

BILL ANALYSIS

Senate Research Center

S.B. 1246
By: Madla
Health & Human Services
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As Filed

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 a Medicaid managed care contract so long as it satisfies contractual and licensure requirements, and will be allowed to contract with both private and public sector insurance programs.

PURPOSE

As proposed, S.B. 1246 establishes a statewide rural community health system to allow for the delivery of certain health care services pursuant to the Texas Insurance Code.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the board of directors of the Rural Health Care System in SECTION 1 (Article 20C.10(a), 20C.11(a), and 20C.12(a), Insurance Code) and to the commissioner of insurance in SECTION 1 (Article 20C.15, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the Texas Insurance Code by adding Chapter 20C, as follows:

CHAPTER 20C. DELIVERY OF HEALTH CARE SERVICES BY STATEWIDE RURAL COMMUNITY HEALTH SYSTEM

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

Art. 20C.02. DEFINITIONS. Defines "commissioner," "enrollee," "rural area," "department," "hospital provider," "local health care provider," "member," "person," "primary care physician," and "territorial jurisdiction."

Art. 20C.03. ESTABLISHMENT. Provides that the Statewide Rural Health Care System

(system) is hereby established to arrange for or provide a health care plan to enrollees residing in rural areas on a prepaid basis.

Art. 20C.04. ORGANIZATION. Requires the system to be a corporation organized under the Texas Non-Profit Corporation Act and a member corporation formed by a combination of two or more hospital authorities. Provides that the system is a unit of local government and a local government. Authorizes hospital providers to become members of the membership corporation.

Art. 20C.05. BOARD OF DIRECTORS FOR RURAL HEALTH CARE SYSTEM. Sets forth the terms by which the board of directors of the system is required to be composed, and by which directors are required to be appointed.

Art. 20C.06. QUALIFICATIONS FOR DESIGNATION. Establishes the conditions under which the commissioner of insurance (commissioner) is required to designate one organization that meets each requirement for a certificate of authority as a health maintenance organization as the system, as if the system were a health maintenance organization, provided that the system may meet all reserve requirements from insurance companies approved by the commissioner.

Art. 20C.07. LIMITATION ON AUTHORITY OF MEMBERS. Requires the authority of the members of the system to be limited to certain powers.

Art. 20C.08. TERMS; VACANCIES. Sets forth the conditions under which appointed directors of the board of directors serve certain terms, and by which vacancies are filled.

Art. 20C.09. ADMINISTRATION BY BOARD. Requires the board of directors to administer the system and make policies and procedures consistent with the purpose of the system. Sets forth the terms by which the board of directors is authorized to utilize an executive committee and other committees of the board as required to conduct the board's business. Establishes the conditions under which the board of directors is authorized to contract for administrative services, hire an executive director, consultants, attorneys, professionals, clerks, administrators, and other persons as necessary, with a majority vote.

Art. 20C.10. MEETING. Requires the board of directors to adopt rules for the holding of regular and special meetings. Provides that board meetings are open to the public to the extent required by Chapter 551, Government Code, provided this article does not require the board of directors of the system to conduct an open meeting to deliberate certain issues. Requires the board of directors to keep a record of its proceedings in accordance with Chapter 551, Government Code.

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

Art. 20C.12. PROVISION OF HEALTH CARE SERVICES. Authorizes the board of directors to adopt rules to regulate the provision of health care services by the system. Requires the system to contract with or arrange for local health care providers to deliver health care services to certain enrollees unless such 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 providing the system's programs and services.

Art. 20C.14. AUTHORIZE STATE CONTRACTS. Requires the system to be awarded any contract by the state to provide health care services to beneficiaries of any governmental

health program to the rural areas within the territorial jurisdiction of its members, provided certain conditions are met.

Art. 20C.15. RULES. Authorizes the commissioner to adopt rules as necessary to implement this Act.

SECTION 2. Emergency clause.
Effective date: upon passage.