AN ACT
relating to certain rural medical facilities; requiring a license; 
authorizing fees and taxes.

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

SECTION 1. Chapter 241, Health and Safety Code, is amended 
by adding Subchapter K to read as follows:

SUBCHAPTER K. LIMITED SERVICES RURAL HOSPITAL

Sec. 241.301. DEFINITION. In this subchapter, "limited 
services rural hospital" means a general or special hospital that 
is or was licensed under this chapter and that:

(1) is:

(A) located in a rural area, as defined by:

(i) commission rule; or

(ii) 42 U.S.C. Section 1395ww(d)(2)(D); or

(B) designated by the Centers for Medicare and 
Medicaid Services as a critical access hospital, rural referral 
center, or sole community hospital; and

(2) otherwise meets the requirements to be designated 
as a limited services rural hospital or a similarly designated 
hospital under federal law for purposes of a payment program 
described by Section 241.302(a)(1).

Sec. 241.302. LICENSE REQUIRED. (a) A person may not 
establish, conduct, or maintain a limited services rural hospital 
unless:
(1) the United States Congress passes a bill creating a payment program specifically for limited services rural hospitals or similarly designated hospitals that becomes law; and

(2) the commission issues a license to the person to establish, conduct, or maintain a limited services rural hospital under this subchapter.

(b) If the United States Congress enacts a bill described by Subsection (a)(1) that becomes law, the executive commissioner shall adopt rules:

(1) establishing minimum standards for the facilities; and

(2) implementing this section.

(c) The standards adopted under Subsection (b) must be at least as stringent as the standards established in the law described by Subsection (a) for eligibility to qualify for a payment program established by the law.

(d) An applicant for a license under this section must:

(1) submit an application for the license to the commission in a form and manner prescribed by the commission; and

(2) pay any required fee.

(e) The commission shall issue a license to act as a limited services rural hospital under this subchapter if the applicant complies with the rules and standards adopted under this section.

(f) The commission by order may waive or modify the requirement of a particular provision of this chapter or a standard adopted under this section if the commission determines that the waiver or modification will facilitate the creation or operation of
the facility and that the waiver or modification is in the best interests of the individuals served or to be served by the facility. Sections 241.026(d) and (e) apply to a waiver or modification under this section for a limited services rural hospital in the same manner as the subsections apply to a waiver or modification for a hospital.

(g) A provision of this chapter related to the enforcement authority of the commission applies to a limited services rural hospital.

Sec. 241.303. LICENSING FEE. (a) The executive commissioner by rule shall establish and the commission shall collect a fee for issuing and renewing a license under this subchapter that is in an amount reasonable and necessary to cover the costs of administering and enforcing this subchapter.

(b) All fees collected under this section shall be deposited in the state treasury to the credit of the commission to administer and enforce this subchapter.

SECTION 2. Chapter 531, Government Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. RURAL HOSPITALS

Sec. 531.201. STRATEGIC PLAN; REPORT. (a) The commission shall develop and implement a strategic plan to ensure that the citizens of this state residing in rural areas have access to hospital services.

(b) The strategic plan must include:

(1) a proposal for using at least one of the following methods to ensure access to hospital services in the rural areas of
this state:

(A) an enhanced cost reimbursement methodology for the payment of rural hospitals participating in the Medicaid managed care program in conjunction with a supplemental payment program for rural hospitals to cover costs incurred in providing services to recipients;

(B) a hospital rate enhancement program that applies only to rural hospitals;

(C) a reduction of punitive actions under the Medicaid program that require reimbursement for Medicaid payments made to the provider, if the provider is a rural hospital, a reduction of the frequency of payment reductions under the Medicaid program made to rural hospitals, and an enhancement of payments made under merit-based programs or similar programs for rural hospitals;

(D) a reduction of state regulatory-related costs related to the commission's review of rural hospitals; or

(E) in accordance with rules adopted by the Centers for Medicare and Medicaid Services, the establishment of a minimum fee schedule that applies to payments made by managed care organizations to rural hospitals; and

(2) target dates for achieving goals related to the proposal described by Subdivision (1).

(c) Not later than January 1, 2020, the commission shall submit the strategic plan developed under Subsection (b) to the Legislative Budget Board for review and comment. The commission may not begin implementation of the proposal contained in the
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strategic plan until the strategic plan is approved by the Legislative Budget Board.

(d) Not later than November 1 of each even-numbered year, the commission shall submit a report regarding the commission's development and implementation of the strategic plan described by Subsection (b) to:

(1) the legislature;
(2) the governor; and
(3) the Legislative Budget Board.

Sec. 531.202. ADVISORY COMMITTEE ON RURAL HOSPITALS. (a) The commission shall establish the Rural Hospital Advisory Committee, either as another advisory committee or as a subcommittee of the Hospital Payment Advisory Committee, to advise the commission on issues relating specifically to rural hospitals.

(b) The Rural Hospital Advisory Committee is composed of interested persons appointed by the executive commissioner. Section 2110.002 does not apply to the advisory committee.

(c) A member of the advisory committee serves without compensation.

Sec. 531.203. COLLABORATION WITH OFFICE OF RURAL AFFAIRS. The commission shall collaborate with the Office of Rural Affairs to ensure that this state is pursuing to the fullest extent possible federal grants, funding opportunities, and support programs available to rural hospitals as administered by the Health Resources and Services Administration and the Office of Minority Health in the United States Department of Health and Human Services.
SECTION 3. The heading to Subchapter F, Chapter 1061, Special District Local Laws Code, is amended to read as follows:

SUBCHAPTER F. AD VALOREM TAXES

SECTION 4. Chapter 1061, Special District Local Laws Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. SALES AND USE TAX

Sec. 1061.301. TAX AUTHORIZED. (a) The district may adopt, change the rate of, or abolish a sales and use tax at an election held in the district.

