By: Lalani H.B. No. 1903

A BILL TO BE ENTITLED

AN ACT

relating to a "Texas Way" to reforming and addressing issues related to the Medicaid program, including the creation of an alternative program designed to ensure health benefit plan coverage to certain low-income individuals through the private marketplace.

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

ARTICLE 1. BLOCK GRANT FUNDING SYSTEM FOR STATE MEDICAID PROGRAM

SECTION 1.01. Subtitle I, Title 4, Government Code, is amended by adding Chapter 532A to read as follows:

CHAPTER 532A. BLOCK GRANT FUNDING SYSTEM FOR STATE MEDICAID PROGRAM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 532A.0001. DEFINITIONS. Notwithstanding Section 521.0001, in this chapter:

(1) "Health benefit exchange" means an American Health Benefit Exchange administered by the federal government or an exchange created under Section 1311(b) of the Patient Protection and Affordable Care Act (42 U.S.C. Section 18031(b)).

(2) "Medicaid program" means the medical assistance program established and operated under Title XIX, Social Security Act (42 U.S.C. Section 1396 et seq.).

(3) "State Medicaid program" means the medical assistance program provided by this state under the Medicaid program.

Sec. 532A.0002. FEDERAL AUTHORIZATION TO REFORM MEDICAID REQUIRED. If the federal government establishes, through conversion or otherwise, a block grant funding system for the Medicaid program or otherwise authorizes the state Medicaid program to operate under a block grant funding system, including under a Medicaid program waiver, the commission, in cooperation with applicable health and human services agencies, shall, subject to Section 532A.0003, administer and operate the state Medicaid program in accordance with this chapter.

Sec. 532A.0003. CONFLICT WITH OTHER LAW. To the extent of a conflict between this chapter and:

(1) a state law, this chapter controls, subject to Section 545A.0002(b); and

(2) a federal law or any authorization described under Section 532A.0002, the federal law or authorization controls.

Sec. 532A.0004. ESTABLISHMENT OF REFORMED STATE MEDICAID PROGRAM. The commission shall establish a state Medicaid program that provides benefits under a risk-based Medicaid managed care model.

Sec. 532A.0005. RULES. The executive commissioner shall adopt rules necessary to implement this chapter.

SUBCHAPTER B. ACUTE CARE

Sec. 532A.0051. ELIGIBILITY FOR MEDICAID ACUTE CARE. (a) An individual is eligible to receive acute care benefits under the state Medicaid program if the individual:

(1) has a household income at or below 100 percent of the federal poverty level;

(2) is 18 years of age or younger and:

(A) is receiving Supplemental Security Income (SSI) under 42 U.S.C. Section 1381 et seq.; or

(B) is in foster care or resides in another residential care setting under the conservatorship of the Department of Family and Protective Services; or

(3) meets the eligibility requirements that were in effect in this state on August 31, 2025.

(b) The commission shall provide acute care benefits under the state Medicaid program to each individual eligible under this section through the most cost-effective means, as the commission determines.

(c) If an individual is not eligible for the state Medicaid program under Subsection (a), the commission shall refer the individual to the program established under Chapter 545A that helps connect eligible residents with health benefit plan coverage through private market solutions, a health benefit exchange, or any other resource the commission determines appropriate.

Sec. 532A.0052. MEDICAID SLIDING SCALE SUBSIDIES. (a) An individual who is eligible for the state Medicaid program under Section 532A.0051 may receive a Medicaid sliding scale subsidy to purchase a health benefit plan from an authorized health benefit plan issuer.

(b) A sliding scale subsidy provided to an individual under this section must:

(1) be based on:

(A) the average premium in the market; and

(B) a realistic assessment of the individual's ability to pay a portion of the premium; and

(2) include an enhancement for individuals who choose a high deductible health plan with a health savings account.

(c) The commission shall ensure that counselors are made available to individuals receiving a subsidy to advise the individuals on selecting a health benefit plan that meets the individuals' needs.

(d) An individual receiving a subsidy under this section is responsible for paying:

(1) any difference between the premium costs associated with the purchase of a health benefit plan and the amount of the individual's subsidy under this section; and

(2) any copayments associated with the health benefit plan, except to the extent the individual receives an additional subsidy under Section 532A.0053 to pay the copayments.

