

1-1 By: VanDeaver, et al. (Senate Sponsor - Perry, et al.) H.B. No. 18  
1-2 (In the Senate - Received from the House April 24, 2025;  
1-3 April 28, 2025, read first time and referred to Committee on Health  
1-4 & Human Services; May 19, 2025, reported adversely, with favorable  
1-5 Committee Substitute by the following vote: Yeas 6, Nays 1;  
1-6 May 19, 2025, sent to printer.)

1-7	COMMITTEE VOTE				
1-8		Yea	Nay	Absent	PNV
1-9	Kolkhorst	X			
1-10	Perry	X			
1-11	Blanco	X			
1-12	Cook			X	
1-13	Hall	X			
1-14	Hancock	X			
1-15	Hughes			X	
1-16	Miles		X		
1-17	Sparks	X			

1-18 COMMITTEE SUBSTITUTE FOR H.B. No. 18 By: Hancock

1-19 A BILL TO BE ENTITLED  
1-20 AN ACT

1-21 relating to the establishment and administration of certain  
1-22 programs and services providing health care services to rural  
1-23 counties.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-25 SECTION 1. This Act may be cited as the Rural Health  
1-26 Stabilization and Innovation Act.

1-27 SECTION 2. Sections 526.0301(b) and (c), Government Code,  
1-28 are amended to read as follows:

1-29 (b) The strategic plan must include:

1-30 (1) a proposal for using at least one of the following  
1-31 methods to ensure access to hospital services in the rural areas of  
1-32 this state:

1-33 (A) an enhanced cost reimbursement methodology  
1-34 for the payment of rural hospitals participating in the Medicaid  
1-35 managed care program in conjunction with a supplemental payment  
1-36 program for rural hospitals to cover costs incurred in providing  
1-37 services to recipients;

1-38 (B) a hospital rate enhancement program  
1-39 applicable only to rural hospitals;

1-40 (C) a reduction of punitive actions under  
1-41 Medicaid that require reimbursement for Medicaid payments made to a  
1-42 rural hospital provider, a reduction of the frequency of payment  
1-43 reductions under Medicaid made to rural hospitals, and an  
1-44 enhancement of payments made under merit-based programs or similar  
1-45 programs for rural hospitals;

1-46 (D) a reduction of state regulatory-related  
1-47 costs related to the commission's review of rural hospitals; or

1-48 (E) in accordance with rules the Centers for  
1-49 Medicare and Medicaid Services adopts, the establishment of a  
1-50 minimum fee schedule that applies to payments made to rural  
1-51 hospitals by Medicaid managed care organizations; ~~and~~

1-52 (2) target dates for achieving goals related to the  
1-53 proposal described by Subdivision (1); and

1-54 (3) a rural hospital financial needs assessment and  
1-55 financial vulnerability index quantifying the likelihood that a  
1-56 rural hospital, during the next two-year period, will be able to:

1-57 (A) maintain the types of patient services the  
1-58 hospital currently offers at the same level of service;

1-59 (B) meet the hospital's current financial  
1-60 obligations; and

(C) remain operational.  
(c) Not later than December [November] 1 of each even-numbered year, the State Office of Rural Hospital Finance established under Section 526.0304 [commission] shall submit a report regarding the [commission's] development and implementation of the strategic plan to:  
(1) the legislature;  
(2) the governor; and  
(3) the Legislative Budget Board.

SECTION 3. Subchapter G, Chapter 526, Government Code, is amended by adding Sections 526.0304 and 526.0305 to read as follows:

Sec. 526.0304. STATE OFFICE OF RURAL HOSPITAL FINANCE. The commission shall establish and maintain the State Office of Rural Hospital Finance within the commission 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) In this section:

(1) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(2) "Rural county" means a county with a population of 68,750 or less.

(3) "Rural hospital" has the meaning assigned by Section 548.0351.

(b) To the extent money is appropriated to the commission for the purpose, the commission shall 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. The academy must 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:

(1) relevant state and federal regulations;  
(2) relevant state and federal financial programs;  
(3) business administration, including revenue maximization;

(4) organizational management; and  
(5) other topics applicable to the financial stability of rural hospitals and rural health care systems.

