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| BILL ANALYSIS |

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| C.S.H.B. 18 |
| By: VanDeaver |
| Public Health |
| Committee Report (Substituted) |

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| **BACKGROUND AND PURPOSE** The bill author has informed the committee of continuing concerns regarding the provision of health care services in rural counties and the troubling decline over the last 20 years of the number of rural hospitals operating in Texas. Despite the legislature's and governor's recent efforts to provide more funding for rural health care needs through, for example, increased Medicaid rural reimbursement rates for labor and delivery, additional funds for the rural hospital stabilization grant program, and a task force directed to study the state's current health care workforce shortage to identify ways to address the causes of that shortage, the Texas Hospital Association reports that more than 20 rural hospitals have closed in the last decade while other rural hospitals that have managed to stay open have reduced or eliminated critical services such as labor and delivery services. *Becker's Hospital Review* has reported a trend of hospital bankruptcies across Texas' rural areas and, as recently as February 2025, cites the challenges with the rapid expansion of Medicare Advantage as a "growing pain point," noting that "[m]any rural facilities continue to operate at a loss after years of turbulence, and the AHA warns that the rapid expansion of MA—along with the program's ubiquitous challenges, including low reimbursement rates, payment delays and excessive prior authorizations—is straining rural providers and jeopardizing access to care."C.S.H.B. 18 seeks to build on the legislature's and governor's efforts to identify, develop, and implement programs and services to help rural counties retain their hospitals by enacting the Rural Health Stabilization and Innovation Act, which, among other things, seeks to establish the State Office of Rural Hospital Finance, Texas Rural Hospital Officers Academy, Financial Stabilization Grant Program, Emergency Hardship Grant Program, Innovation Grant Program, and Rural Hospital Support Grant Program.  |
| **CRIMINAL JUSTICE IMPACT**It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY** It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS** **Rural Health Stabilization and Innovation Act**Definition of "Rural Hospital"C.S.H.B. 18 defines"rural hospital" for the purposes of its Government Code and Health and Safety Code provisions, except as otherwise provided, as a health care facility licensed under the Texas Hospital Licensing Law that, as follows:* is located in a county with a population of 68,750 or less; or
* has been designated by the Centers for Medicare and Medicaid Services as a critical access hospital, rural referral center, or sole community hospital and:
	+ is not located in a metropolitan statistical area; or
	+ if the hospital has 100 or fewer beds, is located in a metropolitan statistical area.

Strategic Plan for Rural Hospital Services; ReportC.S.H.B. 18 amends the Government Code to include among the required contents of the strategic plan for rural hospital services developed and implemented by the Health and Human Services Commission (HHSC) a rural hospital financial needs assessment and financial vulnerability index quantifying the likelihood that a rural hospital, during the next two-year period, will be able to maintain the types of patient services the hospital currently offers at the same level of service, meet the hospital's current financial obligations, and remain operational. The bill replaces the requirement for HHSC to submit a report regarding the strategic plan's development and implementation to the legislature, the governor, and the Legislative Budget Board not later than November 1 of each even-numbered year with a requirement for the State Office of Rural Hospital Finance to submit such a report not later than December 1 of each even-numbered year.State Office of Rural Hospital FinanceC.S.H.B. 18 requires HHSC to establish and maintain the State Office of Rural Hospital Finance within HHSC to provide technical assistance for rural hospitals and health care systems in rural areas of Texas that participate or are seeking to participate in state or federal financial programs, including Medicaid. Texas Rural Hospital Officers AcademyC.S.H.B. 18 requires HHSC, not later than December 1, 2025, and to the extent money is appropriated to HHSC for such purpose, to contract with at least two but not more than four institutions of higher education to administer an academy to provide professional development and continuing education programs for the officers of rural hospitals and other health care providers located in rural counties, defined under this provision as a county with a population of 68,750 or less. The bill requires the academy to offer at least 100 hours of coursework each year that consists of courses and technical training on matters that impact the financial stability of rural hospitals and rural health care systems, including:* relevant state and federal regulations;
* relevant state and federal financial programs;
* business administration, including revenue maximization;
* organizational management; and
* other topics applicable to the financial stability of rural hospitals and rural health care systems.

