

BILL ANALYSIS

Senate Research Center
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S.B. 1097
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Decatur Hospital Authority dba Wise Health (Authority) is a municipal hospital authority and political subdivision established pursuant to Chapter 262 of the Texas Health and Safety Code and an ordinance of the City of Decatur, Texas. The Authority owns and operates a 150-licensed-bed acute care hospital in Decatur, Wise County, Texas, and multiple affiliated ancillary facilities.

Wise County is beginning to experience significant growth, which is expected to increase significantly during the next decade. The new and changing financial realities of the healthcare system as a whole (increasing costs and declining reimbursements), to which the Authority is not immune, are making it increasingly different for independent systems like the Authority to remain independent hospital operators. These challenges are increasing regardless of location but is especially true in markets like Wise County with the growth significant. To ensure access to capital and resources that will help keep healthcare local, ensure continued jobs for healthcare workers, and grow and enhance services for the Authority's patients, the Authority seeks to strategically align with a larger system. The Authority's board of directors (made up of local community leaders) has determined that the acquisition by a national healthcare facility operator is the best way to ensure continued access to care in the broad array of services for Wise County residents.

Currently, the law is unclear whether the Authority, as a political subdivision, can indemnify the purchaser of the Authority's assets for liabilities that predate the sale and whether or not a sovereign immunity would block any claim by a purchaser to recover from the Authority for liabilities of the Authority which predate the sale. Resolution of the issue is necessary because no reputable purchaser would agree to be exposed to a known or unknown claim that may predate their potential ownership.

Current law requires that there be a clear and unambiguous statutory waiver of sovereign immunity by the political subdivision and such a waiver would allow the hospital authority to provide an enforceable contractual indemnity to a purchaser.

The proposed bill is bracketed so that will only impact the Decatur Hospital Authority and would not impact another political subdivision.

As proposed, S.B. 1097 amends current law relating to liability of certain municipal hospital authorities under a contract for the sale of a hospital.

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 Subchapter C, Chapter 262, Health and Safety Code, by adding Section 262.0335, as follows:

Sec. 262.0335. LIABILITY OF CERTAIN MUNICIPAL HOSPITAL AUTHORITIES UNDER CONTRACT FOR SALE OF HOSPITAL. (a) Provides that this section applies only to a municipal hospital authority wholly located in a county with a population of less than 70,000.

(b) Provides that a municipal hospital authority that enters into a contract to sell a hospital owned by the authority waives governmental immunity to suit for the purpose of adjudicating a claim for breach of the contract.

(c) Prohibits a claimant from being awarded, for a breach of contract claim described by Subsection (b):

(1) a total amount that exceeds the amount due and owed by the municipal hospital authority under the contract; or

(2) consequential or exemplary damages.

(d) Authorizes a municipal hospital authority that enters into a contract to sell a hospital owned by the authority to indemnify the purchaser of the hospital according to the terms of the contract.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2023.