S.B. No. 457

AN ACT

relating to the regulation of certain nursing facilities, including licensing requirements and Medicaid participation and reimbursement requirements.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Subchapter D, Chapter 532, Government Code, is amended by adding Section 532.0159 to read as follows:

Sec. 532.0159.  CONTINUED REIMBURSEMENT OF NURSING FACILITIES WHILE CHANGE IN OWNERSHIP APPLICATION PENDING. (a) Notwithstanding any other law, the commission shall ensure that a nursing facility providing Medicaid services to recipients continues to receive Medicaid reimbursement uninterrupted while a change in ownership application for the facility is pending with the commission, provided the facility under the new ownership:

(1)  accepts assignment of the previous owner's Medicaid provider agreement subject to applicable federal and state law, including applicable federal and state regulations;

(2)  satisfies applicable requirements under federal and state law, including the licensing requirement under Chapter 242, Health and Safety Code;

(3)  if required by the terms of and agreed to by the parties to the contract, assumes the contract to deliver Medicaid nursing facility services in effect before the change in ownership;

(4)  subject to Subsection (b), enters into a successor liability agreement, approved by the commission; and

(5)  meets any additional requirements prescribed by the commission.

(b)  A successor liability agreement under Subsection (a)(4) must require that the facility under the new ownership:

(1)  pay the commission for any outstanding liabilities under the contract in effect before the change in ownership that are identified by the commission; and

(2)  agree that an outstanding liability identified by the commission may include a liability incurred by the previous owner without regard to:

(A)  when a service was provided or a claim was filed; or

(B)  whether the liability is identified by the commission or another authorized entity, including a Medicaid managed care organization.

(c)  This section does not apply to a supplemental payment program or a directed payment program, as defined by Section 532.0102, operated or administered by the commission.

(d)  The executive commissioner shall adopt rules necessary to implement this section.

SECTION 2.  Section 540.0752(b), Government Code, is amended to read as follows:

(b)  Subject to Section 540.0701 and notwithstanding any other law, the commission shall provide Medicaid benefits through the STAR+PLUS Medicaid managed care program to recipients who reside in nursing facilities. In implementing this subsection, the commission shall ensure that:

(1)  a nursing facility is paid not later than the 10th day after the date the facility submits a clean claim;

(1-a) a nursing facility complies with the patient care expense ratio adopted under Section 32.0286, Human Resources Code;

(2)  services are used appropriately, consistent with criteria the commission establishes;

(3)  the incidence of potentially preventable events and unnecessary institutionalizations is reduced;

(4)  a Medicaid managed care organization providing services under the program:

(A)  provides discharge planning, transitional care, and other education programs to physicians and hospitals regarding all available long-term care settings;

(B)  assists in collecting applied income from recipients; and

(C)  provides payment incentives to nursing facility providers that:

(i)  reward reductions in preventable acute care costs; and

(ii)  encourage transformative efforts in the delivery of nursing facility services, including efforts to promote a resident-centered care culture through facility design and services provided;

(5)  a portal is established that complies with state and federal regulations, including standard coding requirements, through which nursing facility providers participating in the program may submit claims to any participating Medicaid managed care organization;

(6)  rules and procedures relating to certifying and decertifying nursing facility beds under Medicaid are not affected; and

(7)  a Medicaid managed care organization providing services under the program, to the greatest extent possible, offers nursing facility providers access to:

(A)  acute care professionals; and

(B)  telemedicine, when feasible and in accordance with state law, including rules adopted by the Texas Medical Board[~~; and~~

[~~(8)  the commission approves the staff rate enhancement methodology for the staff rate enhancement paid to a nursing facility that qualifies for the enhancement under the program~~].

SECTION 3.  Subchapter F, Chapter 540, Government Code, is amended by adding Section 540.0283 to read as follows:

Sec. 540.0283.  NURSING FACILITY PROVIDER AGREEMENTS: COMPLIANCE WITH PATIENT CARE EXPENSE RATIO. (a) A contract to which this subchapter applies must require that each provider agreement between the contracting Medicaid managed care organization and a nursing facility include a requirement that the facility comply with the patient care expense ratio adopted under Section 32.0286, Human Resources Code.

(b)  This section does not apply to a state-owned facility.

SECTION 4.  Section 242.032, Health and Safety Code, is amended by adding Subsection (b-1) to read as follows:

(b-1)  The application must:

(1)  include the name of each person with a direct or indirect ownership interest of five percent or more in:

(A)  the nursing facility, including a subsidiary or parent company of the facility; and

(B)  the real property on which the nursing facility is located, including any owner, common owner, tenant, or sublessee; and

(2)  describe the exact ownership interest of each of those persons in relation to the facility or property.

SECTION 5.  Subchapter B, Chapter 242, Health and Safety Code, is amended by adding Section 242.0333 to read as follows:

Sec. 242.0333.  NOTIFICATION OF CHANGE TO OWNERSHIP INTEREST APPLICATION INFORMATION. A license holder shall notify the commission, in the form and manner the commission requires, of any change to the ownership interest application information provided under Section 242.032(b-1).

