

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 1246  
By: Madla  
Health & Human Services  
4-17-97  
Committee Report (Substituted)

### **DIGEST**

Currently, rural community health system legislation has been developed as an alternative to the urban-based Medicaid health maintenance organizations now operating in rural Texas. The expansion of Medicaid managed care has sparked serious concern about the impact of this transformation on rural health care delivery. Insufficient reimbursement, network exclusion, and the loss of patients and health care dollars to urban centers are all factors which threaten the long-term viability of rural health care networks. Rural physicians and hospitals acknowledge the need for budget certainty within the Medicaid program, and they support efforts to enhance Medicaid recipients' health care access and quality. However, consensus is growing that an alternative model, predicated on local management and control, must be sought that can accomplish these goals without sacrificing quality, accessibility, or cost-effectiveness in rural Texas.

This legislation establishes a statewide rural health care system (system) to deliver health care services in rural communities. The system will be a statewide, central risk-bearing entity that contracts with locally developed rural community health plans and assumes responsibility for functions such as licensure, reinsurance, information management, claims processing, and actuarial analysis. Local community networks will administer functions such as quality and utilization management, credentialing, and resource allocation. Each local community health plan will deliver the scope of locally available health services and services not available within the community will be externally contracted. The system will be awarded at least one of any state contracts awarded to provide health care services to beneficiaries of a governmental health program to certain rural areas, so long as it satisfies contractual and licensure requirements, and the system will be allowed to contract with both private and public sector insurance programs.

### **PURPOSE**

As proposed, C.S.S.B. 1246 establishes a statewide rural health care system.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the board of directors of the rural health care system in SECTION 2 (Article 20C.08(a), 20C.09(a), 20C.11(a), and 20C.12(a), Insurance Code) and to the commissioner of insurance in SECTION 2 (Article 20C.15, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Article 20A.02(l), Insurance Code, to redefine "person."

SECTION 2. Amends the Insurance Code by adding Chapter 20C, as follows:

#### **CHAPTER 20C. STATEWIDE RURAL HEALTH CARE SYSTEM**

Art. 20C.01. SHORT TITLE: Statewide Rural Health Care System Act.

Art. 20C.02. DEFINITIONS. Defines "board," "enrollee," "health care services," "hospital provider," "local health care provider," "participating provider," "person," "rural area," "system," and "territorial jurisdiction."

Art. 20C.03. ESTABLISHMENT OF SYSTEM. Provides that the statewide rural health care system (system) is established to arrange for or provide health care services on a prepaid basis to enrollees who reside in rural areas.

Art. 20C.04. DESIGNATION AS SYSTEM; QUALIFICATIONS. Requires the commissioner of insurance (commissioner) to designate as the system one organization created under Article 20C.05 of this chapter. Sets forth the standards for eligibility for designation as the system. Authorizes the system to meet all reserve requirements required by the commissioner through the purchase of reinsurance from certain insurance companies.

Art. 20C.05. ORGANIZATION OF SYSTEM; APPLICATION OF OTHER LAWS. Requires the system to be a corporation organized under the Texas Non-Profit Corporation Act and composed of a combination of two or more hospital providers that are members of the corporation and located in a rural area. Provides that the system is a unit of local government that is a governmental unit and a local government. Authorizes the system to enter into interlocal cooperation contracts under the Interlocal Cooperation Act, and provides that the system is a local government for purposes of that Act.

Art. 20C.06. BOARD. Sets forth the terms under which the system is governed by a board of directors. Establishes the composition of the board and the selection of board members.

Art. 20C.07. TERMS; VACANCIES. Sets forth the conditions under which members of the board serve certain terms, and by which vacancies are filled.

Art. 20C.08. ADMINISTRATION BY BOARD; COMMITTEES. Requires the board to administer the system and adopt policies and procedures for the system that are consistent with the purposes of this chapter. Sets forth the terms by which the board is authorized to elect officers and appoint an executive committee composed of certain members. Establishes the conditions under which the board, on a majority vote, is authorized to contract for administrative services or hire an executive director, consultants, attorneys, other professionals, and other staff. Requires the board, if the board hires an executive director for the system, to delegate to the executive director certain duties. Sets forth the terms by which the board is required to appoint an advisory committee composed of certain members, and is authorized to appoint other advisory committees. Provides that a member of an advisory committee is not entitled to compensation for service.

Art. 20C.09. MEETINGS; RECORD. Requires the board to adopt rules for the holding of regular and special meetings. Provides that meetings of the board are open to the public in accordance with Chapter 551, Government Code. Provides that this subsection does not require the board to conduct an open meeting to deliberate certain issues. Requires the board to keep a record of its proceedings in accordance with Chapter 551, Government Code.

