

## **BILL ANALYSIS**

Senate Research Center  
89R30162 MPF-D

C.S.H.B. 18  
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Health & Human Services  
5/15/2025  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Rural hospitals in Texas face financial instability, leading to closures and reduced access to critical healthcare services for rural communities. Factors such as low patient volumes, regulatory burdens, and insufficient Medicaid reimbursement exacerbate these challenges. According to the Texas Organization of Rural & Community Hospitals (TORCH), over 20 rural hospitals have closed in Texas since 2010, with many operating at risk. These closures reduce access to vital services such as emergency care, obstetrics, and mental health, disproportionately impacting pregnant women, children, seniors, and uninsured individuals in rural areas.

The existing Medicaid payment system and lack of targeted support programs have proven inadequate in addressing these vulnerabilities. H.B. 18 seeks to stabilize rural healthcare delivery, support workforce development, and enhance telemedicine access to ensure that rural Texans can receive high-quality care close to home.

#### **Bill Summary:**

1. Establishes the State Office of Rural Hospital Finance within HHS to provide technical assistance and financial support for rural hospitals participating in Medicaid and other state or federal programs.
2. Creates a Rural Hospital Financial Vulnerability Index and Needs Assessment to evaluate the financial health of rural hospitals and guide funding allocations.
3. Creates four targeted grant programs:
  - a. Financial Stabilization Grants to support rural hospitals, districts, and authorities at moderate to high financial risk.
  - b. Emergency Hardship Grants for hospitals facing sudden crises like disasters or payroll shortfalls.
  - c. Innovation Grants to support sustainable healthcare initiatives, especially for vulnerable populations.
  - d. Rural Hospital Support Grants for ongoing operational stability and long-term viability.
4. Launches the Texas Rural Hospital Officers Academy, which will provide 100+ hours of annual training for rural hospital leaders on financial management, regulations, and organizational leadership through partnerships with higher education institutions.
5. Implements cost-based reimbursement rates updated biennially and establishes an annual add-on reimbursement for rural hospitals with obstetrics and gynecology departments.
6. Creates the new Rural Pediatric Mental Health Care Access Program to use telehealth services to identify and assess pediatric patients seeking mental-behavioral health needs. Parents, legal guardians or adult with whom the child lives with must give prior written consent for their minor child or guardian to receive these services.

#### **Committee Substitute:**

The committee substitute adds language to ensure that dollars received under the grant programs are given to rural hospitals and not the system the hospital is a part of.

C.S.H.B. 18 amends current law relating to the establishment and administration of certain programs and services providing health care services to rural counties.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the executive commissioner of the Health and Human Services Commission is modified in SECTION 5 (Section 532.0155, Government Code) of this bill.

## **SECTION BY SECTION ANALYSIS**

SECTION 1. Authorizes this Act to be cited as the Rural Health Stabilization and Innovation Act.

SECTION 2. Amends Sections 526.0301(b) and (c), Government Code, as follows:

(b) Requires that the strategic plan for rural hospital services include certain items, including 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. Makes nonsubstantive changes.

(c) Requires the State Office of Rural Hospital Finance (office) established under Section 526.0304, not later than December 1 of each even-numbered year, to submit a report regarding the development and implementation of the strategic plan to certain entities. Deletes existing text requiring the Health and Human Services Commission (HHSC), not later than November 1 of each even-numbered year, to submit a report regarding HHSC's development and implementation of the strategic plan to certain entities.

SECTION 3. Amends Subchapter G, Chapter 526, Government Code, by adding Sections 526.0304 and 526.0305, as follows:

Sec. 526.0304. STATE OFFICE OF RURAL HOSPITAL FINANCE. Requires HHSC to establish and maintain the office within HHSC to provide technical assistance for rural hospitals and health care systems in rural areas of this state that participate or are seeking to participate in state or federal financial programs, including Medicaid.

Sec. 526.0305. TEXAS RURAL HOSPITAL OFFICERS ACADEMY. (a) Defines "institution of higher education," "rural county," and "rural hospital."

(b) Requires HHSC, to the extent money is appropriated to HHSC for the 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. 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 certain subjects.

(b-1) Requires HHSC to establish an interagency advisory committee to oversee the development of the academy's curriculum. Provides that the advisory committee is composed of certain members appointed by the executive commissioner of HHSC (executive commissioner).

(b-2) Provides that the advisory committee established under Subsection (b-1) is abolished on the earlier of the date the advisory committee adopts a curriculum or September 1, 2027.

(b-3) Provides that this subsection and Subsections (b-1) and (b-2) expire September 1, 2028.

(c) 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 under Subsection (b). Requires an institution of higher education that

receives a contract to administer an academy under Subsection (b) to notify HHSC when the institution completes the applicant selection process and provide information to HHSC regarding the qualifications of the applicants.

(d) Provides that 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 this state.

(e) Provides that an institution of higher education that receives a contract to administer an academy under Subsection (b) is required to accept new participants for the academy each year, required to offer to reimburse academy participants for travel and related expenses, and prohibited from claiming or charging a participant for admission to or participation in the academy or any associated services.