(e) If the amount of a subsidy an individual receives under this section exceeds the premium costs associated with the individual's purchase of a health benefit plan, the individual may deposit the excess amount in a health savings account that may be used only in the manner described by Section 532A.0054(b).

Sec. 532A.0053. ADDITIONAL COST-SHARING SUBSIDIES. In addition to providing a subsidy to an individual under Section 532A.0052, the commission shall provide additional subsidies for coinsurance payments, copayments, deductibles, and other cost-sharing requirements associated with the individual's health benefit plan. The commission shall provide the additional

subsidies on a sliding scale based on income.

Sec. 532A.0054. DELIVERY OF SUBSIDIES; HEALTH SAVINGS ACCOUNTS. (a) The commission shall determine the most appropriate manner for delivering and administering subsidies provided under Sections 532A.0052 and 532A.0053. In determining the most appropriate manner, the commission shall consider depositing subsidy amounts for an individual in a health savings account established for that individual.

(b) A health savings account established under this section may be used only to:

(1) pay health benefit plan premiums and cost-sharing amounts; and

(2) if appropriate, purchase health care-related goods and services.

Sec. 532A.0055. MEDICAID HEALTH BENEFIT PLAN ISSUERS AND MINIMUM COVERAGE. The commission shall allow any health benefit plan issuer authorized to write health benefit plans in this state to participate in the state Medicaid program. The commission in consultation with the commissioner of insurance shall establish minimum coverage requirements for a health benefit plan to be eligible for purchase under the state Medicaid program, subject to the requirements specified by this chapter.

Sec. 532A.0056. REINSURANCE FOR PARTICIPATING HEALTH BENEFIT PLAN ISSUERS. (a) The commission in consultation with the commissioner of insurance shall study a reinsurance program to reinsure participating health benefit plan issuers.

(b) In examining options for a reinsurance program, the

commission and the commissioner of insurance shall consider a plan design under which:

(1) a participating health benefit plan is not charged a premium for the reinsurance; and

(2) the health benefit plan issuer retains risk on a sliding scale.

SUBCHAPTER C. LONG-TERM SERVICES AND SUPPORTS

Sec. 532A.0101. PLAN TO REFORM DELIVERY OF LONG-TERM SERVICES AND SUPPORTS. The commission shall develop a comprehensive plan to reform the delivery of long-term services and supports that is designed to achieve the following objectives under the state Medicaid program or any other program created as an alternative to the state Medicaid program:

(1) encourage consumer direction;

(2) simplify and streamline the provision of services;

(3) provide flexibility to design benefits packages that meet the needs of individuals receiving long-term services and supports under the program;

(4) improve the cost-effectiveness and sustainability of the provision of long-term services and supports;

(5) reduce reliance on institutional settings; and

(6) encourage cost-sharing by family members when appropriate.

ARTICLE 2. PROGRAM TO ENSURE HEALTH BENEFIT COVERAGE FOR CERTAIN INDIVIDUALS THROUGH PRIVATE MARKETPLACE

SECTION 2.01. Subtitle I, Title 4, Government Code, is amended by adding Chapter 545A to read as follows:

CHAPTER 545A. PROGRAM TO ENSURE HEALTH BENEFIT PLAN COVERAGE FOR CERTAIN INDIVIDUALS THROUGH PRIVATE MARKET SOLUTIONS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 545A.0001. DEFINITION. In this chapter, "state Medicaid program" has the meaning assigned by Section 532A.0001.

Sec. 545A.0002. CONFLICT WITH OTHER LAW. (a) Except as provided by Subsection (b), to the extent of a conflict between this chapter and:

(1) a state law, this chapter controls; and

(2) a federal law or any authorization described under Subchapter B, the federal law or authorization controls.

(b) The program operated under this chapter is in addition to the state Medicaid program operated under Chapter 32, Human Resources Code, or under a block grant funding system under Chapter 532A.

Sec. 545A.0003. PROGRAM FOR HEALTH BENEFIT PLAN COVERAGE THROUGH PRIVATE MARKET SOLUTIONS. Subject to the requirements of this chapter, the commission in consultation with the commissioner of insurance shall develop and implement a program that helps connect certain low-income residents of this state with health benefit plan coverage through private market solutions.

Sec. 545A.0004. NOT AN ENTITLEMENT. This chapter does not establish an entitlement to assistance in obtaining health benefit plan coverage.

