

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 5, 2019**

**TO:** Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE:** SB170 by Perry (Relating to reimbursement of rural hospitals under Medicaid.),  
Committee Report 1st House, Substituted

**No significant fiscal implication to the State is anticipated.**

**The agency 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 agency may, but is not required to, implement a provision of this Act using other appropriations available for that purpose.**

According to the Health and Human Services Commission (HHSC), total hospital reimbursement would be limited to appropriations and could be implemented on a cost neutral basis using existing staff resources and technology. This analysis assumes that, unless HHSC receives additional appropriations for reimbursement of rural hospitals, HHSC would recalculate individual hospital rates based on current costs but that total reimbursement to rural hospitals would not increase under the provisions of the bill. According to HHSC, federal law does not permit the use of a true cost-based reimbursement methodology and HHSC will continue to use a prospective cost-based reimbursement methodology as required by the provisions of the bill. To the extent that the recalculation of individual hospital rates based on current costs changes reimbursement to rural hospitals, some hospitals would receive reimbursement at a lower level and some at a higher level than they receive under the current reimbursement methodology.

According to HHSC, if additional appropriations are provided for the purpose of reimbursing rural hospitals, the cost to fully reimburse rural hospitals at their cost for inpatient and outpatient services is estimated to be \$172.2 million in All Funds, including \$67.7 million in General Revenue, in fiscal year 2020 increasing to \$191.5 million in All Funds, including \$72.9 million in General Revenue, by fiscal year 2024. The bill would take effect September 1, 2019.

**Local Government Impact**

To the extent that the recalculation of individual hospital rates based on current costs changes reimbursements to rural hospitals that are local governmental entities, some hospitals would receive reimbursement at a lower level and some at a higher level than they receive under the current reimbursement methodology.

**Source Agencies:** 529 Health and Human Services Commission

**LBB Staff:** WP, AKi, EP, MDI, LR, JGa, AF