

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 170  
By: Perry  
Health & Human Services  
4/4/2019  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The intent of S.B. 170 is to reinforce and clarify into state statute the longstanding policy and practice in Texas to pay rural hospitals their actual and documented cost to treat Medicaid patients. Rural hospitals are the safety net of emergency and other care across rural Texas. They provide care for Texans living across 85 percent of the state's land mass and they are often the only source of care for many rural residents including those enrolled in Medicaid.

Rural hospitals struggle financially and cannot afford to take a loss treating Medicaid patients. As they deal with higher levels of government insurance and the uninsured, they have few places to turn to make up a loss in Medicaid. Because the closure of rural hospitals means no local access for care, this bill will ensure that rural hospitals are made whole in payments from Medicaid to help them remain open.

S.B. 170 will clearly establish into law the intent of the Texas Legislature that rural hospitals should be reimbursed at cost to keep rural hospitals open to treat Medicaid patients and all Texas citizens.

There will be a substitute. The substitute will require the commission to update the costs every other year. The substitute will also allow for three scenarios for reimbursements:

- 1) HHSC directly reimburses;
- 2) MCOs reimburse; or
- 3) a combination of HHSC and MCOs.

C.S.S.B. 170 amends current law relating to reimbursement of rural hospitals under Medicaid.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the executive commissioner of the Health and Human Services Commission in SECTION 1 (Section 531.02194, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter B, Chapter 531, Government Code, by adding Section 531.02194, as follows:

Sec. 531.02194. REIMBURSEMENT METHODOLOGY FOR RURAL HOSPITALS.

(a) Defines "rural hospital" for purposes of this section.

(b) Requires the executive commissioner of the Health and Human Services Commission (executive commissioner; HHSC), to the extent allowed by federal law and subject to limitations on appropriations, to adopt a prospective reimbursement methodology for the payment of rural hospitals participating in Medicaid that ensures the rural hospitals are reimbursed on an individual basis for providing inpatient and general outpatient services to Medicaid recipients by using the hospitals' most recent cost information concerning the costs incurred for providing the services. Requires HHSC to calculate the prospective cost-based reimbursement rates once every two years.

(c) Authorizes the executive commissioner, in adopting rules under Subsection (b), to:

(1) adopt a methodology that requires:

(A) a managed care organization to reimburse rural hospitals for services delivered through the Medicaid managed care program using a minimum fee schedule or other method for which federal matching money is available; or

(B) both HHSC and a managed care organization to share in the total amount of reimbursement paid to rural hospitals; and

(2) require that the amount of reimbursement paid to a rural hospital is subject to any applicable adjustments made by HHSC for payments to or penalties imposed on the rural hospital that are based on a quality-based or performance-based requirement under the Medicaid managed care program.

(d) Requires HHSC to, not later than September 1 of each even-numbered year, for purposes of Subsection (b), determine the allowable costs incurred by a rural hospital participating in the Medicaid managed care program based on the rural hospital's cost reports submitted to the federal centers for Medicare and Medicaid Services and other available information that HHSC considers relevant in determining the hospital's allowable costs.

(e) Requires the executive commissioner, notwithstanding Subsection (b) and subject to Subsection (f), to adopt and HHSC to implement a true cost-based reimbursement methodology, beginning with the state fiscal year ending August 31, 2022, for inpatient and general outpatient services provided to Medicaid recipients at rural hospitals that provides:

(1) prospective payments during a state fiscal year to the hospitals using the reimbursement methodology adopted under Subsection (b); and

(2) to the extent allowed by federal law, in the subsequent state fiscal year a cost settlement to provide additional reimbursement as necessary to reimburse the hospitals for the true costs incurred in providing inpatient and general outpatient services to Medicaid recipients during the previous state fiscal year.

(f) Requires HHSC, notwithstanding Subsection (e), if federal law does not permit the use of a true cost-based reimbursement methodology described by that subsection, to continue to use the prospective cost-based reimbursement methodology adopted under Subsection (b) for the payment of rural hospitals for providing inpatient and general outpatient services to Medicaid recipients.

SECTION 2. Requires HHSC to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. Authorizes HHSC, but does not require HHSC, if the legislature does not appropriate money specifically for that purpose, to implement a provision of this Act using other appropriations available for that purpose.

SECTION 3. Requires HHSC, not later than September 1, 2020, to determine the allowable costs incurred by a rural hospital participating in the Medicaid managed care program before that date as required by Section 531.02194(d), Government Code, as added by this Act.

SECTION 4. Requires a state agency, if necessary for implementation of a provision of this Act, to request a waiver or authorization from a federal agency, and authorizes a delay of implementation until such a waiver or authorization is granted.

SECTION 5. Effective date: September 1, 2019.