SECTION 4. Amends Chapter 526, Government Code, as effective April 1, 2025, by adding Subchapter G-1, as follows:

**SUBCHAPTER G-1. GRANT PROGRAMS FOR RURAL HOSPITALS, HOSPITAL DISTRICTS, AND HOSPITAL AUTHORITIES**

Sec. 526.0321. DEFINITIONS. Defines "hospital district," "office," "rural county," "rural hospital," "rural hospital authority," "rural hospital district," and "rural hospital organization."

Sec. 526.0322. FINANCIAL STABILIZATION GRANT PROGRAM. (a) 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.

(b) Requires that the determination of whether a grant applicant is at a moderate or high risk of financial instability be made using the hospital financial needs assessment and financial vulnerability index developed as part of the strategic plan required under Section 526.0301 (Strategic Plan for Rural Hospital Services).

(b-1) Requires the office, notwithstanding Subsection (b), for a grant application received before December 1, 2026, to 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. Provides that this subsection expires September 1, 2027.

(c) Requires the office to develop a formula to allocate the money available to HHSC for grants under this section to rural hospitals, rural hospital districts, and rural hospital authorities that are determined to be at a moderate or high risk of financial instability. Authorizes the formula to consider certain factors.

Sec. 526.0323. EMERGENCY HARDSHIP GRANT PROGRAM. (a) Requires HHSC to establish an emergency hardship grant program.

(b) Authorizes the office 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 certain outcomes.

Sec. 526.0324. INNOVATION GRANT PROGRAM. (a) Requires HHSC to establish an innovation grant program to provide support to rural hospitals, rural hospital districts, and rural hospital authorities that undertake initiatives to provide access to health care and improve the quality of health care provided to residents of a rural county, that are likely to improve the financial stability of the grant recipient, and that are estimated to become

sustainable and be maintained without additional state funding after the award of a grant under this section.

- (b) Requires the office, in awarding grants under this section, to prioritize initiatives focused on improving health care facilities or services for certain individuals.

Sec. 526.0325. RURAL HOSPITAL SUPPORT GRANT PROGRAM. 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.

Sec. 526.0326. GENERAL GRANT PROVISIONS. (a) Provides that Chapter 783 (Uniform Grant and Contract Management) does not apply to the solicitation of applicants for a grant under this subchapter.

- (b) Requires the office, to the extent practicable, to award a grant under this subchapter not later than the 180th day after the date the office receives the recipient's grant application.

- (c) Provides that a Medicaid provider's receipt of a grant under this subchapter does not affect any legal or contractual duty of the provider to comply with any applicable Medicaid requirements.

- (d) Requires the office to administer the grant programs established under this subchapter.

- (e) Provides that the office is authorized to award a grant under this subchapter only in accordance with the terms of a contract between the office and the grant recipient. Requires that the contract 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 this state and the grant recipient are benefited by the award of the grant.

- (f) Requires the office to develop an application process and eligibility and selection criteria for persons applying for a grant under this subchapter.

- (g) Prohibits a grant recipient from using the proceeds of a grant awarded under this subchapter 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 supplant, or be used as a substitute for, money awarded to the recipient from a non-Medicaid federal funding source, including a federal grant.

Sec. 526.0327. LIMITATION ON CONTROL OF FUNDS BY HOSPITAL SYSTEM. (a) Defines "control" and "hospital system."

- (b) Provides that, to ensure that grant money awarded under this subchapter is used for the benefit of residents of rural counties, money awarded to a hospital that is part of a hospital system is prohibited from being retained or otherwise controlled by the corporate parent of the hospital system or the hospital system and is required to be under control of an individual who is present on the premises of the hospital, or an administrative office of the hospital that is located within five miles of the hospital, at least two days per week.

Sec. 526.0328. APPROPRIATION CONTINGENCY. Provides that HHSC is required to implement a provision of this subchapter only if the legislature appropriates money specifically for that purpose.

SECTION 5. Amends Section 532.0155, Government Code, by amending Subsection (b) and adding Subsection (g), as follows:

(b) Requires the executive commissioner, to the extent allowed by federal law, rather than to the extent allowed by federal law and subject to limitations on appropriations, by rule to adopt a prospective reimbursement methodology for the payment of rural hospitals participating in Medicaid that ensures the rural hospitals are reimbursed on an individual basis for providing inpatient and general outpatient services to recipients by using the hospitals' most recent cost information concerning the costs incurred for providing the services.

(g) Requires the executive commissioner, in addition to the cost-based reimbursement rate calculated by the executive commissioner under Subsection (b), to the extent allowed by federal law, to develop and calculate an add-on reimbursement rate for rural hospitals that have a department of obstetrics and gynecology. Requires the executive commissioner to calculate the rate required by this subsection annually.

SECTION 6. Amends Section 548.0351, Government Code, by adding Subdivisions (6-a) and (6-b) to define "rural health clinic" and "rural hospital."

