

SUBJECT: Health care funding district for Hidalgo, Cameron, and Webb counties

COMMITTEE: Public Health — committee substitute recommended

VOTE: 10 ayes — Kolkhorst, Naishtat, Collier, Cortez, S. Davis, Guerra, S. King, Laubenberg, J.D. Sheffield, Zedler

0 nays

1 absent — Coleman

SENATE VOTE: On final passage, April 11 — 28–3 (Birdwell, Estes, Paxton)

WITNESSES: (*On House companion, HB 3710:*)
For — John Hawkins, Texas Hospital Association; Donald Lee, Texas Conference of Urban Counties; Charles Luband, Hidalgo County Clinical Services; Israel Rocha, Doctors Hospital at Renaissance, Hospital Coalition of South Texas; Manuel Vela, Valley Baptist Health System; (*Registered, but did not testify:* Danielle Delgadillo, Mission Regional Medical Center; Michelle Romero; Texas Medical Association)

Against — None

On — (*Registered, but did not testify:* Greta Rymal, HHSC)

BACKGROUND: **Hidalgo Health Care Funding District.** Health and Safety Code, ch. 288, creates a county health care funding district in each county located on the Texas-Mexico border that has a population of 500,000 or more and is adjacent to two or more counties with populations greater than 50,000 (Hidalgo County). Sec. 288.003 states that the health care funding district under the chapter would be abolished September 1, 2007, unless continued by the Legislature.

Chapter 288 provides for district governance, powers and duties, and a tax to be assessed each quarter on all outpatient hospital visits to an institutional health care provider in the district. The tax rate must be set to generate enough revenue to cover administrative expenses to fund the nonfederal share of a Medicaid supplemental payment program and for

indigent programs.

There is no health care funding district currently in existence in Hidalgo County.

Medicaid 1115 transformation waiver. The Medicaid 1115 transformation waiver is a five-year demonstration waiver in effect through September 2016 that allows the state to expand Medicaid managed care, including pharmacy and dental services. The 1115 waiver provides new means for local entities to access additional federal matching funds through regional coordination. The waiver provides for supplemental funding to certain Medicaid providers in Texas in the form of two new pools: the Uncompensated Care (UC) Pool and the Delivery System Reform Incentive Payment (DSRIP) Pool.

To receive funding available through the 1115 waiver, a governmental entity must provide funding, in the form of an “intergovernmental transfer” (IGT) to HHSC, which will then have those funds matched by the federal government and sent to the Medicaid provider designated by the governmental entity that put up the match funding.

DIGEST:

CSSB 1623 would modify, repeal, and expand provisions in Health and Safety Code, ch. 288, governing the Hidalgo County Health Care Funding District.

County health care funding district. The bill would allow a county commissioners court to create and govern a county health care funding district, set to expire on December 31, 2016, in any county with:

- 500,000 or more and is adjacent to two or more counties each of which has a population of 50,000 or more (Hidalgo County);
- 350,000 or more and is adjacent to a county described above (Cameron County); or
- less than 300,000 and contains one or more municipalities with a population of 200,000 or more (Webb County).

The commissioners court of a county would refund any remaining balance to paying hospitals upon abolishment of a district. A district would be considered a component of county government and not a separate political subdivision of the state.

Provider participation fund. A district would create a local provider participation fund, to consist of:

- all revenue from the mandatory payment required, including any penalties and interest;
- money received from HHSC as a refund of an intergovernmental transfer from the district to the state for the purpose of providing Medicaid match payments, provided that the IGT did not receive a federal matching payment; and
- the earnings of the fund.

Money deposited to the local provider participation fund only could be used to:

- fund IGTs from the district to the state to provide the nonfederal share of a Medicaid supplemental payment program authorized under the 1115 Medicaid waiver program;
- subsidize indigent programs;
- pay the administrative expenses of the district;
- refund a portion of a mandatory payment collected in error from a paying hospital; and
- refund to paying hospitals the proportionate share of the money the district received from HHSC that was not used to fund the nonfederal share of Medicaid supplemental payment program payments.

Neither an IGT nor any federal funds drawn by means of an IGT could be used to expand Medicaid eligibility under the Patient Protection and Affordable Care Act. Money in the fund also could not be comingled with other county funds.

Mandatory payment. The bill would revise language governing payments to the district to allow a mandatory payment assessed on the net patient revenue of an institutional health care provider in the district. The payment would be assessed on net patient revenue based on data reported to the Department of State Health Services at the end of fiscal 2010. The payment required could not exceed 6 percent of the aggregate net patient revenue of all paying hospitals in the district.

A mandatory payment required would have to be proportionate with the net patient revenue generated by a paying hospital.

The bill would strike all references in the statute to taxes and imposition of a tax and would add references to a mandatory payment.

Repealed provisions. The bill would repeal a variety of provisions in Health and Safety Code, ch. 288, including provisions that:

- govern the duration of the current Hidalgo County Health Care funding district;
- make the district a political subdivision of the state;
- establish qualifications and terms for the district's governing commission, including service without compensation;
- require that records, including books, notices, and minutes, be open to public inspection;
- mandate elections and approval of at least 95 percent of district taxpayers prior to spending any district funds;
- establish purchasing and accounting procedures;
- allow a district to sue and be sued in its own name in any court as a governmental agency;
- require an annual audit each fiscal year;
- require the approval of 95 percent of the health care providers subject to the tax before amending any provision or procedure.

Effective date. 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, 2013.

If a state agency determined that a waiver or authorization from a federal agency would be necessary for implementation of that provision, the agency would request the necessary waiver and delay implementation until it was granted.

NOTES:

The House committee substitute for SB 1623 made a number of changes to the engrossed Senate version, including:

- prohibiting an IGT and federal funds drawn by means of an IGT from being used to expand Medicaid eligibility under the Patient Protection and Affordable Care Act;
- adding language abolishing any district created on December 31, 2016, and providing for a refund of any remaining money to the

paying hospitals;

- deletion of all references to a tax and the imposition of a tax, adding references to a mandatory payment;
- prohibiting money in the provider participation fund from being comingled with other county funds.