(b) The district may not adopt a tax under this subchapter or increase the rate of the tax if as a result of the adoption of the tax or the tax increase the combined rate of all sales and use taxes imposed by the district and all other political subdivisions of this state having territory in the district would exceed two percent in any location in the district.

Sec. 1061.302. APPLICABILITY OF OTHER LAW. Except to the extent that a provision of this subchapter applies, Chapter 323, Tax Code, applies to a tax authorized by this subchapter in the same manner as that chapter applies to the tax authorized by that chapter.

Sec. 1061.303. TAX RATE; CHANGE IN RATE. (a) The district may impose a tax authorized by this subchapter in increments of one-eighth of one percent, with a minimum rate of one-eighth of one percent and a maximum rate of two percent.

(b) The district may increase the rate of a tax authorized by this subchapter to a maximum of two percent or decrease the rate of the tax to a minimum of one-eighth of one percent if the change is
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approved by a majority of the voters of the district at an election called for that purpose.

Sec. 1061.304. ELECTION PROCEDURE. An election to adopt, change the rate of, or abolish a tax authorized by this subchapter is called by the adoption of an order of the board. The board may call an election on its own motion and shall call an election if a number of qualified voters in the district equal to at least five percent of the number of registered voters in the district petitions the board to call the election.

Sec. 1061.305. ELECTION IN OTHER TAXING AUTHORITY. (a) In this section, "taxing authority" means any entity authorized to impose a local sales and use tax.

(b) If the district is included within the boundaries of another taxing authority and the adoption or increase in the rate of a tax under this subchapter would result in a combined tax rate by the district and other political subdivisions of this state of more than two percent at any location in the district, an election to approve or increase the rate of the tax has no effect unless:

(1) one or more of the other taxing authorities holds an election in accordance with the law governing that authority on the same date as the election under this subchapter to reduce the tax rate of that authority to a rate that will result in a combined tax rate by the district and other political subdivisions of not more than two percent at any location in the district; and

(2) the combined tax rate is reduced to not more than two percent as a result of that election.

(c) This section does not permit a taxing authority to
impose taxes at differential tax rates within the territory of the
authority.

Sec. 1061.306. TAX EFFECTIVE DATE. (a) The adoption,
change in the rate of, or abolition of a tax under this subchapter
takes effect on the first day of the first calendar quarter
occurring after the expiration of the first complete calendar
quarter occurring after the date on which the comptroller receives
notice of the results of an election to adopt, change the rate of,
or abolish the tax.

(b) If the comptroller determines that an effective date
provided by Subsection (a) will occur before the comptroller can
reasonably take the action required to begin collecting the tax or
implement the change in the rate of the tax or the abolition of
the tax, the effective date may be extended by the comptroller until
the first day of the next calendar quarter.

Sec. 1061.307. USE OF TAX REVENUE. Revenue from a tax
imposed under this subchapter may be used by the district for any
purpose of the district authorized by law.

SECTION 5. Section 1061.151(b), Special District Local Laws
Code, is amended to read as follows:

(b) The proposed budget must contain a complete financial
statement of:

(1) the outstanding obligations of the district;
(2) the cash on hand in each district fund;
(3) the money received by the district from all
sources during the previous year;
(4) the money available to the district from all
sources during the ensuing year;
(5) the balances expected at the end of the year in
which the budget is being prepared;
(6) the estimated revenue and balances available to
cover the proposed budget;
(7) the estimated ad valorem tax rate required; and
(8) the proposed expenditures and disbursements and
the estimated receipts and collections for the following fiscal
year.

SECTION 6. Section 1088.104, Special District Local Laws
Code, is amended by amending Subsection (c) and adding Subsection
(d) to read as follows:

(c) The hospital system may include:
(1) facilities for domiciliary care of the sick, injured, or geriatric;
(2) outpatient clinics;
(3) dispensaries;
(4) convalescent home facilities;
(5) necessary nurses;
(6) domiciliaries and training centers;
(7) blood banks;
(8) community mental health centers;
(9) research centers or laboratories; and
(10) any other facilities the board considers
necessary for medical care, and hospital care, and public safety
and health.

(d) A facility for public safety and health described by
Subsection (c)(10) may only be:  
(1) constructed by the district using private money; and  
(2) used by the district, or any governmental entity to which the district leases the facility, for public safety and health purposes.

SECTION 7. Section 26.012(1), Tax Code, is amended to read as follows:  
(1) "Additional sales and use tax" means an additional sales and use tax imposed by:  
(A) a city under Section 321.101(b);  
(B) a county under Chapter 323; or  
(C) a hospital district, other than a hospital district:  
   (i) created on or after September 1, 2001, that:  
      (a) imposes the sales and use tax under Subchapter I, Chapter 286, Health and Safety Code; or  
      (b) imposes the sales and use tax under Subchapter L, Chapter 285, Health and Safety Code; or  
   (ii) that imposes the sales and use tax under Subchapter G, Chapter 1061, Special District Local Laws Code.

SECTION 8. 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. 1621 passed the Senate on April 11, 2019, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendments on May 24, 2019, by the following vote: Yeas 28, Nays 3.

Secretary of the Senate

I hereby certify that S.B. No. 1621 passed the House, with amendments, on May 21, 2019, by the following vote: Yeas 140, Nays 6, one present not voting.

Chief Clerk of the House

Approved:

Date

Governor