

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

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

**March 19, 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: SB1622** by Kolkhorst (Relating to rural hospitals and similar facilities; requiring a license; authorizing fees.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1622, As Introduced: a negative impact of (\$135,749,212) through the biennium ending August 31, 2021.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$68,331,810)
2021	(\$67,417,402)
2022	(\$69,200,544)
2023	(\$71,196,671)
2024	(\$73,250,682)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>GR Match For Medicaid</i> 758	Probable (Cost) from <i>Federal Funds</i> 555	Change in Number of State Employees from FY 2019
2020	(\$68,331,810)	(\$105,071,223)	8.0
2021	(\$67,417,402)	(\$109,149,195)	8.0
2022	(\$69,200,544)	(\$112,465,115)	8.0
2023	(\$71,196,671)	(\$115,715,914)	8.0
2024	(\$73,250,682)	(\$119,060,983)	8.0

**Fiscal Analysis**

The bill would require the Health and Human Services Commission (HHSC) to adopt a reimbursement methodology for rural hospitals participating in the Medicaid managed care program allowing them to fully recover allowable costs in providing services.

The bill would prohibit limited services rural hospital operation unless the U.S. Congress passes a bill creating a payment program specifically for this type of facility, and HHSC creates and issues a license for this specific purpose.

The bill would require HHSC to establish rules and minimum standards for limited services rural hospitals if a federal payment program is created and determine an appropriate fee.

### **Methodology**

HHSC assumes they would directly reimburse rural hospitals, which would require rural hospital services to be carved out of Medicaid managed care. According to HHSC, the cost to 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.

According to HHSC, there would be a one-time cost associated with system modifications to the claims administrator of \$0.4 million in All Funds, including \$0.2 million in General Revenue, in fiscal year 2020.

It is assumed HHSC would need 8.0 full-time equivalents to calculate the necessary rates and cost settlements at a cost of \$0.8 million in All Funds, including \$0.4 million in General Revenue, in each fiscal year.

The bill would require HHSC to issue rules and licenses for limited services rural hospitals if a federal law were passed to create a payment program for these hospitals. This federal law has not yet been passed. If federal law were changed, there could be a fiscal impact for the regulatory oversight of these facilities or reimbursement rates paid to facilities.

### **Technology**

System modifications to the claims administrator are estimated at a one-time cost of \$399,000 in All Funds in fiscal year 2020.

### **Local Government Impact**

According to the Texas Association of Counties, a positive fiscal impact to counties is anticipated. To the extent that rural hospitals are operated by local government entities, there would be an increase in revenue to such facilities.

**Source Agencies:** 304 Comptroller of Public Accounts, 529 Health and Human Services Commission

**LBB Staff:** WP, AKi, JQ, MNa, LCO