C.S.H.B. 18 requires HHSC to establish an interagency advisory committee to oversee the development of the academy's curriculum. The bill requires the executive commissioner of HHSC to appoint the members of the interagency advisory committee not later than January 1, 2026. The bill sets out the composition of the advisory committee. The bill establishes that the advisory committee is abolished on the earlier of the date the advisory committee adopts a curriculum or September 1, 2027. The bill's provisions relating to the establishment of an interagency advisory committee and the committee's abolition date expire September 1, 2028. The bill requires HHSC to establish criteria for the screening and selection of applicants for admission to an academy and include the criteria in each contract entered into to administer an academy.C.S.H.B. 18 requires an institution of higher education that receives a contract to administer an academy to notify HHSC when the institution completes the applicant selection process and provide information to HHSC regarding the qualifications of the applicants. Participation in an academy is limited to individuals who are responsible for, or who anticipate becoming responsible for, the financial stability of a rural hospital or rural health care system in Texas. The bill requires an institution of higher education that receives a contract to administer an academy to accept new participants for the academy each year and offer to reimburse academy participants for travel and related expenses. The bill prohibits the institution from claiming or charging a participant for admission to or participation in the academy or any associated services. The bill defines "institution of higher education" for purposes of these provisions by reference to general provisions relating to higher education with respect to the Texas Higher Education Coordinating Board.Grant Programs for Rural Hospitals, Hospital Districts, and Hospital AuthoritiesC.S.H.B. 18 establishes grant programs that are applicable to counties with a population of 68,750 or less and to hospital districts and hospital authorities located in such rural counties. The bill also defines the following for purposes of these grant programs:* "hospital district" as a hospital district created under the authority of Sections 4 through 11, Article IX, of the Texas Constitution; and
* "rural hospital organization" as a statewide nonprofit organization that provides services to rural hospitals.

C.S.H.B. 18 provides that implementation of these grant programs is mandatory only if a specific appropriation is made for that purpose. *Financial Stabilization Grant Program*C.S.H.B. 18 requires HHSC to establish a financial stabilization grant program to award grants to support and improve the financial stability of rural hospitals, rural hospital districts, and rural hospital authorities that are determined to be at a moderate or high risk of financial instability. C.S.H.B. 18 requires a determination of whether a grant applicant is at a moderate or high risk of financial instability to be made using the hospital financial needs assessment and financial vulnerability index developed as part of the strategic plan for rural hospital services but exempts from this requirement a grant application received before December 1, 2026, for which the State Office of Rural Hospital Finance must determine whether the applicant is at a moderate or high risk of financial instability by evaluating data published by HHSC regarding the financial stability of rural hospitals, rural hospital districts, and rural hospital authorities. The exemption expires September 1, 2027. C.S.H.B. 18 requires the State Office of Rural Hospital Finance to develop a formula to allocate the money available to HHSC for financial stabilization grants to rural hospitals, rural hospital districts, and rural hospital authorities that are determined to be at a moderate or high risk of financial instability. The formula may consider the following:* the degree of financial vulnerability of the applicant as determined using the hospital financial needs assessment and financial vulnerability index developed under the strategic plan for rural hospital services;
* whether the applicant is the sole provider of hospital services in the county in which the applicant is located;
* whether a hospital is located within 35 miles of the applicant's facilities; and
* any other factors the office determines are relevant to assessing the financial stability of rural hospitals, rural hospital districts, and rural hospital authorities.

*Emergency Hardship Grant Program*C.S.H.B. 18 requires HHSC to establish an emergency hardship grant program. The bill authorizes the State Office of Rural Hospital Finance to award emergency hardship grants to rural hospitals, rural hospital districts, and rural hospital authorities that have experienced a man‑made or natural disaster resulting in a loss of assets or an unforeseeable or unmitigable circumstance likely to result in:* the closure of the entity's facilities during the 180-day period beginning on the date the entity submits an application for an emergency hardship grant; or
* an inability to fund payroll expenditures for the entity's staff during the 180-day period beginning on the date the entity submits the application.

