

1-1 By: Kolkhorst S.B. No. 457  
1-2 (In the Senate - Filed November 21, 2024; February 3, 2025,  
1-3 read first time and referred to Committee on Health & Human  
1-4 Services; April 28, 2025, reported adversely, with favorable  
1-5 Committee Substitute by the following vote: Yeas 9, Nays 0;  
1-6 April 28, 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 S.B. No. 457 By: Hancock

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

1-21 relating to the regulation of certain nursing facilities, including  
1-22 licensing requirements and Medicaid participation and  
1-23 reimbursement requirements.

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

1-25 SECTION 1. Section 540.0752(b), Government Code, is amended  
1-26 to read as follows:

1-27 (b) Subject to Section 540.0701 and notwithstanding any  
1-28 other law, the commission shall provide Medicaid benefits through  
1-29 the STAR+PLUS Medicaid managed care program to recipients who  
1-30 reside in nursing facilities. In implementing this subsection, the  
1-31 commission shall ensure that:

1-32 (1) a nursing facility is paid not later than the 10th  
1-33 day after the date the facility submits a clean claim;

1-34 (1-a) a nursing facility complies with the patient care  
1-35 expense ratio adopted under Section 32.0286, Human Resources Code;

1-36 (2) services are used appropriately, consistent with  
1-37 criteria the commission establishes;

1-38 (3) the incidence of potentially preventable events  
1-39 and unnecessary institutionalizations is reduced;

1-40 (4) a Medicaid managed care organization providing  
1-41 services under the program:

1-42 (A) provides discharge planning, transitional  
1-43 care, and other education programs to physicians and hospitals  
1-44 regarding all available long-term care settings;

1-45 (B) assists in collecting applied income from  
1-46 recipients; and

1-47 (C) provides payment incentives to nursing  
1-48 facility providers that:

1-49 (i) reward reductions in preventable acute  
1-50 care costs; and

1-51 (ii) encourage transformative efforts in  
1-52 the delivery of nursing facility services, including efforts to  
1-53 promote a resident-centered care culture through facility design  
1-54 and services provided;

1-55 (5) a portal is established that complies with state  
1-56 and federal regulations, including standard coding requirements,  
1-57 through which nursing facility providers participating in the  
1-58 program may submit claims to any participating Medicaid managed  
1-59 care organization;

1-60 (6) rules and procedures relating to certifying and

2-1 decertifying nursing facility beds under Medicaid are not affected;  
 2-2 and

2-3 (7) a Medicaid managed care organization providing  
 2-4 services under the program, to the greatest extent possible, offers  
 2-5 nursing facility providers access to:

2-6 (A) acute care professionals; and

2-7 (B) telemedicine, when feasible and in  
 2-8 accordance with state law, including rules adopted by the Texas  
 2-9 Medical Board[~~and~~

2-10 [~~(8) the commission approves the staff rate~~  
 2-11 ~~enhancement methodology for the staff rate enhancement paid to a~~  
 2-12 ~~nursing facility that qualifies for the enhancement under the~~  
 2-13 ~~program]~~.

2-14 SECTION 2. Subchapter F, Chapter 540, Government Code, is  
 2-15 amended by adding Section 540.0283 to read as follows:

2-16 Sec. 540.0283. NURSING FACILITY PROVIDER AGREEMENTS:  
 2-17 COMPLIANCE WITH PATIENT CARE EXPENSE RATIO. (a) A contract to  
 2-18 which this subchapter applies must require that each provider  
 2-19 agreement between the contracting Medicaid managed care  
 2-20 organization and a nursing facility include a requirement that the  
 2-21 facility comply with the patient care expense ratio adopted under  
 2-22 Section 32.0286, Human Resources Code.

2-23 (b) This section does not apply to a state-owned facility.

