

BILL ANALYSIS

S.B. 170
By: Perry
Human Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Concerns have been raised regarding the financial sustainability of rural hospitals, which may be the only source of care for many rural residents, including those enrolled in Medicaid. Losses incurred for treatment of Medicaid patients have been identified as one of the threats to the survival of such hospitals. S.B. 170 seeks to avert that threat by providing for Medicaid reimbursement of rural hospitals using a cost-based methodology.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the executive commissioner of the Health and Human Services Commission in SECTION 1 of this bill.

ANALYSIS

S.B. 170 amends the Government Code to require the executive commissioner of the Health and Human Services Commission (HHSC), to the extent allowed by federal law and subject to limitations on appropriations, by rule to 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 Medicaid recipients by using the hospitals' most recent cost information concerning the costs incurred for providing the services. The bill requires HHSC to calculate the prospective cost-based reimbursement rates once every two years. The bill, with respect to the adoption of that methodology:

- assigns "rural hospital" the definition assigned by HHSC rules for purposes of the reimbursement of hospitals for providing inpatient or outpatient services under Medicaid;
- authorizes the executive commissioner to adopt a methodology that contains certain requirements; and
- authorizes the executive commissioner to require that the amount of reimbursement paid to a rural hospital is subject to any applicable adjustments made by HHSC for payments to or penalties imposed on the rural hospital that are based on a quality-based or performance-based requirement under the Medicaid managed care program.

S.B. 170 requires HHSC, not later than September 1 of each even-numbered year and for purposes of calculating the prospective cost-based reimbursement rates, to determine the allowable costs incurred by a rural hospital participating in the Medicaid managed care program based on the hospital's cost reports submitted to the federal Centers for Medicare and Medicaid Services and other available information that HHSC considers relevant. The bill requires HHSC

to make an initial determination not later than September 1, 2020, of allowable costs incurred by an applicable rural hospital before that date.

S.B. 170 requires the executive commissioner to adopt and HHSC to implement, beginning with the state fiscal year ending August 31, 2022, a true cost-based reimbursement methodology for inpatient and general outpatient services provided to Medicaid recipients at rural hospitals that provides the following:

- prospective payments during a state fiscal year to hospitals using the adopted prospective cost-based reimbursement methodology; and,
- to the extent allowed by federal law, a cost settlement in the subsequent state fiscal year to provide additional reimbursement as necessary to reimburse the hospitals for the true costs incurred in providing inpatient and general outpatient services to Medicaid recipients during the previous state fiscal year.

The bill requires HHSC, if federal law does not permit the use of such a methodology, to continue to use the prospective cost-based reimbursement methodology for applicable payments.

S.B. 170 makes the required implementation of the bill's provisions contingent on legislative appropriations specifically for that purpose and otherwise authorizes but does not require HHSC to implement a provision of the bill using other appropriations available for that purpose.

EFFECTIVE DATE

September 1, 2019.