*Innovation Grant Program*C.S.H.B. 18 requires HHSC to establish an innovation grant program to provide support to rural hospitals, rural hospital districts, and rural hospital authorities that undertake initiatives that:* provide access to health care and improve the quality of health care provided to residents of a rural county;
* are likely to improve the financial stability of the grant recipient; and
* are estimated to become sustainable and be maintained without additional state funding after the award of an innovation grant.

The bill requires the State Office of Rural Hospital Finance, in awarding innovation grants, to prioritize initiatives focused on improving health care facilities or services for women who are pregnant or recently gave birth, individuals under the age of 20, older adults residing in a rural county, or individuals who are uninsured.*Rural Hospital Support Grant Program*C.S.H.B. 18 requires HHSC to establish a rural hospital support grant program to award support grants to rural hospitals, rural hospital districts, rural hospital authorities, and rural hospital organizations to improve the financial stability, continue the operations, and support the long-term viability of the grant recipient. *General Grant Provisions*C.S.H.B. 18 exempts the solicitation of applicants for a grant under the bill's provisions from the Uniform Grant and Contract Management Act. The bill requires the State Office of Rural Hospital Finance, to the extent practicable, to award a grant under the bill's provisions not later than the 180th day after the date the office receives the recipient's grant application. A Medicaid provider's receipt of a grant under the bill's provisions expressly does not affect any legal or contractual duty of the provider to comply with any applicable Medicaid requirements. C.S.H.B. 18 requires the State Office of Rural Hospital Finance to administer the grant programs established under the bill's provisions. The office may award a grant only in accordance with the terms of a contract between the office and the grant recipient. The contract must include provisions under which the office is granted sufficient control to ensure that the grant funds are spent in a manner that is consistent with the public purpose of providing adequate access to quality health care and both the state and the grant recipient are benefited by the award of the grant. C.S.H.B. 18 requires the State Office of Rural Hospital Finance to develop an application process and eligibility and selection criteria for persons applying for a grant under the bill's provisions and prohibits a grant recipient from using the proceeds of an awarded grant to reimburse an expense or pay a cost that another source, including Medicaid, is obligated to reimburse or pay by law or under a contract or to supplant, or be used as a substitute for, money awarded to the recipient from a non-Medicaid federal funding source, including a federal grant. Rural Hospital ReimbursementCurrent law defines "rural hospital" by reference to the meaning assigned by HHSC rules for purposes of rural hospital reimbursement and that definition of a rural hospital applies to the following described bill provisions.C.S.H.B. 18 changes the provision in current law requiring the executive commissioner of HHSC to adopt by rule a methodology for calculating once every two years the prospective cost-based reimbursement rates for applicable rural hospitals providing Medicaid inpatient or outpatient services by removing the specification subjecting such a methodology to limitations on appropriations. In addition, the bill requires the executive commissioner of HHSC, to the extent allowed by federal law and in addition to that calculated rate, to develop and calculate an add-on reimbursement rate for applicable rural hospitals that have a department of obstetrics and gynecology. The executive commissioner must calculate this rate annually. Pediatric Tele-Connectivity Resource Program for Rural Texas*Applicability of Provisions Governing Program*C.S.H.B. 18 sets out provisions that revise current law with respect to the Pediatric Tele‑Connectivity Resource Program for Rural Texas, including the definition that establishes the facilities to which provisions governing the program apply. Accordingly, the bill does the following with respect to such applicability:* repeals the definition of "nonurban health care facility," which currently makes provisions governing this program applicable to a hospital licensed under the Texas Hospital Licensing Law or other licensed health care facility in Texas that is located in a rural area defined by the Statewide Rural Health Care System Act as a county with a population of 50,000 or less, an area that is not delineated as an urbanized area by the U.S. Census Bureau, or any other area designated as rural by a rule adopted by the insurance commissioner of Texas;
* adds the definition of "rural hospital," as previously described, to make the provisions governing this program applicable to a hospital described by that definition; and
* adds a definition of "rural health clinic" by reference to the definition of that term provided by the bill provisions relating to the Texas Child Mental Health Care Consortium, as later described, thereby making provisions governing this program applicable to a rural health clinic that is:
	+ accredited by an accreditation organization, a participant in the federal Medicare program, or both; and
	+ located in a county that does not contain a general hospital or special hospital, as those terms are defined by the Texas Hospital Licensing Law.

