

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

1 rural hospitals for services delivered through the Medicaid managed  
2 care program using a minimum fee schedule or other method for which  
3 federal matching money is available; or

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

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

12 (d) Not later than September 1 of each even-numbered year,  
13 the commission shall, for purposes of Subsection (b), determine the  
14 allowable costs incurred by a rural hospital participating in the  
15 Medicaid managed care program based on the rural hospital's cost  
16 reports submitted to the federal Centers for Medicare and Medicaid  
17 Services and other available information that the commission  
18 considers relevant in determining the hospital's allowable costs.

19 (e) Notwithstanding Subsection (b) and subject to  
20 Subsection (f), the executive commissioner shall adopt and the  
21 commission shall implement, beginning with the state fiscal year  
22 ending August 31, 2022, a true cost-based reimbursement methodology  
23 for inpatient and general outpatient services provided to Medicaid  
24 recipients at rural hospitals that provides:

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

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

7           (f) Notwithstanding Subsection (e), if federal law does not  
8 permit the use of a true cost-based reimbursement methodology  
9 described by that subsection, the commission shall continue to use  
10 the prospective cost-based reimbursement methodology adopted under  
11 Subsection (b) for the payment of rural hospitals for providing  
12 inpatient and general outpatient services to Medicaid recipients.

13           SECTION 2. The Health and Human Services Commission is  
14 required to implement a provision of this Act only if the  
15 legislature appropriates money specifically for that purpose. If  
16 the legislature does not appropriate money specifically for that  
17 purpose, the commission may, but is not required to, implement a  
18 provision of this Act using other appropriations available for that  
19 purpose.

20           SECTION 3. Not later than September 1, 2020, the Health and  
21 Human Services Commission shall determine the allowable costs  
22 incurred by a rural hospital participating in the Medicaid managed  
23 care program before that date as required by Section 531.02194(d),  
24 Government Code, as added by this Act.

25           SECTION 4. If before implementing any provision of this Act  
26 a state agency determines that a waiver or authorization from a  
27 federal agency is necessary for implementation of that provision,

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.

\_\_\_\_\_  
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.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor