

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 (1) the United States Congress passes a bill creating
2 a payment program specifically for limited services rural hospitals
3 or similarly designated hospitals that becomes law; and

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

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

10 (1) establishing minimum standards for the
11 facilities; and

12 (2) implementing this section.

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

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

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

20 (2) pay any required fee.

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

24 (f) The commission by order may waive or modify the
25 requirement of a particular provision of this chapter or a standard
26 adopted under this section if the commission determines that the
27 waiver or modification will facilitate the creation or operation of

1 the facility and that the waiver or modification is in the best
2 interests of the individuals served or to be served by the facility.
3 Sections 241.026(d) and (e) apply to a waiver or modification under
4 this section for a limited services rural hospital in the same
5 manner as the subsections apply to a waiver or modification for a
6 hospital.

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

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

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

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

20 SUBCHAPTER G. RURAL HOSPITALS

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

25 (b) The strategic plan must include:

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

1 this state:

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

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

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

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

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

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

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

1 strategic plan until the strategic plan is approved by the
2 Legislative Budget Board.

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

- 7 (1) the legislature;
8 (2) the governor; and
9 (3) the Legislative Budget Board.

10 Sec. 531.202. ADVISORY COMMITTEE ON RURAL HOSPITALS.

11 (a) The commission shall establish the Rural Hospital Advisory
12 Committee, either as another advisory committee or as a
13 subcommittee of the Hospital Payment Advisory Committee, to advise
14 the commission on issues relating specifically to rural hospitals.

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

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

20 Sec. 531.203. COLLABORATION WITH OFFICE OF RURAL AFFAIRS.

21 The commission shall collaborate with the Office of Rural Affairs
22 to ensure that this state is pursuing to the fullest extent possible
23 federal grants, funding opportunities, and support programs
24 available to rural hospitals as administered by the Health
25 Resources and Services Administration and the Office of Minority
26 Health in the United States Department of Health and Human
27 Services.

1 SECTION 3. The heading to Subchapter F, Chapter 1061,
2 Special District Local Laws Code, is amended to read as follows:

3 SUBCHAPTER F. AD VALOREM TAXES

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

6 SUBCHAPTER G. SALES AND USE TAX

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

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

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

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

25 (b) The district may increase the rate of a tax authorized
26 by this subchapter to a maximum of two percent or decrease the rate
27 of the tax to a minimum of one-eighth of one percent if the change is

1 approved by a majority of the voters of the district at an election
2 called for that purpose.

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

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

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

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

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

27 (c) This section does not permit a taxing authority to

1 impose taxes at differential tax rates within the territory of the
2 authority.

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

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

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

19 SECTION 5. Section [1061.151\(b\)](#), Special District Local Laws
20 Code, is amended to read as follows:

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

- 23 (1) the outstanding obligations of the district;
24 (2) the cash on hand in each district fund;
25 (3) the money received by the district from all
26 sources during the previous year;
27 (4) the money available to the district from all

1 sources during the ensuing year;

2 (5) the balances expected at the end of the year in
3 which the budget is being prepared;

4 (6) the estimated revenue and balances available to
5 cover the proposed budget;

6 (7) the estimated ad valorem tax rate required; and

7 (8) the proposed expenditures and disbursements and
8 the estimated receipts and collections for the following fiscal
9 year.

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

13 (c) The hospital system may include:

14 (1) facilities for domiciliary care of the sick,
15 injured, or geriatric;

16 (2) outpatient clinics;

17 (3) dispensaries;

18 (4) convalescent home facilities;

19 (5) necessary nurses;

20 (6) domiciliaries and training centers;

21 (7) blood banks;

22 (8) community mental health centers;

23 (9) research centers or laboratories; and

24 (10) any other facilities the board considers
25 necessary for medical care, ~~and~~ hospital care, and public safety
26 and health.

27 (d) A facility for public safety and health described by

1 Subsection (c)(10) may only be:

2 (1) constructed by the district using private money;

3 and

4 (2) used by the district, or any governmental entity
5 to which the district leases the facility, for public safety and
6 health purposes.

7 SECTION 7. Section 26.012(1), Tax Code, is amended to read
8 as follows:

9 (1) "Additional sales and use tax" means an additional
10 sales and use tax imposed by:

11 (A) a city under Section 321.101(b);

12 (B) a county under Chapter 323; or

13 (C) a hospital district, other than a hospital
14 district:

15 (i) created on or after September 1, 2001,
16 that:

17 (a) [~~(i)~~] imposes the sales and use
18 tax under Subchapter I, Chapter 286, Health and Safety Code; or

19 (b) [~~(i)~~] imposes the sales and use
20 tax under Subchapter L, Chapter 285, Health and Safety Code; or

21 (ii) that imposes the sales and use tax
22 under Subchapter G, Chapter 1061, Special District Local Laws Code.

23 SECTION 8. This Act takes effect September 1, 2019.

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