*Establishment of Program*C.S.H.B. 18 establishes that, in addition to awarding grants to rural hospitals and rural health clinics to connect with pediatric specialists and pediatric subspecialists who provide telemedicine services, the program may also award grants to rural hospitals and rural health clinics to connect with an institution of higher education that is a member of the Texas Child Mental Health Care Consortium.*Selection of Program Grant Recipients*C.S.H.B. 18 removes the specification that HHSC may select grant recipients with any necessary assistance of pediatric tele-specialty providers and also removes the provision, applicable under current law to a facility defined as a "nonurban health care facility," specifying that, to be eligible for a grant, such a facility must have the following:* a quality assurance program that measures the compliance of the facility's health care providers with the facility's medical protocols;
* on staff at least one full-time equivalent physician who has training and experience in pediatrics and one individual who is responsible for ongoing nursery and neonatal support and care;
* a designated neonatal intensive care unit or an emergency department; and
* a commitment to obtaining neonatal or pediatric education from a tertiary facility to expand the facility's depth and breadth of telemedicine medical service capabilities.

Instead, to be eligible for a grant under the bill's revisions to the program, a rural hospital or rural health clinic must maintain records and produce reports that measure the effectiveness of a grant received by the hospital or clinic under the bill's provisions. The bill requires HHSC, to the extent practicable, to award a program grant to a grant recipient not later than the 180th day after the date HHSC receives the recipient's program grant application under the bill's provisions. The Uniform Grant and Contract Management Act does not apply to the solicitation of applicants for a program grant award.*Work Group*C.S.H.B. 18 repeals the provision authorizing HHSC to establish a program work group to assist HHSC in developing, implementing, or evaluating the program and to prepare a report on the result and outcomes of the applicable grants awarded under the program.*Biennial Report*C.S.H.B. 18 authorizes HHSC to combine the biennial report required for the program under current law with the report submitted by the State Office of Rural Hospital Finance under applicable state law governing the strategic plan for rural hospital services developed and implemented by HHSC.Texas Child Mental Health Care Consortium: Rural Pediatric Mental Health Care Access Program*Definitions*C.S.H.B. 18 amends the Health and Safety Code to set out and make applicable to the provisions governing the Texas Child Mental Health Care Consortium the previously described definitions of "rural health clinic," "rural hospital," and "rural hospital organization," thereby making these definitions applicable to the provisions governing the Rural Pediatric Mental Health Care Access Program established by the consortium under the bill's provisions.*Mental Health Care Access Program for Rural Hospitals and Rural Health Clinics*C.S.H.B. 18 requires the consortium, using the network of comprehensive child psychiatry access centers established under current law by the consortium, to establish or expand provider consultation programs to assist health care practitioners providing services at rural hospitals or rural clinics to do the following:* identify and assess the behavioral health needs of pediatric and perinatal patients seeking services at the hospital or clinic; and
* identify necessary mental health care services to improve access to mental health care services for pediatric and perinatal patients seeking services at the hospital or clinic.

The bill requires the consortium, in collaboration with a rural hospital organization, to develop a plan to establish, under the authority provided in provisions relating to child psychiatry access network and telemedicine and telehealth programs and not later than September 1, 2026, telemedicine or telehealth programs to identify and assess behavioral health needs and provide access to mental health care services for pediatric patients seeking services at rural hospitals or rural health clinics. The bill further provides that the plan, as follows:* may include limitations on the hours of the day during which services provided by the telemedicine or telehealth programs are available; and
* must provide access to mental health care services for pediatric patients seeking services at the rural hospital or rural health clinic at the same or a substantially similar level as the mental health care services provided to students attending school in a school district for which the consortium has made available mental health care services under provisions governing the consortium.