Sec. 545A.0005. RULES. The executive commissioner shall adopt rules necessary to implement this chapter.

SUBCHAPTER B. FEDERAL AUTHORIZATION

Sec. 545A.0051. FEDERAL AUTHORIZATION FOR FLEXIBILITY TO ESTABLISH PROGRAM. (a) The commission in consultation with the commissioner of insurance shall negotiate with the United States secretary of health and human services, the Centers for Medicare and Medicaid Services, and other appropriate persons for purposes of seeking a waiver or other authorization necessary to obtain the flexibility to use federal matching funds to help provide, in accordance with Subchapter C, health benefit plan coverage to certain low-income individuals through private market solutions.

(b) Any agreement reached under this section must:

(1) create a program that is made cost neutral to this state by:

(A) leveraging premium tax revenues; and

(B) achieving cost savings through offsets to general revenue health care costs or the implementation of other cost savings mechanisms;

(2) create more efficient health benefit plan coverage options for eligible individuals through:

(A) program changes that may be made without the need for additional federal approval; and

(B) program changes that require additional federal approval;

(3) require the commission to achieve efficiency and reduce unnecessary utilization, including duplication, of health care services;

(4) be designed with the goals of:

(A) relieving local tax burdens;

(B) reducing general revenue reliance so as to make general revenue available for other state priorities; and

(C) minimizing the impact of any federal health care laws on Texas-based businesses; and

(5) afford this state the opportunity to develop a state-specific way of providing benefits that specifically meets the unique needs of this state's population.

(c) An agreement reached under this section may be:

(1) limited in duration; and

(2) contingent on continued funding by the federal government.

SUBCHAPTER C. PROGRAM REQUIREMENTS

Sec. 545A.0101. ENROLLMENT ELIGIBILITY. (a) Subject to Subsection (b), an individual may be eligible to enroll in a program designed and established under this chapter if the individual:

(1) is 64 years of age or younger;

(2) has a household income at or below 133 percent of the federal poverty level; and

(3) is not otherwise eligible to receive benefits under the state Medicaid program, including through a program operated under Chapter 32, Human Resources Code, or under Chapter 532A through a block grant funding system or a waiver, other than a waiver granted under this chapter, to the program.

(b) The executive commissioner may modify or further define the eligibility requirements of this section if the commission determines it necessary to reach an agreement under Subchapter B.

Sec. 545A.0102. MINIMUM PROGRAM REQUIREMENTS. A program designed and established under this chapter must:

(1) if cost-effective for this state, provide premium assistance to purchase health benefit plan coverage in the private market, including health benefit plan coverage offered through a managed care delivery model;

(2) provide enrollees with access to health benefits, including benefits provided through a managed care delivery model, that:

(A) are tailored to the enrollees;

(B) provide levels of coverage that are customized to meet health care needs of individuals within defined categories of the enrolled population; and

(C) emphasize personal responsibility and accountability through flexible and meaningful cost-sharing requirements and wellness initiatives, including through incentives for compliance with health, wellness, and treatment strategies and disincentives for noncompliance;

(3) include pay-for-performance initiatives for private health benefit plan issuers that participate in the program;

(4) use technology to maximize the efficiency with which the commission and any health benefit plan issuer, health care provider, or managed care organization participating in the program manage enrollee participation;

(5) allow recipients under the state Medicaid program to enroll in the program to receive premium assistance as an

alternative to the state Medicaid program;

(6) encourage eligible individuals to enroll in other private or employer-sponsored health benefit plan coverage, if available and appropriate;

(7) encourage the utilization of health care services in the most appropriate low-cost settings; and

(8) establish health savings accounts for enrollees, as appropriate.

SECTION 2.02. The Health and Human Services Commission in consultation with the commissioner of insurance shall actively develop a proposal for the authorization from the appropriate federal entity as required by Subchapter B, Chapter 545A, Government Code, as added by this article. As soon as possible after the effective date of this Act, the Health and Human Services Commission shall request and actively pursue obtaining the authorization from the appropriate federal entity.

ARTICLE 3. FEDERAL AUTHORIZATION AND EFFECTIVE DATE

SECTION 3.01. Subject to Section 2.02 of this Act, 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 3.02. This Act takes effect September 1, 2025.