SECTION 6.  Subchapter B, Chapter 32, Human Resources Code, is amended by adding Section 32.0286 to read as follows:

Sec. 32.0286.  ANNUAL PATIENT CARE EXPENSE RATIO FOR REIMBURSEMENT OF CERTAIN NURSING FACILITY PROVIDERS. (a) In this section, "patient care expense":

(1)  includes an expense incurred by a nursing facility for:

(A)  providing compensation and benefits to:

(i)  direct care staff of a facility, whether the staff are employees of or contract labor for the facility, including:

(a)  licensed registered nurses and licensed vocational nurses, including directors of nursing and assistant directors of nursing;

(b)  medication aides;

(c)  restorative aides;

(d)  nurse aides who provide nursing-related care to residents occupying medical assistance beds;

(e)  licensed social workers; and

(f)  social services assistants;

(ii)  additional staff associated with providing care to facility residents with a severe cognitive impairment;

(iii)  nonprofessional administrative staff, including medical records staff and accounting or bookkeeping staff;

(iv)  central supply staff and ancillary facility staff;

(v)  housekeeping staff and laundry staff; and

(vi)  food service staff;

(B)  central supply costs and ancillary costs for facility services and supplies, including:

(i)  diagnostic laboratory and radiology costs;

(ii)  durable medical equipment costs, including costs to purchase, rent, or lease the equipment;

(iii)  costs for oxygen used to provide oxygen treatment;

(iv)  prescription and nonprescription drug costs; and

(v)  therapy consultant costs; and

(C)  costs for dietary and nutrition services, including costs for:

(i)  food service and related supplies; and

(ii)  nutritionist services; and

(2)  does not include an expense for:

(A)  administrative or operational costs, other than administrative or operational costs described by Subdivision (1); or

(B)  fixed capital asset costs.

(b)  The executive commissioner by rule shall establish an annual patient care expense ratio, including a process for determining the ratio, applicable to the reimbursement of nursing facility providers for providing services to recipients under the medical assistance program. In establishing the ratio, the executive commissioner shall require that at least 80 percent of the portion of the medical assistance reimbursement amount paid to a nursing facility that is attributable to patient care expenses is spent on reasonable and necessary patient care expenses.

(c)  The executive commissioner shall adopt rules necessary to ensure each nursing facility provider that participates in the medical assistance program complies with the patient care expense ratio adopted under this section.

(d)  Except as provided by Subsection (e) and to the extent permitted by federal law, the commission may recoup all or part of the medical assistance reimbursement amount paid to a nursing facility that is subject to the patient care expense ratio under this section if the facility fails to spend the reimbursement amount in accordance with the patient care expense ratio.

(e)  The commission may not recoup a medical assistance reimbursement amount under Subsection (d) if, during the period patient care expenses attributable to the reimbursement amount are calculated, the facility:

(1)  held at least a four-star rating under the Centers for Medicare and Medicaid Services five-star quality rating system for nursing facilities in three or more of the following categories:

(A)  overall;

(B)  health inspections;

(C)  staffing; and

(D)  long-stay quality measures;

(2)  both:

(A)  maintained an average daily occupancy rate of 75 percent or less; and

(B)  spent at least 70 percent of the portion of the reimbursement amount paid to the facility that was attributable to patient care expenses on reasonable and necessary patient care expenses; or

(3)  incurred expenses related to a disaster for which the governor issued a disaster declaration under Chapter 418, Government Code.

(f)  The commission shall publish and maintain on the commission's Internet website a list of all nursing facilities from which the commission recouped medical assistance reimbursement amounts under Subsection (d).

(g)  The commission may not require a nursing facility to comply with the patient care expense ratio as a condition of participation in the medical assistance program.

(h)  This section does not apply to a state-owned facility.

SECTION 7.  Sections 32.028(g), (i), and (m), Human Resources Code, are repealed.

SECTION 8.  (a) The Health and Human Services Commission shall, subject to this section, require compliance with the initial annual patient care expense ratio adopted under Section 32.0286, Human Resources Code, as added by this Act, beginning on September 1, 2025.

(b)  The Health and Human Services Commission shall, in a contract between the commission and a managed care organization under Chapter 540, Government Code, that is entered into or renewed on or after the effective date of this Act, require the managed care organization to comply with Section 540.0283, Government Code, as added by this Act.

(c)  The Health and Human Services Commission shall seek to amend contracts entered into with managed care organizations under Chapter 533 or 540, Government Code, before the effective date of this Act to require those managed care organizations to comply with Section 540.0283, Government Code, as added by this Act. To the extent of a conflict between that section and a provision of a contract with a managed care organization entered into before the effective date of this Act, the contract provision prevails.

SECTION 9.  Not later than November 1, 2027, the Health and Human Services Commission shall prepare and submit to the legislature a written report that includes an assessment of the impact of the patient care expense ratio established under Section 32.0286, Human Resources Code, as added by this Act, on nursing facility care provided to Medicaid recipients during the preceding state fiscal biennium, including the impact on the cost and quality of care and any other information the commission determines appropriate.

SECTION 10.  If before implementing any provision of this Act 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 shall request the waiver or authorization and may delay implementing that provision until the waiver or authorization is granted.

SECTION 11.  This Act takes effect September 1, 2025.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_    \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_President of the Senate             Speaker of the House

I hereby certify that S.B. No. 457 passed the Senate on May 1, 2025, by the following vote:  Yeas 31, Nays 0; May 29, 2025, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 30, 2025, House granted request of the Senate; May 31, 2025, Senate adopted Conference Committee Report by the following vote:  Yeas 31, Nays 0.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_    Secretary of the Senate

I hereby certify that S.B. No. 457 passed the House, with amendments, on May 28, 2025, by the following vote:  Yeas 104, Nays 34, two present not voting; May 30, 2025, House granted request of the Senate for appointment of Conference Committee; May 31, 2025, House adopted Conference Committee Report by the following vote:  Yeas 111, Nays 19, two present not voting.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_    Chief Clerk of the House

Approved:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_            Date\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_           Governor