The bill requires the consortium, on or after September 1, 2026, and subject to available appropriations, to establish a program establishing or expanding telemedicine or telehealth programs to identify and assess behavioral health needs and provide access to mental health care services for pediatric patients seeking services at rural hospitals or rural health clinics.*Consent Required for Services to Minors*C.S.H.B. 18 authorizes a person to provide mental health care services to a child younger than 18 years of age through a rural pediatric mental health care access program established under the bill's provisions only if the person obtains the written consent of the parent or legal guardian of the child or, if the parent or legal guardian is not known or available, the adult with whom the child primarily resides. The bill requires the consortium to develop and post on its website a model form for a person to provide such consent. *Biennial Report*C.S.H.B. 18 requires that the consortium's biennial report be submitted to the Legislative Budget Board, in addition to the current recipients, and requires that the report outline, in addition to the information currently required to be outlined, the following:* the rural hospitals and rural health clinics to which the mental health care access program for rural hospitals and rural health clinics provided mental health access services; and
* the cost to maintain the mental health care access program for rural hospitals and rural clinics.

**Repealed Provisions**C.S.H.B. 18 repeals Section 548.0351(1) and Section 548.0356, Government Code.**Waiver or Authorization**If before implementing any provision of the bill a state agency determines that a waiver or authorization from a federal agency is necessary for implementation of that provision, the agency affected by the provision must request the waiver or authorization and may delay implementing that provision until the waiver or authorization is granted. |
| **EFFECTIVE DATE** On passage, or, if the bill does not receive the necessary vote, September 1, 2025. |
| **COMPARISON OF INTRODUCED AND SUBSTITUTE**While C.S.H.B. 18 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.**Strategic Plan for Rural Hospital Services**The substitute omits a provision included in the introduced requiring HHSC to consult with the State Office of Rural Hospital Finance established under the bill's provisions when developing and implementing the strategic plan for rural hospital services.**State Office of Rural Hospital Finance**The substitute omits a specification included in the introduced that the State Office of Rural Hospital Finance is a division within HHSC and instead provides only that the office is within HHSC.**Texas Rural Hospital Officers Academy**Whereas the introduced provided for contracting with an applicable number of institutions of higher education to establish and administer the Texas Rural Hospital Officers Academy, the substitute provides only for that same applicable number of institutions to contract for the administration of the academy and, accordingly, does not include the introduced version's references to such establishment by the institutions of higher education.Whereas the introduced provided that an institution of higher education that establishes an academy to also establish an interagency advisory committee to oversee the development of the academy's curriculum and provided for an institution's president to appoint committee members, the substitute requires instead that HHSC establish such an advisory committee with that purpose and that the executive commissioner of HHSC appoint such members. Accordingly, the substitute does not include the introduced version's references to the role of an institution's president in appointing such members. Both the introduced and the substitute provide for the composition of the advisory committee but they differ as follows:* with respect to the committee member representing an institution of higher education, the introduced required one or more such representatives while the substitute requires two or more such representatives; and
* the substitute requires the appointment of a representative from a rural hospital, which was not included in the introduced.