(b-1) The commission shall establish an interagency advisory committee to oversee the development of the academy's curriculum. The advisory committee is composed of the following members appointed by the executive commissioner:

(1) a representative of the commission;  
(2) a representative of two or more institutions of higher education;

(3) a representative of the Department of State Health Services;

(4) a representative of the Texas Department of Insurance;

(5) a representative of the state auditor's office;  
(6) a representative of a rural hospital; and

(7) a representative of any state agency the executive commissioner determines is appropriate.

(b-2) The advisory committee established under Subsection (b-1) is abolished on the earlier of:

(1) the date the advisory committee adopts a curriculum; or  
(2) September 1, 2027.

(b-3) This subsection and Subsections (b-1) and (b-2) expire September 1, 2028.

(c) The commission shall 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). An institution of higher education that receives a

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

(d) 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) An institution of higher education that receives a contract to administer an academy under Subsection (b):

(1) shall accept new participants for the academy each year;

(2) shall offer to reimburse academy participants for travel and related expenses; and

(3) may not claim or charge a participant for admission to or participation in the academy or any associated services.

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

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

Sec. 526.0321. DEFINITIONS. In this subchapter:

(1) "Hospital district" means a hospital district created under the authority of Sections 4 through 11, Article IX, Texas Constitution.

(2) "Office" means the State Office of Rural Hospital Finance established under Section 526.0304.

(3) "Rural county" means a county with a population of 68,750 or less.

(4) "Rural hospital" has the meaning assigned by Section 548.0351.

(5) "Rural hospital authority" means a hospital authority located in a rural county.

(6) "Rural hospital district" means a hospital district located in a rural county.

(7) "Rural hospital organization" means a statewide nonprofit organization that provides services to rural hospitals.

Sec. 526.0322. FINANCIAL STABILIZATION GRANT PROGRAM. (a) The commission shall 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) The determination of whether a grant applicant is at a moderate or high risk of financial instability shall be made using the hospital financial needs assessment and financial vulnerability index developed as part of the strategic plan required under Section 526.0301.

(b-1) Notwithstanding Subsection (b), for a grant application received before December 1, 2026, the office shall determine whether the applicant is at a moderate or high risk of financial instability by evaluating data published by the commission regarding the financial stability of rural hospitals, rural hospital districts, and rural hospital authorities. This subsection expires September 1, 2027.

(c) The office shall develop a formula to allocate the money available to the commission 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. The formula may consider:

(1) the degree of financial vulnerability of the applicant as determined using the hospital financial needs assessment and financial vulnerability index developed under Section 526.0301;

(2) whether the applicant is the sole provider of hospital services in the county in which the applicant is located;

(3) whether a hospital is located within 35 miles of the applicant's facilities; and

(4) any other factors the office determines are

relevant to assessing the financial stability of rural hospitals, rural hospital districts, and rural hospital authorities.

Sec. 526.0323. EMERGENCY HARDSHIP GRANT PROGRAM. (a) The commission shall establish an emergency hardship grant program.

(b) The office may award emergency hardship grants to rural hospitals, rural hospital districts, and rural hospital authorities that have experienced:

(1) a man-made or natural disaster resulting in a loss of assets; or

(2) an unforeseeable or unmitigable circumstance likely to result in:

(A) the closure of the entity's facilities during the 180-day period beginning on the date the entity submits an application for a grant under this section; or

(B) an inability to fund payroll expenditures for the entity's staff during the 180-day period beginning on the date the entity submits an application for a grant under this section.

Sec. 526.0324. INNOVATION GRANT PROGRAM. (a) The commission shall establish an innovation grant program to provide support to rural hospitals, rural hospital districts, and rural hospital authorities that undertake initiatives:

(1) to provide access to health care and improve the quality of health care provided to residents of a rural county;

(2) that are likely to improve the financial stability of the grant recipient; and

(3) that are estimated to become sustainable and be maintained without additional state funding after the award of a grant under this section.