SECTION 7. Amends Section 548.0352, Government Code, as follows:

Sec. 548.0352. ESTABLISHMENT OF PEDIATRIC TELE-CONNECTIVITY RESOURCE PROGRAM FOR RURAL TEXAS. Requires HHSC with any necessary assistance of pediatric tele-specialty providers to establish a pediatric tele-connectivity resource program for rural Texas to award grants to rural hospitals and rural health clinics, rather than nonurban health care facilities, to connect the hospitals and clinics, rather than the facilities, with pediatric specialists and pediatric subspecialists who provide telemedicine medical services or with an institution of higher education that is a member of the Texas Child Mental Health Care Consortium (consortium) established under Chapter 113 (Texas Child Mental Health Care Consortium), Health and Safety Code.

SECTION 8. Amends Section 548.0353, Government Code, to make conforming changes.

SECTION 9. Amends Section 548.0354, Government Code, as follows:

Sec. 548.0354. SELECTION OF PROGRAM GRANT RECIPIENTS. (a) Authorizes HHSC to select eligible rural hospitals and rural health clinics to receive a grant under Subchapter H (Pediatric Tele-Connectivity Resource Program for Rural Texas). Deletes existing text authorizing HHSC, with any necessary assistance of pediatric tele-specialty providers, to select an eligible nonurban health care facility to receive a grant under this subchapter.

(b) Requires a hospital or rural health clinic, to be eligible for a grant, to maintain records and produce reports that measure the effectiveness of a grant received by the hospital or clinic under this subchapter. Deletes existing text requiring a nonurban health care facility, to be eligible for a grant, to have certain programs and staff, including the capability of maintaining records and producing reports that measure the effectiveness of the grant the facility would receive.

(c) 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 this section.

(d) Provides that Chapter 783 does not apply to the solicitation of applicants for a program grant award under this subchapter.

SECTION 10. Amends Section 548.0357, Government Code, to authorize HHSC to combine the report required by Section 548.0357 (Biennial Report) with the report submitted by the office under Section 526.0301.

SECTION 11. Amends Section 113.0001, Health and Safety Code, by adding Subdivisions (4), (5), and (6), to define "rural health clinic," "rural hospital," and "rural hospital organization."

SECTION 12. Amends Chapter 113, Health and Safety Code, by adding Subchapter D-1, as follows:

**SUBCHAPTER D-1. RURAL PEDIATRIC MENTAL HEALTH CARE ACCESS  
PROGRAM**

Sec. 113.0181. MENTAL HEALTH CARE ACCESS PROGRAM FOR RURAL HOSPITALS AND RURAL HEALTH CLINICS. (a) Requires the consortium, using the network of comprehensive child psychiatry access centers established under Section 113.0151 (Child Psychiatry Access Network and Telemedicine and Telehealth Programs), to establish or expand provider consultation programs to assist health care practitioners providing services at rural hospitals or rural health clinics to 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.

(b) Requires the consortium, in collaboration with a rural hospital organization, to develop a plan to establish, under the authority provided in Section 113.0151(b) (relating to requiring the consortium to establish or expand telemedicine or telehealth programs for identifying and assessing behavioral health needs and providing access to mental health care services) 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. Authorizes the plan to include limitations on the hours of the day during which services provided by the telemedicine or telehealth programs are available. Requires the plan to 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 this chapter.

(c) 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.

Sec. 113.0182. CONSENT REQUIRED FOR SERVICES TO MINOR. (a) Provides that a person is authorized to provide mental health care services to a child younger than 18 years of age through a program established under this subchapter 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.

(b) Requires the consortium to develop and post on the consortium's Internet website a model form for a person to provide consent under this section.

(c) Provides that written consent obtained under Subsection (a) is not valid if the consent authorizes the provision of a mental health care service to a child that affirms the child's perception of the child's gender if that perception is inconsistent with the child's biological sex.

SECTION 13. Amends Section 113.0251, Health and Safety Code, as follows:

Sec. 113.0251. BIENNIAL REPORT. Requires the consortium, not later than December 1 of each even-numbered year, to prepare and submit to certain entities, including the Legislative Budget Board, and post on its Internet website a written report that outlines certain subjects, including the rural hospitals and rural health clinics to which the program established under Section 113.0181 provided mental health access services and the cost to maintain the mental health care access program established under Subchapter D-1. Makes nonsubstantive changes.

SECTION 14. Repealer: Section 548.0351(1) (relating to defining "nonurban health care facility"), Government Code.

Repealer: Section 548.0356 (Work Group), Government Code

SECTION 15. Requires a state agency, if necessary for implementation of a provision of this Act, to request a waiver or authorization from a federal agency, and authorizes delay of implementation until such a waiver or authorization is granted.

SECTION 16. (a) Requires HHSC, not later than December 1, 2025, to contract with institutions of higher education to administer an academy under Section 526.0305, Government Code, as added by this Act.

(b) Requires the executive commissioner, not later than January 1, 2026, to appoint the members of the interagency advisory committee as required by Section 526.0305, Government Code, as added by this Act.

SECTION 17. Effective date: upon passage or September 1, 2025.