

BILL ANALYSIS

Senate Research Center
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H.B. 2557
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law allows a hospital district to create a charitable organization that meets the requirements of Sections 501(c)(3) or 501(c)(4) of the Internal Revenue Code, just as other governmental entities can. However, current law does not state that a charitable organization created by a hospital district can contract, collaborate, or enter into other arrangements with other public and private entities. H.B. 2557 allows them to do that.

H.B. 2557 further clarifies that, although such charitable organizations are considered units of local government for purpose of Chapter 101 (Tort Claims), Civil Practice and Remedies Code, such charitable organizations are not political subdivisions or political corporations under other law.

Additionally, while other Texas entities, including nonprofit and for-profit hospitals, are allowed to establish captive insurance companies, current law does not state that a hospital district has the same opportunity. H.B. 2557 allows a hospital district to establish a captive insurance company under Chapter 964 (Captive Insurance Companies), Insurance Code, to insure the operational risks of the district and its affiliates.

H.B. 2557 amends current law relating to certain hospital districts and to certain corporations or organizations formed by those districts.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 281.0518, Health and Safety Code, by adding Subsection (a-1), as follows:

(a-1) Provides that, for purposes of Subsection (a)(3) (relating to the authority of the Dallas County Hospital District):

- (1) a public or private entity may be a for-profit or a nonprofit entity; and
- (2) a nonprofit corporation formed by the Dallas County Hospital District may hold an ownership interest in a public or private entity described by Subsection (a)(3).

SECTION 2. Amends Section 281.0565, Health and Safety Code, by amending Subsections (c) and (d) and adding Subsections (e) and (f), as follows:

(c) Provides that a charitable organization created by a district under this section is a unit of local government only for purposes of Chapter 101 (Tort Claims), Civil Practice and Remedies Code.

(d) Authorizes a hospital district to make a capital or other financial contribution to a charitable organization created by the district to provide regional administration and delivery of health care services to or for the district.

Deletes existing text authorizing a district created in a county with a population of more than 800,000 that was not included in the boundaries of a hospital district before September 1, 2003, to make a capital or other financial contribution to a charitable organization created by the district to provide regional administration and delivery of health care services to or for the district

(e) Authorizes a charitable organization created by a district under this section to contract, collaborate, or enter into a joint venture or other agreement with a public or private entity, without regard to that entity's for-profit or nonprofit status, and to hold an ownership interest in such an entity.

(f) Provides that a charitable organization created by a district under this section remains subject to the laws of this state and the United States that govern charitable organizations. Provides that nothing in this section may be construed as abrogating or modifying any other provision of law governing charitable organizations.

SECTION 3. Amends Subchapter C, Chapter 281, Health and Safety Code, by adding Section 281.058, as follows:

Sec. 281.058. AUTHORITY TO FORM CAPTIVE INSURANCE OR CAPTIVE MANAGEMENT COMPANY. (a) Defines "captive insurance company" and "captive management company."

(b) Authorizes 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 district or districts, as appropriate, to form a captive insurance company or a captive management company in accordance with the provisions of Chapter 964, Insurance Code, for the purpose of engaging in the business of insurance under that chapter.

SECTION 4. Effective date: upon passage or September 1, 2015.