(b) In awarding grants under this section, the office shall prioritize initiatives focused on improving health care facilities or services for:

(1) women who are pregnant or recently gave birth;

(2) individuals under the age of 20;

(3) older adults residing in a rural county; or

(4) individuals who are uninsured.

Sec. 526.0325. RURAL HOSPITAL SUPPORT GRANT PROGRAM. The commission shall 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) Chapter 783 does not apply to the solicitation of applicants for a grant under this subchapter.

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

(c) 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) The office shall administer the grant programs established under this subchapter.

(e) The office may award a grant under this subchapter 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:

(1) the grant funds are spent in a manner that is consistent with the public purpose of providing adequate access to quality health care; and

(2) both this state and the grant recipient are benefited by the award of the grant.

(f) The office shall develop an application process and eligibility and selection criteria for persons applying for a grant under this subchapter.

(g) A grant recipient may not use the proceeds of a grant awarded under this subchapter to:

(1) 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

(2) 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) For purposes of this section:

(1) "Control" includes the ability to make decisions regarding the time and manner in which to spend grant money awarded under this subchapter.

(2) "Hospital system" means a system of two or more hospitals under the common governance of a single corporate parent.

(b) 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:

(1) may not be retained or otherwise controlled by:

(A) the corporate parent of the hospital system; or

(B) the hospital system; and

(2) must be under the 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. The commission is required to implement a provision of this subchapter only if the legislature appropriates money specifically for that purpose.

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

(b) To the extent allowed by federal law [~~and subject to limitations on appropriations~~], the executive commissioner by rule shall 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. The commission shall calculate the prospective cost-based reimbursement rates once every two years.

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

SECTION 6. Section 548.0351, Government Code, is amended by adding Subdivisions (6-a) and (6-b) to read as follows:

(6-a) "Rural health clinic" has the meaning assigned by Section 113.0001, Health and Safety Code.

(6-b) "Rural hospital" means a health care facility licensed under Chapter 241, Health and Safety Code, that:

(A) is located in a county with a population of 68,750 or less; or

(B) has been designated by the Centers for Medicare and Medicaid Services as a critical access hospital, rural referral center, or sole community hospital and:

(i) is not located in a metropolitan statistical area; or

(ii) if the hospital has 100 or fewer beds, is located in a metropolitan statistical area.

SECTION 7. Section 548.0352, Government Code, is amended to read as follows:

Sec. 548.0352. ESTABLISHMENT OF PEDIATRIC TELE-CONNECTIVITY RESOURCE PROGRAM FOR RURAL TEXAS. The commission with any necessary assistance of pediatric tele-specialty providers shall establish a pediatric tele-connectivity resource program for rural Texas to award grants to rural hospitals and rural health clinics [~~nonurban health care facilities~~] to connect the hospitals and clinics [~~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 established under Chapter 113, Health and Safety Code.

SECTION 8. Section 548.0353, Government Code, is amended to read as follows:

Sec. 548.0353. USE OF PROGRAM GRANT. A rural hospital or rural health clinic ~~[nonurban health care facility]~~ awarded a grant under this subchapter may use grant money to:

(1) purchase equipment necessary for implementing a telemedicine medical service;

(2) modernize the hospital's or clinic's ~~[facility's]~~ information technology infrastructure and secure information technology support to ensure an uninterrupted two-way video signal that is compliant with the Health Insurance Portability and Accountability Act of 1996 (Pub. L. No. 104-191);

(3) pay a service fee to a pediatric tele-specialty provider under an annual contract with the provider; or

(4) pay for other activities, services, supplies, facilities, resources, and equipment the commission determines necessary for the hospital or clinic ~~[facility]~~ to use a telemedicine medical service.

SECTION 9. Section 548.0354, Government Code, is amended to read as follows:

Sec. 548.0354. SELECTION OF PROGRAM GRANT RECIPIENTS. (a) The commission ~~[with any necessary assistance of pediatric tele-specialty providers]~~ may select ~~[an]~~ eligible rural hospitals and rural health clinics ~~[nonurban health care facility]~~ to receive a grant under this subchapter.

