

## **BILL ANALYSIS**

H.B. 3537  
By: Keffer, Jim  
County Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The Palo Pinto County Hospital District is a special law hospital district governed by its own enabling legislation. This bill modifies that enabling legislation and would apply only to the Palo Pinto County Hospital District.

The purpose of this bill is to prohibit an individual who is in competition with the Palo Pinto County Hospital District (the "District") from serving on the Board of Directors of the District. The existing general statute regarding conflicts of interest for public officials (Chapter 171, Texas Local Government Code) does not address a situation where a public official holds an ownership interest in an entity that competes with the governmental entity which that public official is supposed to serve. Hospital districts are in a somewhat unique position in that a hospital district, unlike most governmental entities, runs a business for which there are sometimes competing private entities. This legislation would prevent an individual with an ownership or investment interest in a health care facility located in Palo Pinto County or other competing entity from serving on the Board of Directors of the District.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

SECTION 1. Amends Section 4, Chapter 84, Acts of the 59th Legislature, Regular Session, 1965, by adding Subsections (a-1)-(a-5) as follows:

(a-1) States that a person is not eligible to serve on the District Board of Directors if the person (1) has an ownership or investment interest in a health care facility located in Palo Pinto County or (2) has an ownership interest in another business related to health care that provides a good or service to the District's service area that is the same or substantially similar to a good or service provided by the District.

(a-2) States that Subsection (a-1) does not apply to an ownership or investment interest in a publicly traded company or to a physician's ownership interest in the physician's own medical practice.

(a-3) Provides that a violation of this prohibition is grounds for removal from the Board of Directors.

(a-4) The validity of an action of the Board of Directors is not affected by the fact that the action is taken when a ground for removal of a member of the Board of Directors exists.

(a-5) A member of the Board of Directors may be removed using the procedures provided by current law for removing a county official.

SECTION 2. Effective Date.

### **EFFECTIVE DATE**

Upon passage, or if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

H.B. 3537 79(R)