Art. 20C.10. LIMITATION ON AUTHORITY OF PARTICIPATING PROVIDERS. Provides that the authority of the participating providers is limited to certain powers.

Art. 20C.11. PROVISION OF ADMINISTRATIVE SERVICES. Authorizes the board to adopt rules regarding the provision of administrative services by the system. Authorizes the system to enter into contracts or joint ventures to provide administrative services, enter into intergovernmental and interlocal agreements, and provide technical assistance and management services to local health care providers as necessary to deliver health care services.

Art. 20C.12. PROVISION OF HEALTH CARE SERVICES. Authorizes the board to adopt rules to regulate the provision of health care services by the system. Requires the system to contract with or otherwise arrange for local health care providers to deliver health care services to enrollees residing in the rural areas of the territorial jurisdiction of the participants. Authorizes the system to contract with health care practitioners who are not local health care providers if local providers are unable to provide the type and quality of services needed.

Art. 20C.13. GIFTS AND GRANTS. Authorizes the system to accept gifts and grants of money, personal property, and real property to use in the provision of the system's programs and services.

Art. 20C.14. MANDATED PROVIDER; EXCEPTION. Requires the state to award to the system at least one of any state contracts awarded to provide health care services to beneficiaries of a governmental health program to the rural areas within the territorial jurisdiction of the participating providers. Provides that this article does not apply to certain contracts.

Art. 20C.15. RULES. Requires the commissioner to adopt rules as necessary to implement this chapter.

SECTION 3. Sets forth the procedure for appointing the initial members of the board.

SECTION 4. (a) Effective date: September 1, 1997, except as provided by Subsections (b) and (c) of this section.

(b) Requires the commissioner to adopt rules not later than January 1, 1998.

(c) Requires the system to begin offering health care services not later than March 1, 1998.

SECTION 5. Emergency clause.

#### **SUMMARY OF COMMITTEE CHANGES**

Amends the relating clause to establish a statewide rural health care system, and to delete the reference to the delivery of health care services.

SECTION 1.

Amends Article 20A.02(1), Insurance Code, to redefine "person."

SECTION 2.

Amends the chapter heading to read, "STATEWIDE RURAL HEALTH CARE SYSTEM."

Amends Article 20C.02 to define "board," "health care services," "participating provider," and "system." Redefines "enrollee," "hospital provider," "local health care provider," "person," "rural area," and "territorial jurisdiction." Deletes the definitions for "commissioner," "department," and "primary care physician."

Amends Article 20C.03 to provide that the system is established to provide health care services, rather than a health care plan, to enrollees in rural areas on a prepaid basis.

Redesignates former Article 20C.06 as 20C.04, and changes the heading. Requires the organization, with certain exceptions, to meet each requirement imposed by the Texas Health Maintenance Organization Act as if the organization were a person under the Act, rather than requiring the organization to meet each requirement for the issuance of a certificate of authority as a health maintenance organization as if the organization were a health maintenance organization.

Redesignates former Article 20C.04 as 20C.05, and amends the terms by which the system is a unit of local government and a local government. Authorizes the system to enter into interlocal cooperation contracts. Deletes the provision regarding hospital providers becoming members of the membership corporation.

Redesignates former Article 20C.05 as 20C.06, and amends the provisions regarding the composition of the board and selection of its members.

Redesignates former Article 20C.08 as 20C.07, and amends the provisions regarding the terms of members of the board and the filling of vacancies.

Redesignates former Article 20C.09 as 20C.08, and amends the provisions regarding administration by the board. Sets forth the composition of an executive committee appointed under this article. Requires the board to appoint an advisory committee composed of certain members, and authorizes the board to appoint other advisory committees.

Redesignates former Article 20C.10 as 20C.09, changes the heading, and makes technical changes.

Redesignates former Article 20C.07 as 20C.10, and replaces all references to "members of the system" with "participating providers."

Amends Article 20C.12 to authorize the system to contract with health care practitioners who are not local health care providers if certain conditions exist.

Amends Article 20C.14 to change the terms under which the state is required to award to the system state contracts.

Amends Article 20C.15 to require, rather than authorize, the commissioner to adopt rules as necessary to implement this chapter.

### SECTION 3.

Sets forth the procedure for appointing initial members of the board.

### SECTION 4.

Changes the effective date. Requires the commissioner to adopt rules by a certain date. Requires the system to begin offering services by a certain date.