2-24 SECTION 3. Section 242.032, Health and Safety Code, is  
 2-25 amended by adding Subsection (b-1) to read as follows:

2-26 (b-1) The application must:

2-27 (1) include the name of each person with a direct or  
 2-28 indirect ownership interest of five percent or more in:

2-29 (A) the nursing facility, including a subsidiary  
 2-30 or parent company of the facility; and

2-31 (B) the real property on which the nursing  
 2-32 facility is located, including any owner, common owner, tenant, or  
 2-33 sublessee; and

2-34 (2) describe the exact ownership interest of each of  
 2-35 those persons in relation to the facility or property.

2-36 SECTION 4. Subchapter B, Chapter 242, Health and Safety  
 2-37 Code, is amended by adding Section 242.0333 to read as follows:

2-38 Sec. 242.0333. NOTIFICATION OF CHANGE TO OWNERSHIP INTEREST  
 2-39 APPLICATION INFORMATION. A license holder shall notify the  
 2-40 commission, in the form and manner the commission requires, of any  
 2-41 change to the ownership interest application information provided  
 2-42 under Section 242.032(b-1).

2-43 SECTION 5. Subchapter B, Chapter 32, Human Resources Code,  
 2-44 is amended by adding Section 32.0286 to read as follows:

2-45 Sec. 32.0286. ANNUAL PATIENT CARE EXPENSE RATIO FOR  
 2-46 REIMBURSEMENT OF CERTAIN NURSING FACILITY PROVIDERS. (a) In this  
 2-47 section, "patient care expense":

2-48 (1) includes an expense incurred by a nursing facility  
 2-49 for:

2-50 (A) providing compensation and benefits to:

2-51 (i) direct care staff of a facility,  
 2-52 whether the staff are employees of or contract labor for the  
 2-53 facility, including:

2-54 (a) licensed registered nurses and  
 2-55 licensed vocational nurses, including directors of nursing and  
 2-56 assistant directors of nursing;

2-57 (b) medication aides;

2-58 (c) restorative aides;

2-59 (d) nurse aides who provide  
 2-60 nursing-related care to residents occupying medical assistance  
 2-61 beds;

2-62 (e) licensed social workers; and

2-63 (f) social services assistants;

2-64 (ii) additional staff associated with  
 2-65 providing care to facility residents with a severe cognitive  
 2-66 impairment;

2-67 (iii) nonprofessional administrative  
 2-68 staff, including medical records staff and accounting or  
 2-69 bookkeeping staff;

3-1 (iv) central supply staff and ancillary  
 3-2 facility staff;  
 3-3 (v) laundry staff; and  
 3-4 (vi) food service staff;  
 3-5 (B) central supply costs and ancillary costs for  
 3-6 facility services and supplies, including:  
 3-7 (i) diagnostic laboratory and radiology  
 3-8 costs;  
 3-9 (ii) durable medical equipment costs,  
 3-10 including costs to purchase, rent, or lease the equipment;  
 3-11 (iii) costs for oxygen used to provide  
 3-12 oxygen treatment;  
 3-13 (iv) prescription and nonprescription drug  
 3-14 costs; and  
 3-15 (v) therapy consultant costs; and  
 3-16 (C) costs for dietary and nutrition services,  
 3-17 including costs for:  
 3-18 (i) food service and related supplies; and  
 3-19 (ii) nutritionist services; and  
 3-20 (2) does not include an expense for:  
 3-21 (A) administrative or operational costs, other  
 3-22 than administrative or operational costs described by Subdivision  
 3-23 (1); or  
 3-24 (B) fixed capital asset costs.  
 3-25 (b) The executive commissioner by rule shall establish an  
 3-26 annual patient care expense ratio, including a process for  
 3-27 determining the ratio, applicable to the reimbursement of nursing  
 3-28 facility providers for providing services to recipients under the  
 3-29 medical assistance program. In establishing the ratio, the  
 3-30 executive commissioner shall require that at least 85 percent of  
 3-31 the portion of the medical assistance reimbursement amount paid to  
 3-32 a nursing facility that is attributable to patient care expenses is  
 3-33 spent on reasonable and necessary patient care expenses.  
 3-34 (c) The executive commissioner shall adopt rules necessary  
 3-35 to ensure each nursing facility provider that participates in the  
 3-36 medical assistance program complies with the patient care expense  
 3-37 ratio adopted under this section.  
 3-38 (d) Except as provided by Subsection (e) and to the extent  
 3-39 permitted by federal law, the commission may recoup all or part of  
 3-40 the medical assistance reimbursement amount paid to a nursing  
 3-41 facility that is subject to the patient care expense ratio under  
 3-42 this section if the facility fails to spend the reimbursement  
 3-43 amount in accordance with the patient care expense ratio.  
 3-44 (e) The commission may not recoup a medical assistance  
 3-45 reimbursement amount under Subsection (d) if, during the period  
 3-46 patient care expenses attributable to the reimbursement amount are  
 3-47 calculated, the facility:  
 3-48 (1) held at least a four-star rating under the Centers  
 3-49 for Medicare and Medicaid Services five-star quality rating system  
 3-50 for nursing facilities in two or more of the following categories:  
 3-51 (A) overall;  
 3-52 (B) health inspections;  
 3-53 (C) staffing; and  
 3-54 (D) long-stay quality measures;  
 3-55 (2) both:  
 3-56 (A) maintained an average daily occupancy rate of  
 3-57 75 percent or less; and  
 3-58 (B) spent at least 70 percent of the portion of  
 3-59 the reimbursement amount paid to the facility that was attributable  
 3-60 to patient care expenses on reasonable and necessary patient care  
 3-61 expenses; or  
 3-62 (3) incurred expenses related to a disaster for which  
 3-63 the governor issued a disaster declaration under Chapter 418,  
 3-64 Government Code.  
 3-65 (f) The commission shall publish and maintain on the  
 3-66 commission's Internet website a list of all nursing facilities from  
 3-67 which the commission recouped medical assistance reimbursement  
 3-68 amounts under Subsection (d).  
 3-69 (g) The commission may not require a nursing facility to

