project.

20 (e) The manner in which a local governmental entity makes  
21 money available for matching purposes under Subsection (b)(2) may  
22 include an option for the entity to be able to certify the amount of  
23 money considered available instead of sending the money directly to  
24 the state.

25 (f) A provider network described by Subsection (b)(4) may  
26 include a combination of public and private health care providers.  
27 A local governmental entity that forms an exclusive provider

1 network under a demonstration project established under this  
2 section may include itself as a member of the network.

3 (g) The commission may not implement a project without the  
4 approval of the task force.

5 (h) A local governmental entity that wants to participate in  
6 a project established under this section must obtain approval for  
7 that participation from the entity's governing body, except that a  
8 hospital district created under Chapter 281, Health and Safety  
9 Code, must instead obtain that approval from the commissioners  
10 court of the county in which the district is located. A local  
11 governmental entity that receives permission to participate shall  
12 notify the commission and task force of its intention to  
13 participate as soon as possible after September 1, 2003. If a  
14 project is implemented, the commission shall select each local  
15 governmental entity that makes money available for matching  
16 purposes under Subsection (b)(2).

17 (i) This section expires September 1, 2009.

18 Sec. 534.202. DEMONSTRATION PROJECT TO OFFER HEALTH CARE  
19 COVERAGE TO CERTAIN LOW-INCOME WORKING PARENTS. (a) The  
20 commission and task force may jointly develop a demonstration  
21 project in which local governmental entities partner with employers  
22 to offer health benefits coverage to employees who:

23 (1) are the parents of a child receiving medical  
24 assistance under the state Medicaid program or of a child enrolled  
25 in the state child health plan program under Chapter 62, Health and  
26 Safety Code;

27 (2) have family incomes that are at or below 200



1 percent of the federal poverty level; and

2 (3) are not covered by health insurance or another  
3 type of health benefit plan other than a health benefit plan that is  
4 administered by or on behalf of a local governmental entity.

5 (b) The components of a demonstration project developed  
6 under this section must include:

7 (1) the development of a health benefit plan to  
8 provide coverage for health care services to project participants  
9 that:

10 (A) requires plan coverage to be purchased using  
11 a combination of local, federal, participant, and employer  
12 contributions;

13 (B) provides a benefits package that is similar  
14 to benefits packages offered by employer-sponsored health benefit  
15 plans but may not cover all of the state Medicaid program benefits;  
16 and

17 (C) to the extent possible eliminates coverage  
18 for duplicative or extraordinary services; and

19 (2) the development of sliding scale premiums for  
20 certain project participants, including the manner in which the  
21 premium is paid.

22 (c) If the demonstration project is established, the  
23 commission and task force shall jointly:

24 (1) review similar initiatives in other states;

25 (2) ensure that the project is:

26 (A) designed and administered in a manner that  
27 qualifies for federal funding; and

1                   (B) financed using a combination of local,  
2 federal, and private money; and

3                   (3) provide a participating local governmental entity  
4 with the option to contract with a managed care organization to  
5 administer the health benefit plan in the geographical area served  
6 by the local governmental entity.

7                   (d) In developing a health benefit plan under Subsection  
8 (b)(1), the commissioner and task force must include provisions  
9 intended to discourage:

10                   (1) employers and other persons from electing to  
11 discontinue offering coverage for individuals under employee or  
12 other group health benefit plans; and

13                   (2) individuals with access to adequate health benefit  
14 plan coverage, other than coverage under the health benefit plan  
15 developed under Subsection (b)(1), from electing not to obtain or  
16 to discontinue that coverage.

17                   (e) A health benefit plan developed under Subsection (b)(1)  
18 is not subject to a law that requires coverage or the offer of  
19 coverage of a health care service or benefit.

20                   (f) The commission and task force shall jointly determine  
21 the amounts each person described by Subsection (b)(1)(A) must  
22 contribute to the total cost of a health benefit plan developed for  
23 a demonstration project established under this section, except that  
24 the commission may not require a project participant whose income  
25 is not greater than 100 percent of the federal poverty level to pay  
26 a premium.

27                   (g) Local money described by Subsection (c)(2)(B) includes

1 tax or other revenue spent to provide indigent health care services  
2 to project participants before they were eligible to participate in  
3 the project and any other resources made available to the  
4 commission under this section for federal matching purposes.

5 (h) The commission may not implement a project without the  
6 approval of the task force.

7 (i) A local governmental entity that wants to participate in  
8 a project established under this section must obtain approval for  
9 that participation from the entity's governing body, except that a  
10 hospital district created under Chapter 281, Health and Safety  
11 Code, must instead obtain that approval from the commissioners  
12 court of the county in which the district is located. If a project  
13 is implemented, the commission and task force shall select each  
14 local governmental entity that makes local money described by  
15 Subsections (c)(2)(B) and (g) available for the project. The  
16 commission shall provide information as requested regarding the  
17 project to any local governmental entity that is interested in  
18 participating in the project.

19 (j) At the request of the commissioner, the Texas Department  
20 of Insurance shall provide any necessary assistance with the  
21 development of the health benefit plan under Subsection (b)(1).

22 (k) This section expires September 1, 2009.

