

- SUBJECT:** Providing certain authority to hospital districts
- COMMITTEE:** County Affairs — committee substitute recommended
- VOTE:** 8 ayes — Coleman, Farias, Burrows, Romero, Schubert, Spitzer, Tinderholt, Wu
- 1 nay — Stickland
- WITNESSES:** For — Paul Leslie, Parkland; Burnie Burner, Parkland Hospital and Hospitality System; Maureen Milligan, Teaching Hospitals of Texas; (*Registered, but did not testify:* Jocelyn Dabeau, Texas Captive Insurance Association; Don McBeath, Texas Organization of Rural and Community Hospitals; Joe Garcia, University Health System)
- Against — None
- BACKGROUND:** Health and Safety Code, ch. 281 authorizes certain counties to establish hospital districts to provide medical aid and hospital care to the indigent and needy persons residing in the district.
- Under Health and Safety Code, sec. 281.0518, the Dallas County hospital district or its nonprofit affiliates may enter into a contract, collaborate, or enter into a joint venture or other agreement with a public or private entity to engage in certain activities related to selling or licensing technology or intellectual property.
- According to Insurance Code, ch. 964, a “captive insurance company” is an entity that holds a certificate of authority to insure the operational risks of the company’s affiliates or risks of a controlled unaffiliated business. A “captive management company” is an entity that provides administrative services to a captive insurance company.
- DIGEST:** CSHB 2557 would provide that the Dallas County hospital district or its nonprofit affiliate could contract, collaborate, or enter into a joint venture or other agreement with a public or private entity that was nonprofit or for

profit to engage in certain activities related to selling or licensing technology. A nonprofit corporation formed by the hospital district could hold an ownership interest in one of these entities.

The bill also would permit a charitable organization created by a hospital district authorized under Health and Safety Code, ch. 281 to contract, collaborate, or enter into a joint venture or other agreement with a public or private entity whether the entity was nonprofit or for profit. The charitable organization could have an ownership interest in this entity. Charitable organizations would remain subject to applicable state and federal laws.

CSHB 2557 also would authorize a hospital district, a combination of districts, or a nonprofit corporation formed by a district or a combination of districts to further the purposes of the hospital district or districts, to form a captive insurance company or a captive management company to further the purposes of the hospital district or hospital districts.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.

**SUPPORTERS  
SAY:**

CSHB 2557 would clarify the authority of hospital districts and their affiliates to enter into certain agreements. Agreements between non-statutorily created nonprofits and for-profit entities exist, but as statutorily created entities, hospital districts adhere to legislation. The law is unclear about the agreements hospital districts may enter into. Further, contracts between government and private entities are routine occurrences, and hospital districts explicitly should be authorized to participate in them.

The bill would provide a method for hospital districts to continue to improve their health care services. CSHB 2557 also would allow hospital districts to better manage and protect their value. Hospital districts are not explicitly permitted in code to contract with captive insurance companies in Texas. This bill would provide the statutory permission necessary to allow hospital districts to insure themselves in a way that is efficient and

cost effective.

OPPONENTS  
SAY:

CSHB 2557 is unnecessary because hospital districts implicitly can enter into agreements with for-profit entities to support their purpose of providing medical care for the indigent.