(b) To be eligible for a grant, a rural hospital or rural health clinic ~~[nonurban health care facility]~~ must maintain ~~[have:~~

~~[(1) a quality assurance program that measures the compliance of the facility's health care providers with the facility's medical protocols;~~

~~[(2) 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;~~

~~[(3) a designated neonatal intensive care unit or an emergency department;~~

~~[(4) 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; and~~

~~[(5) the capability of maintaining] records and produce [producing] reports that measure the effectiveness of a [the] grant received by the hospital or clinic under this subchapter [facility would receive].~~

(c) To the extent practicable, the commission shall award a program grant to a grant recipient not later than the 180th day after the date the commission receives the recipient's program grant application under this section.

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

SECTION 10. Section 548.0357, Government Code, is amended to read as follows:

Sec. 548.0357. BIENNIAL REPORT. Not later than December 1 of each even-numbered year, the commission shall submit a report to the governor and members of the legislature regarding the activities of the program and grant recipients under the program, including the results and outcomes of grants awarded under this subchapter. The commission may combine the report required by this section with the report submitted by the State Office of Rural Hospital Finance under Section 526.0301.

SECTION 11. Section 113.0001, Health and Safety Code, is amended by adding Subdivisions (4), (5), and (6) to read as follows:

(4) "Rural health clinic" means a rural health clinic, as defined by 42 C.F.R. Section 491.2, that is:

(A) accredited by an accreditation organization, a participant in the federal Medicare program, or both; and

(B) located in a county that does not contain a general hospital or special hospital, as those terms are defined by Section 241.003.

(5) "Rural hospital" has the meaning assigned by Section 548.0351, Government Code.

(6) "Rural hospital organization" has the meaning assigned by Section 526.0321, Government Code.

SECTION 12. Chapter 113, Health and Safety Code, is amended by adding Subchapter D-1 to read 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) Using the network of comprehensive child psychiatry access centers established under Section 113.0151, the consortium shall establish or expand provider consultation programs to assist health care practitioners providing services at rural hospitals or rural health clinics to:

(1) identify and assess the behavioral health needs of pediatric and perinatal patients seeking services at the hospital or clinic; and

(2) 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) The consortium, in collaboration with a rural hospital organization, shall develop a plan to establish, under the authority provided in Section 113.0151(b) 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 plan may include limitations on the hours of the day during which services provided by the telemedicine or telehealth programs are available. The plan shall 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) On or after September 1, 2026, and subject to available appropriations, the consortium shall 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) A person may 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) The consortium shall develop and post on the consortium's Internet website a model form for a person to provide consent under this section.

(c) 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. Section 113.0251, Health and Safety Code, is amended to read as follows:

Sec. 113.0251. BIENNIAL REPORT. Not later than December 1 of each even-numbered year, the consortium shall prepare and submit to the governor, the lieutenant governor, the speaker of the house of representatives, ~~and~~ the standing committee of each house of the legislature with primary jurisdiction over behavioral health issues, and the Legislative Budget Board and post on its Internet website a written report that outlines:

(1) the activities and objectives of the consortium;

(2) the health-related institutions of higher

education listed in Section 113.0052(1) that receive funding by the executive committee;

(3) the rural hospitals and rural health clinics to which the program established under Section 113.0181 provided mental health access services;

(4) the cost to maintain the mental health care access program established under Subchapter D-1; and

(5) ~~[(3)]~~ any legislative recommendations based on the activities and objectives described by Subdivision (1).

SECTION 14. The following provisions of the Government Code are repealed:

(1) Section 548.0351(1); and

(2) Section 548.0356.

SECTION 15. 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 16. (a) Not later than December 1, 2025, the Health and Human Services Commission shall contract with institutions of higher education to administer an academy under Section 526.0305, Government Code, as added by this Act.

(b) Not later than January 1, 2026, the executive commissioner of the Health and Human Services Commission shall appoint the members of the interagency advisory committee as required by Section 526.0305, Government Code, as added by this Act.

SECTION 17. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2025.

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