23 Sec. 534.203. REPORTS. (a) If a demonstration project is  
24 established under Section 534.201 or 534.202, the commission, not  
25 later than December 1 of each even-numbered year, shall submit a  
26 report to the legislature regarding the operation and  
27 cost-effectiveness of each project established under those

1 sections.

2 (b) The report for the demonstration project established  
3 under Section 534.202 must include a recommendation regarding the  
4 feasibility of expanding the project statewide.

5 (c) This section expires September 1, 2009.

6 [Sections 534.204-534.300 reserved for expansion]

7 SUBCHAPTER D. MISCELLANEOUS PROVISIONS

8 Sec. 534.301. EXPIRATION. This chapter expires September  
9 1, 2011.

10 SECTION 2. Section 285.091, Health and Safety Code, is  
11 amended by adding Subsection (c) to read as follows:

12 (c) A hospital district created under general or special law  
13 may contract or collaborate with a local governmental entity, as  
14 defined by Section 534.002, Government Code, or any other public or  
15 private entity as necessary to provide or deliver health care  
16 services under a demonstration project established under Section  
17 534.201 or 534.202, Government Code, in which the hospital district  
18 participates.

19 SECTION 3. Section 287.078, Health and Safety Code, is  
20 amended to read as follows:

21 Sec. 287.078. DISTRICT ~~[OPERATING AND MANAGEMENT]~~  
22 CONTRACTS AND COLLABORATIONS. (a) The board may enter into  
23 operating or management contracts relating to health care  
24 facilities owned by the district or for which the district assumes  
25 responsibility for managing and operating under the terms of the  
26 contract with the counties and hospital districts that created the  
27 district.

1       (b) The board may contract or collaborate with a local  
2 governmental entity, as defined by Section 534.002, Government  
3 Code, or any other public or private entity as necessary to provide  
4 or deliver health care services under a demonstration project  
5 established under Section 534.201 or 534.202, Government Code, in  
6 which the district participates.

7       SECTION 4. The Health and Human Services Commission may  
8 request and actively pursue any necessary waivers, including a  
9 Health Insurance Flexibility and Accountability (HIFA) waiver,  
10 from a federal agency or any other appropriate entity to enable the  
11 commission to implement a demonstration project established under  
12 Section 534.201 or 534.202, Government Code, as added by this Act.  
13 The commission may not implement a demonstration project described  
14 by this section until the necessary waivers or authorizations are  
15 granted.

16       SECTION 5. Not later than January 1, 2004, the commissioner  
17 of health and human services shall appoint members to the task force  
18 on local health care initiatives established under Section 534.101,  
19 Government Code, as added by this Act.

20       SECTION 6. (a) On the first anniversary of the date of  
21 approval of a federal waiver or other authorization submitted under  
22 Section 4 of this Act for the implementation of a demonstration  
23 project established by Section 534.201, Government Code, as added  
24 by this Act, the Health and Human Services Commission shall submit a  
25 report on the operation of the project to the governor, lieutenant  
26 governor, speaker of the house of representatives, and clerks of  
27 the standing committees of the senate and house of representatives

1 with primary jurisdiction over the state Medicaid program and  
2 indigent health care matters. The report must include:

3 (1) a detailed description of the project's impact, if  
4 any, on the number of uninsured individuals in the state;

5 (2) the amount of cost-savings generated by each of  
6 the local governmental entities participating in the project; and

7 (3) information on the overall effectiveness and  
8 efficiency of the project, including the identification of any  
9 barriers to achieving the efficient operation of the project.

10 (b) On the first anniversary of the date of approval of a  
11 federal waiver or other authorization submitted under Section 4 of  
12 this Act for the implementation of a demonstration project  
13 established by Section 534.202, Government Code, as added by this  
14 Act, the Health and Human Services Commission shall submit a report  
15 on the operation of the project to the governor, lieutenant  
16 governor, speaker of the house of representatives, and clerks of  
17 the standing committees of the senate and house of representatives  
18 with primary jurisdiction over the state Medicaid program and  
19 indigent health care matters. The report must include:

20 (1) the information required by Subsections  
21 (a)(1)-(3) of this section; and

22 (2) a description of the project's impact on the small  
23 business community, including the employers participating in the  
24 project.

25 (c) A report required by this section shall be prepared with  
26 the assistance of the task force on local health care initiatives  
27 established under Section 534.101, Government Code, as added by

1 this Act.

2 SECTION 7. If the Health and Human Services Commission  
3 requests a federal waiver or other authorization under Section 4 of  
4 this Act but does not obtain the waiver or authorization, the Health  
5 and Human Services Commission shall:

6 (1) identify any federal, state, or local issues that  
7 may have impacted the determination for approval or disapproval of  
8 the authorization; and

9 (2) submit a report of its findings to the governor,  
10 lieutenant governor, speaker of the house of representatives, and  
11 clerks of the standing committees of the senate and house of  
12 representatives with primary jurisdiction over the state Medicaid  
13 program and indigent health care matters.

14 SECTION 8. This Act takes effect September 1, 2003.

H.B. No. 3122

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President of the Senate

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Speaker of the House

I certify that H.B. No. 3122 was passed by the House on May 9, 2003, by a non-record vote.

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Chief Clerk of the House

I certify that H.B. No. 3122 was passed by the Senate on May 28, 2003, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor