

By: Miles

S.B. No. 289

A BILL TO BE ENTITLED

AN ACT

relating to a "Texas solution" 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; requiring a fee.

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

1 program.

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

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

13 (1) another provision of state law, the provision of
14 this chapter controls, subject to Section 545A.0002(b); and

15 (2) a provision of federal law or any authorization
16 described under Section 532A.0002, the federal law or authorization
17 controls.

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

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

24 SUBCHAPTER B. ACUTE CARE

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

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

3 (2) is under 19 years of age and:

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

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

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

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

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

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

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

1 (1) be based on:

2 (A) the average premium in the market; and

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

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

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

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

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

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

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

24 Sec. 532A.0053. ADDITIONAL COST-SHARING SUBSIDIES. In
25 addition to providing a subsidy to an individual under Section
26 532A.0052, the commission shall provide additional subsidies for
27 coinsurance payments, copayments, deductibles, and other

1 cost-sharing requirements associated with the individual's health
2 benefit plan. The commission shall provide the additional
3 subsidies on a sliding scale based on income.

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

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

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

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

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

25 Sec. 532A.0056. REINSURANCE FOR PARTICIPATING HEALTH
26 BENEFIT PLAN ISSUERS. (a) The commission in consultation with the
27 commissioner of insurance shall study a reinsurance program to

1 reinsure participating health benefit plan issuers.

2 (b) In examining options for a reinsurance program, the
3 commission and the commissioner of insurance shall consider a plan
4 design under which:

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

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

9 SUBCHAPTER C. LONG-TERM SERVICES AND SUPPORTS

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

16 (1) encourage consumer direction;

17 (2) simplify and streamline the provision of services;

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

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

23 (5) reduce reliance on institutional settings; and

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

1 ARTICLE 2. IMMEDIATE REFORM: PROGRAM TO ENSURE HEALTH BENEFIT

2 COVERAGE FOR CERTAIN INDIVIDUALS THROUGH PRIVATE MARKETPLACE

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

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

7 SUBCHAPTER A. GENERAL PROVISIONS

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

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

13 (1) another provision of state law, the provision of
14 this chapter controls; and

15 (2) a provision of federal law or any authorization
16 described under Subchapter B, the federal law or authorization
17 controls.

18 (b) The program operated under this chapter is in addition
19 to the state Medicaid program operated under Chapter 32, Human
20 Resources Code, or under a block grant funding system under Chapter
21 532A.

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

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

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

6 SUBCHAPTER B. FEDERAL AUTHORIZATION

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

16 (b) Any agreement reached under this section must:

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

19 (A) leveraging premium tax revenues; and

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

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

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

27 (B) program changes that require additional

1 federal approval;

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

5 (4) be designed with the goals of:

6 (A) relieving local tax burdens;

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

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

11 (5) afford this state the opportunity to develop a
12 state-specific solution with benefits that specifically meet the
13 unique needs of this state's population.

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

15 (1) limited in duration; and

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

18 SUBCHAPTER C. PROGRAM REQUIREMENTS

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

22 (1) is younger than 65;

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

25 (3) is not otherwise eligible to receive benefits
26 under the state Medicaid program, including through a program
27 operated under Chapter 32, Human Resources Code, or under Chapter

1 532A through a block grant funding system or a waiver, other than a
2 waiver granted under this chapter, to the program.

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

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

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

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

15 (A) are tailored to the enrollees;

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

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

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

27 (4) use technology to maximize the efficiency with

1 which the commission and any health benefit plan issuer, health
2 care provider, or managed care organization participating in the
3 program manage enrollee participation;

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

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

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

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

14 SECTION 2.02. The Health and Human Services Commission in
15 consultation with the commissioner of insurance and the Medicaid
16 Reform Task Force established under Article 4 of this Act shall
17 actively develop a proposal for the authorization from the
18 appropriate federal entity as required by Subchapter B, Chapter
19 545A, Government Code, as added by this article. As soon as
20 possible after the effective date of this Act, the Health and Human
21 Services Commission shall request and actively pursue obtaining the
22 authorization from the appropriate federal entity.

23 ARTICLE 3. MEDICAID: INCREMENTAL REFORM

24 SECTION 3.01. Subchapter B, Chapter 546, Government Code,
25 as effective April 1, 2025, is amended by adding Section 546.0059 to
26 read as follows:

27 Sec. 546.0059. CUSTOMIZED BENEFITS PACKAGE. The commission

1 shall, for individuals receiving home and community-based services
2 and supports instead of institutional long-term services and
3 supports, develop and implement customized benefits packages that
4 are designed to prevent the overutilization of services.
5 Customized benefits packages under this section must be based on an
6 individualized needs assessment administered at a single point of
7 entry.

8 SECTION 3.02. Subchapter B, Chapter 32, Human Resources
9 Code, is amended by adding Sections 32.0501, 32.0642, and 32.078 to
10 read as follows:

11 Sec. 32.0501. DUAL ELIGIBLE INTEGRATED CARE DEMONSTRATION
12 PROJECT. (a) In this section:

13 (1) "ICF-IID" has the meaning assigned by Section
14 531.002, Health and Safety Code.

15 (2) "Nursing facility" has the meaning assigned by
16 Section 546.0351, Government Code.

17 (3) "State supported living center" has the meaning
18 assigned by Section 531.002, Health and Safety Code.

19 (b) Subject to Subsection (c), the commission shall
20 establish a dual eligible integrated care demonstration project
21 that would allow appropriate individuals described by Section
22 32.050(a), as determined by the commission, to receive long-term
23 services and supports under both the medical assistance program and
24 the Medicare program through a single managed care plan.

25 (c) An individual who is a resident of a nursing facility,
26 ICF-IID, or state supported living center is exempt from
27 participation in the demonstration project.

1 Sec. 32.0642. PARENTAL FEE PROGRAM. (a) To the extent
2 allowed by federal law, the commission shall establish a parental
3 fee program that requires the parent or legal guardian of a child
4 receiving institutional long-term services and supports or home and
5 community-based services and supports under the medical assistance
6 program established under this chapter to pay a fee that:

7 (1) correlates with the services and supports
8 provided; and

9 (2) takes into consideration the child's household
10 income.

11 (b) Failure to pay a fee under this section may not affect a
12 child's eligibility for benefits under the medical assistance
13 program.

14 (c) The executive commissioner shall adopt rules necessary
15 to implement this section.

16 Sec. 32.078. HOUSING BENEFITS FOR CERTAIN RECIPIENTS. To
17 the extent allowed by federal law, the commission shall provide
18 housing payment assistance for recipients receiving home and
19 community-based services and supports under the medical assistance
20 program established under this chapter.

21 SECTION 3.03. (a) The Health and Human Services Commission
22 shall conduct a study to examine the estate recovery program
23 implemented by this state under 42 U.S.C. Section 1396p(b)(1) and
24 determine options the state has to improve recovery under and
25 increase the efficacy of the program.

26 (b) Not later than December 1, 2026, the commission shall
27 submit a written report containing the findings of the study

1 conducted under this section together with the commission's
2 recommendations to the governor, the lieutenant governor, and the
3 standing committees of the senate and house of representatives
4 having primary jurisdiction over Medicaid.

5 SECTION 3.04. (a) The Health and Human Services Commission
6 shall conduct a study on imposing alternative income and asset
7 limits for purposes of determining eligibility for long-term
8 services and supports under the medical assistance program under
9 Chapter 32, Human Resources Code. The commission shall consider:

- 10 (1) imposing greater restrictions on exempt assets;
11 (2) limiting the amount of income that an individual
12 may transfer into a qualified trust under 42 U.S.C. Section
13 1396p(d)(4)(B) to an amount equal to the average cost of nursing
14 home care; and
15 (3) reducing the income eligibility limit to qualify
16 for Medicaid institutional long-term services and supports or home
17 and community-based waiver services under the medical assistance
18 program under Chapter 32, Human Resources Code.

19 (b) Not later than December 1, 2026, the commission shall
20 submit a written report containing the findings of the study
21 conducted under this section together with the commission's
22 recommendations to the governor, the lieutenant governor, and the
23 standing committees of the senate and house of representatives
24 having primary jurisdiction over Medicaid.

25 ARTICLE 4. MEDICAID REFORM TASK FORCE

26 SECTION 4.01. (a) In this section:

- 27 (1) "Commission" means the Health and Human Services

1 Commission.

2 (2) "Medicaid program" and "state Medicaid program"
3 have the meanings assigned by Section 532A.0001, Government Code,
4 as added by this Act.

5 (3) "Task force" means the Medicaid Reform Task Force
6 established under this section.

7 (b) The Medicaid Reform Task Force is established for
8 purposes of advising the commission in designing a state Medicaid
9 program and a program for ensuring health benefit plan coverage for
10 low-income individuals that are:

11 (1) consistent with Articles 2 and 3 of this Act; and

12 (2) if the federal government establishes a block
13 grant funding system in accordance with Section 532A.0002,
14 Government Code, as added by this Act, consistent with Article 1 of
15 this Act.

16 (c) The task force consists of 12 members appointed as
17 follows:

18 (1) one member appointed by the governor;

19 (2) two members of the senate appointed by the
20 lieutenant governor;

21 (3) two members of the house of representatives
22 appointed by the speaker of the house of representatives;

23 (4) one member of the Senate Committee on Finance,
24 appointed by the presiding officer;

25 (5) one member of the House Appropriations Committee,
26 appointed by the presiding officer;

27 (6) one member of the Senate Committee on Health and

1 Human Services, appointed by the presiding officer;

2 (7) one member of the House Public Health Committee,
3 appointed by the presiding officer;

4 (8) the executive commissioner of the commission or
5 the executive commissioner's designee;

6 (9) the commissioner of insurance or the
7 commissioner's designee to represent the Texas Department of
8 Insurance; and

9 (10) the director of the Legislative Budget Board or
10 the director's designee.

11 (d) The lieutenant governor and the speaker of the house of
12 representatives shall each appoint a member of the task force to act
13 as co-presiding officers.

14 (e) A member of the task force serves without compensation.

15 (f) Not later than January 1, 2026, the appropriate
16 appointing officers shall appoint the members of the task force.

17 (g) Not later than December 1, 2026, the task force shall
18 submit a report to the legislature regarding its activities under
19 this section.

20 (h) This section expires September 1, 2027.

21 ARTICLE 5. FEDERAL AUTHORIZATION AND EFFECTIVE DATE

22 SECTION 5.01. Subject to Section 2.02 of this Act, if before
23 implementing any provision of this Act a state agency determines
24 that a waiver or authorization from a federal agency is necessary
25 for implementation of that provision, the agency affected by the
26 provision shall request the waiver or authorization and may delay
27 implementing that provision until the waiver or authorization is

1 granted.

2 SECTION 5.02. This Act takes effect September 1, 2025.