

## **BILL ANALYSIS**

C.S.H.B. 2557  
By: Zerwas  
County Affairs  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law provides authority for certain hospital districts to create a charitable organization, but interested parties note that the law does not provide for such a charitable organization to contract, collaborate, or enter into an agreement with a public or private entity. Additionally, the interested parties note that while certain entities in Texas have certain authority to provide for a captive insurance company, certain hospital districts lack such authority. C.S.H.B. 2557 seeks to address these issues.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **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**

C.S.H.B. 2557 amends the Health and Safety Code to authorize a charitable organization created by a hospital district in a county with a population of at least 190,000 for the purpose of facilitating the management of a district health care program to contract, collaborate, or enter into a joint venture or other agreement with a public or private entity without regard to such entity's for-profit or nonprofit status and to authorize the charitable organization to hold an ownership interest in such an entity. The bill specifies that the only purposes for which such a charitable organization is considered a unit of local government is for purposes of the Texas Tort Claims Act. The bill removes a condition restricting the authority of a hospital district in a county with a population of at least 190,000 to make a capital or other financial contribution to such a charitable organization to a district created in a county with a population of more than 800,000 that was not included in the boundaries of a hospital district before September 1, 2003. The bill establishes that such a charitable organization remains subject to federal and state laws governing charitable organizations and that nothing in the Health and Safety Code provision relating to such a created charitable organization may be construed as abrogating or modifying any other provision of law governing charitable organizations.

C.S.H.B. 2557 authorizes a hospital district in a county with a population of at least 190,000, a combination of such districts, or a nonprofit corporation formed by such a district or a combination of such districts to further the purposes of the district or districts, as appropriate, to form a captive insurance company or a captive management company for the purpose of engaging in the business of insurance.

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2557 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

**INTRODUCED**

**HOUSE COMMITTEE SUBSTITUTE**

SECTION 1. The legislature finds that districts have benefitted from the support provided by charitable organizations created under this section through the development of innovative technologies and intellectual property, novel public health studies, patient care techniques, and other means of financial, administrative or operational support. The legislature intends that charitable organizations created under this section will further develop resources for health care services by collaborating with or entering into joint ventures or other agreements with private entities including for-profit entities. The legislature recognizes that the knowhow, resources, support, technologies and intellectual property created, licensed, or serviced pursuant to these collaborations, joint ventures, or agreements between charitable organizations created under this section and private entities, including for-profit entities, are integral to the sustainability districts and their mission to provide for the health and general welfare of the citizens of this state. The legislature acknowledges that the means and measures authorized by this section are in the public interest and serve a public purpose in promoting the health and general welfare of the people of this state.

**No equivalent provision.**

SECTION 2. Section 281.0565, Health and Safety Code, is amended to read as follows:  
Sec. 281.0565. CHARITABLE ORGANIZATIONS.

SECTION 2. Section 281.0565, Health and Safety Code, is amended by amending Subsections (c) and (d) and adding Subsections (e) and (f) to read as follows:

- (a) DEFINITION. In this section, "charitable organization" means an organization that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 by being listed as an exempt organization in Section 501(c)(3) or 501(c)(4) of the code.
- (b) A district may create a charitable

organization to facilitate the management of a district health care program by providing or arranging health care services, developing resources for health care services, or providing ancillary support services for the district. A charitable organization created by a district under this section may contract, collaborate, or enter into a joint venture or other agreement with a public or private entity, without regard to such entity's for-profit, nonprofit, or not-for-profit status, including holding an ownership interest in such entity.

(c) A charitable organization created by a district under this section is a unit of local government for purposes of Chapter 101, Civil Practice and Remedies Code. A charitable organization created by a district under this section is not a political corporation or political subdivision merely because of its characterization hereby as a unit of local government.

(d) A district [~~created in a county with a population of more than 800,000 that was not included in the boundaries of a hospital district before September 1, 2003,~~] may make a capital or other financial contribution to a charitable organization created by the district to provide regional administration and delivery of health care services to or for the district.

No equivalent provision.

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(e) A district may, on its own behalf or in partnership or combination with any other district or districts, create a charitable organization to organize, operate, manage,

(e) A charitable organization created by a district under this section may contract, collaborate, or enter into a joint venture or other agreement with a public or private entity, without regard to that entity's for-profit or nonprofit status, and may hold an ownership interest in such an entity.

(c) A charitable organization created by a district under this section is a unit of local government only for purposes of Chapter 101, Civil Practice and Remedies Code.

(d) A district [~~created in a county with a population of more than 800,000 that was not included in the boundaries of a hospital district before September 1, 2003,~~] may make a capital or other financial contribution to a charitable organization created by the district to provide regional administration and delivery of health care services to or for the district.

(f) A charitable organization created by a district under this section remains subject to the laws of this state and the United States that govern charitable organizations. Nothing in this section may be construed as abrogating or modifying any other provision of law governing charitable organizations.

SECTION 3. Subchapter C, Chapter 281, Health and Safety Code, is amended by adding Section 281.058 to read as follows:

Sec. 281.058. AUTHORITY TO FORM CAPTIVE INSURANCE OR CAPTIVE MANAGEMENT COMPANY. (a) In this section, "captive insurance company" and "captive management company" have the meanings assigned to those terms by Section 964.001, Insurance Code.

(b) A district, a combination of districts, or a nonprofit corporation formed by a district or a combination of districts to further the purposes of the district or districts, as

or administer a captive insurance company, captive management company, or an affiliated company under Chapter 964 of the Texas Insurance Code.

SECTION 2. Section 281.0518(a)(3), Health and Safety Code, is amended to read as follows:

(3) contract, collaborate, or enter into a joint venture or other agreement with a public or private entity without regard to such entity's for-profit, nonprofit, or not-for-profit status, including holding an ownership interest in such entity to engage in an activity authorized under Subdivision (1) or (2).

SECTION 3. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.

appropriate, may form a captive insurance company or a captive management company in accordance with the provisions of Chapter 964, Insurance Code, for the purpose of engaging in the business of insurance under that chapter.

SECTION 1. Section 281.0518, Health and Safety Code, is amended by adding Subsection (a-1) to read as follows:

(a-1) For purposes of Subsection (a)(3):

(1) a public or private entity may be a for-profit or a nonprofit entity; and

(2) a nonprofit corporation formed by the district may hold an ownership interest in a public or private entity described by Subsection (a)(3).

SECTION 4. Same as introduced version.