

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 17, 2025

TO: Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB18 by VanDeaver (Relating to the establishment and administration of certain programs and services providing health care services to rural counties.), Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB18, Committee Report 2nd House, Substituted: a negative impact of (\$48,748,795) through the biennium ending August 31, 2027.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$24,602,724)
2027	(\$24,146,071)
2028	(\$22,164,400)
2029	(\$22,226,666)
2030	(\$22,291,165)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>General Revenue Fund 1</i>	Probable Savings/(Cost) from <i>GR Match For Medicaid 758</i>	Probable Savings/(Cost) from <i>Federal Funds 555</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund 1</i>
2026	(\$9,177,434)	(\$15,878,844)	(\$23,533,376)	\$340,166
2027	(\$9,200,103)	(\$16,094,069)	(\$23,852,669)	\$861,076
2028	(\$6,701,846)	(\$16,156,497)	(\$23,945,485)	\$520,457
2029	(\$6,703,285)	(\$16,220,104)	(\$24,040,131)	\$522,542
2030	(\$6,704,786)	(\$16,284,979)	(\$24,136,643)	\$523,950

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>Foundation School Fund 193</i>	<i>Change in Number of State Employees from FY 2025</i>
2026	\$113,388	10.5
2027	\$287,025	10.5
2028	\$173,486	10.5
2029	\$174,181	10.5
2030	\$174,650	10.5

Fiscal Analysis

This bill amends the Government Code to add requirements for the Rural Hospital Strategic Plan; codifies the State Office of Rural Hospital Financing; establishes the Texas Rural Hospital Officers Academy; codifies the existing grant programs for rural hospitals; and creates an add-on payment for rural hospitals that have a department of obstetrics and gynecology; codifies the Medicaid definition of a rural hospital; requires the Health and Human Services Commission (HHSC) to regularly update certain reimbursement rates for rural hospitals participating in Medicaid based on the most recent cost information; expands the Pediatric Tele-connectivity Grant Program to rural hospitals; Additionally, this bill amends the Health and Safety Code to establish the Rural Pediatric Mental Health Care Access Program and repeals certain provisions related to the Pediatric Tele-connectivity Grant Program. This bill would be effective immediately if it receives a vote of two-thirds of all the members elected to each house, otherwise the bill would be effective September 1, 2025.

Methodology

This analysis assumes the Health and Human Services Commission (HHSC) would require \$22,216,112 from the General Revenue Fund (\$45,636,100 from All Funds) and 10.5 full-time-equivalents (FTEs) in fiscal year 2026 and \$21,933,096 from the General Revenue Fund (\$46,646,841 from All Funds) and 10.5 FTEs in fiscal year 2027 to implement the provisions of the bill, which include establishing the Texas Rural Hospital Officers Academy, an add-on payment for Medicaid services related to obstetrics and gynecological services provided in rural hospitals, and establishing the Rural Pediatric Mental Health Care Access Program.

Included in the amounts above are assumed FTE costs totaling \$2,025,535 from the General Revenue Fund (\$2,295,485 from All Funds) and 10.5 FTEs in fiscal year 2026 and \$1,944,873 from the General Revenue Fund (\$2,196,616 from All Funds) and 10.5 FTEs in fiscal year 2027. This includes \$83,223 from the General Revenue Fund (\$101,787 from All Funds) in fiscal year 2026 for one-time costs related to the implementation of provisions of this bill.

This analysis also assumes HHSC would require \$4,918,123 from the General Revenue Fund (\$4,918,123 from All Funds) in fiscal year 2026 and \$5,003,583 from the General Revenue Fund (\$5,003,583 from All Funds) starting in fiscal year 2027 to establish and initiate Texas Rural Hospital Officers Academy.

Additionally, this analysis assumes HHSC would require \$15,612,620 from the General Revenue Fund (\$38,876,046 from All Funds) in fiscal year 2026 and \$15,845,716 from the General Revenue Fund (\$39,446,642 from All Funds) in fiscal year 2027 to establish and implement an add-on payment for rural hospitals that have a department of obstetrics and gynecology and to regularly update certain reimbursement rates for rural hospitals participating in Medicaid based on the most recent cost information. In determining this add-on payment, the agency assumed an approximately two percent (2%) increase applied to all rural hospital inpatient and outpatient services, overall. According to the agency, this is the same approach used for other add-on payments within the Medicaid program.

This analysis assumes these costs would be partially offset by an estimated \$340,166 to the General Revenue Fund in fiscal year 2026 and an estimated \$861,076 to the General Revenue Fund in fiscal year 2027 from client services payments through managed care that are assumed to result in an increase to the General Revenue Fund from insurance premium tax revenue and revenue adjusted for assumed timing of payments and prepayments, all of which results in increased revenue collections. Pursuant to Section 227.001(b), Insurance Code, 25 percent of the revenue collection is assumed to be deposited to the credit of the Foundation School Fund (\$113,388 in fiscal year 2026 and \$287,025 in fiscal year 2027).

While the bill establishes various grant programs for Texas rural hospitals, there is insufficient information available to determine the full costs of those programs; therefore, this analysis does not contemplate the costs associated with the actual grants but does include cost estimates for the administration of those grants.

According to the Texas Child Mental Health Care Consortium, the Consortium would require \$2,500,000 from the General Revenue Fund (\$2,500,000 from All Funds) each fiscal year in the 2026-27 biennium to make necessary changes to the existing electronic data system and to add additional providers for expanded services relating to implementing the provisions of this bill.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 529 Health and Human Services Commission, 537 State Health Services, Department of, 710 Texas A&M University System Administrative and General Offices, 719 Texas State Technical College System Administration, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 783 University of Houston System Administration

LBB Staff: JMc, NPe, ER, LBl, NV