Whereas the introduced required an institution establishing an academy to appoint a panel to establish a competitive application process and selection criteria for academy participants, requiring the institution to select such participants using that process, and requiring panelists to review applications and provide recommendations regarding participant admission, the substitute does not include those provisions and instead requires HHSC to establish criteria for the screening and selection of applicants for admission and to include the criteria in each applicable contract entered into with an institution of higher education and requires an institution to notify the commission when the institution completes the applicant selection process and provide information to HHSC regarding the qualifications of the applicants.**Grant Programs for Rural Hospitals, Hospital Districts, and Hospital Authorities**The substitute includes a definition, absent from the introduced, applicable to all grant programs for rural hospitals, hospital districts, and hospital authorities for "rural hospital organization."The introduced and the substitute both provide for establishment of the grant programs contingent on appropriations but they do so in a different manner. While the introduced authorized the establishment of each of the bill's grant programs only to the extent money is appropriated to HHSC for the purpose of establishing the grant program, the substitute requires such establishment for each of the bill's grant programs but expressly conditions implementation of the grant programs on a legislative appropriation specifically for the purpose of that grant.**Financial Stabilization Grant Program** Both the introduced and the substitute require the State Office of Rural Hospital Finance to develop a formula to allocate the money available to HHSC for grants under the bill's provisions to rural hospitals and rural hospital districts. However, the introduced included rural health authorities as grant recipients while the substitute does not, and the substitute includes rural hospital authorities while the introduced did not. In addition, the introduced required the formula to consider certain matters for the allocation while the substitute authorizes the consideration of those same matters by the formula.**Rural Hospital Support Grant Program**Both the introduced and the substitute provide for support grants to rural hospitals, rural hospital districts, and rural hospital authorities. The substitute, but not the introduced, provides for such grants to rural hospital organizations.**Rural Hospital Reimbursement**The substitute includes a provision absent from the introduced changing the provision in current law requiring the executive commissioner of HHSC to adopt by rule a methodology for calculating once every two years the prospective cost-based reimbursement rates for applicable rural hospitals providing Medicaid inpatient or outpatient services by removing the specification subjecting such a methodology to limitations on appropriations. **Pediatric Tele-Connectivity Resource Program for Rural Texas**Both the introduced and the substitute change the facilities to which grants may be awarded under the Pediatric Tele-Connectivity Resource Program for Rural Texas by removing nonurban health care facilities as grant recipients, repealing the provision defining that term, and adding rural hospitals, as defined by the bill, as grant recipients. However, the substitute in a provision absent from the introduced adds rural health clinics as grant recipients and includes a definition for "rural health clinics" that is absent from the introduced. Accordingly, the substitute, but not the introduced, makes applicable to these rural health clinics the provisions governing the use of program grants and the selection of program grant recipients. **Texas Child Mental Health Care Consortium: Rural Pediatric Mental Health Care Access Program**Mental Health Care Access ProgramBoth the introduced and the substitute require the Texas Child Mental Health Care Consortium to establish a pediatric mental health care access program for rural hospitals, as defined by the bill, but they differ in the following ways regarding this program:* the introduced makes the program applicable only to rural hospitals, whereas the substitute makes the program applicable also to rural health clinics and includes a definition of such clinics; and
* while both versions require the consortium to establish or expand telemedicine or telehealth programs to identify and assess behavioral needs and provide access to mental health services for pediatric patients seeking services:
	+ the introduced required the use of the network of comprehensive child psychiatry access centers already established by the consortium under current law for the establishment or expansion; whereas
	+ the substitute does not include the use of such centers in its establishment or expansion of those programs but instead requires such establishment or expansion on or after September 1, 2026, and subjects the requirement to available appropriations.

However, the substitute includes a provision absent from the introduced that requires the consortium to use those centers to establish or expand provider consultation programs to assist health care practitioners providing services at rural hospitals or rural health clinics for certain purposes. In addition, the substitute includes a provision absent from the introduced that requires the consortium, in collaboration with a rural hospital organization, as defined for purposes of this provision, to develop a plan to establish not later than September 1, 2026, under the consortium's existing statutory authority with respect to the child psychiatry access network's telemedicine and telehealth programs, certain telemedicine or telehealth programs to identify and assess behavioral health needs and provide access to mental health care services for pediatric patients seeking services at rural hospitals or rural health clinics and includes additional provisions related to that plan that are absent from the introduced.Consent Required for Services to MinorsBoth the introduced and the substitute set out a provision requiring written consent of a parent or legal guardian of a child younger than 18 years of age before a person may provide mental health care services to the child through a program established under these bill provisions, but the substitute includes a provision absent from the introduced requiring written consent of the adult with whom the child primarily resides if the parent or legal guardian is not known or available. Reimbursement for ServicesThe substitute omits the provisions of the introduced providing for a child psychiatry access center to submit a claim for reimbursement to HHSC or a contractor operating a Medicaid program on behalf of HHSC.Biennial ReportBoth the introduced and the substitute make changes to the consortium's biennial reporting requirement. The substitute requires that report to be submitted to the Legislative Budget Board in addition to the other recipients, but the introduced does not require this submission. While both the introduced and the substitute require the report to outline the rural hospitals to which the applicable mental health care access program provided services, the substitute, but not the introduced, requires the report to also outline the rural health clinics to which the program provided the services. |