4-1 comply with the patient care expense ratio as a condition of  
4-2 participation in the medical assistance program.

4-3 (h) This section does not apply to a state-owned facility.

4-4 SECTION 6. Sections 32.028(g), (i), and (m), Human  
4-5 Resources Code, are repealed.

4-6 SECTION 7. (a) The Health and Human Services Commission  
4-7 shall, subject to this section, require compliance with the initial  
4-8 annual patient care expense ratio adopted under Section 32.0286,  
4-9 Human Resources Code, as added by this Act, beginning on September  
4-10 1, 2025.

4-11 (b) The Health and Human Services Commission shall, in a  
4-12 contract between the commission and a managed care organization  
4-13 under Chapter 540, Government Code, that is entered into or renewed  
4-14 on or after the effective date of this Act, require the managed care  
4-15 organization to comply with Section 540.0283, Government Code, as  
4-16 added by this Act.

4-17 (c) The Health and Human Services Commission shall seek to  
4-18 amend contracts entered into with managed care organizations under  
4-19 Chapter 533 or 540, Government Code, before the effective date of  
4-20 this Act to require those managed care organizations to comply with  
4-21 Section 540.0283, Government Code, as added by this Act. To the  
4-22 extent of a conflict between that section and a provision of a  
4-23 contract with a managed care organization entered into before the  
4-24 effective date of this Act, the contract provision prevails.

4-25 SECTION 8. Not later than November 1, 2027, the Health and  
4-26 Human Services Commission shall prepare and submit to the  
4-27 legislature a written report that includes an assessment of the  
4-28 impact of the patient care expense ratio established under Section  
4-29 32.0286, Human Resources Code, as added by this Act, on nursing  
4-30 facility care provided to Medicaid recipients during the preceding  
4-31 state fiscal biennium, including the impact on the cost and quality  
4-32 of care and any other information the commission determines  
4-33 appropriate.

4-34 SECTION 9. If before implementing any provision of this Act  
4-35 a state agency determines that a waiver or authorization from a  
4-36 federal agency is necessary for implementation of that provision,  
4-37 the agency affected by the provision shall request the waiver or  
4-38 authorization and may delay implementing that provision until the  
4-39 waiver or authorization is granted.

4-40 SECTION 10. This Act takes effect September 1, 2025.

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