

## **BILL ANALYSIS**

Senate Research Center  
77R9059 MCK-D

H.B. 2423  
By: Hawley (Madla)  
Health & Human Services  
5/8/2001  
Engrossed

### **DIGEST AND PURPOSE**

Provisions of the Federal Balanced Budget Refinement Act of 1999 allow a hospital in an urban county to be reclassified as a rural hospital if the hospital meets specific criteria. Under Medicare payment policies, the designation of a hospital as rural or urban can affect payment amounts. For some Texas hospitals, reclassification of a hospital as a rural hospital may result in increased Medicare payments to that hospital. A hospital seeking reclassification from urban to rural must apply with the regional office of the federal Health Care Financing Administration (HCFA) and must include documentation satisfying one of the criteria for reclassification. While the determination is ultimately made by HCFA, a state may designate an area as a rural area or certain hospitals as rural hospitals through state legislation or regulations. Allowing hospitals to apply for reclassification directly through the state would provide Texas hospitals with the opportunity to take advantage of more favorable Medicare payment rates in a more timely manner. H.B. 2423 establishes a procedure through the Center for Rural Initiatives by which a hospital may obtain a rural classification.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Center for Rural Health Initiatives in SECTION 1 (Section 106.029, Health and Safety Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 106B, Health and Safety Code, by adding Section 106.029, as follows:

Sec. 106.029. DESIGNATING RURAL HOSPITALS. Requires the Center for Rural Health Initiatives (center) to adopt rules that establish a procedure for designating a hospital as a rural hospital in order for the hospital to qualify for federal funds under 42 C.F.R. Part 412. Requires the center, at the hospital's request, to designate the hospital as a rural hospital if the hospital meets the requirements for a rural hospital under the center's rules.

SECTION 2. Effective date: September 1, 2001.