AN ACT

relating to reimbursement of rural hospitals under Medicaid.

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

SECTION 1. Subchapter B, Chapter 531, Government Code, is amended by adding Section 531.02194 to read as follows:

Sec. 531.02194. REIMBURSEMENT METHODOLOGY FOR RURAL HOSPITALS. (a) In this section, "rural hospital" has the meaning assigned by commission rules for purposes of the reimbursement of hospitals for providing inpatient or outpatient services under Medicaid.

(b) To the extent allowed by federal law and subject to limitations on appropriations, the executive commissioner by rule shall 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. The commission shall calculate the prospective cost-based reimbursement rates once every two years.

(c) In adopting rules under Subsection (b), the executive commissioner may:

(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 the commission 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 the 
commission 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) Not later than September 1 of each even-numbered year, 
the commission shall, 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 the commission 
considers relevant in determining the hospital's allowable costs. 

e) Notwithstanding Subsection (b) and subject to 
Subsection (f), the executive commissioner shall adopt and the 
commission shall implement, beginning with the state fiscal year 
ending August 31, 2022, a true cost-based reimbursement methodology 
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) Notwithstanding Subsection (e), if federal law does not permit the use of a true cost-based reimbursement methodology described by that subsection, the commission shall 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. The Health and Human Services Commission is required to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. If the legislature does not appropriate money specifically for that purpose, the commission may, but is not required to, implement a provision of this Act using other appropriations available for that purpose.

SECTION 3. Not later than September 1, 2020, the Health and Human Services Commission shall 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. If before implementing any provision of this Act a state agency determines that a waiver or authorization from a federal agency is necessary for implementation of that provision,
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1 the agency affected by the provision shall request the waiver or
2 authorization and may delay implementing that provision until the
3 waiver or authorization is granted.

4 SECTION 5. This Act takes effect September 1, 2019.

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President of the Senate  Speaker of the House

I hereby certify that S.B. No. 170 passed the Senate on April 17, 2019, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

I hereby certify that S.B. No. 170 passed the House on May 17, 2019, by the following vote: Yeas 140, Nays 6, one present not voting.

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Chief Clerk of the House

Approved:

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Date

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Governor