

INSURANCE CODE

TITLE 6. ORGANIZATION OF INSURERS AND RELATED ENTITIES  
SUBTITLE C. LIFE, HEALTH, AND ACCIDENT INSURERS AND RELATED  
ENTITIES

CHAPTER 845. STATEWIDE RURAL HEALTH CARE SYSTEM

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 845.001. SHORT TITLE. This chapter may be cited as the Statewide Rural Health Care System Act.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.002. DEFINITIONS. In this chapter:

(1) "Board" means the board of directors of the system.

(2) "Enrollee" means an individual who:  
(A) resides in a rural area; and  
(B) is entitled to receive health care services through a health care plan sponsored by, arranged for, or provided by the system.

(3) "Health care services" has the meaning assigned by Section 843.002.

(4) "Health care provider" means a physician, facility, practitioner, or other person or organization who, under a license or grant of authority issued by this state, provides care or supplies to individuals under a health benefit plan. The term does not include a hospital provider.

(5) "Hospital provider" means a county hospital, county hospital authority, hospital district, municipal hospital, or municipal hospital authority.

(6) "Local health care provider" means:  
(A) a person licensed, registered, or certified as a health care practitioner in this state who resides or practices in a rural area in which the person provides health care services; or

(B) a general or specialty hospital that is not a hospital provider under this chapter.

(7) "Participating hospital provider" means a hospital provider that participates in the system.

(8) "Person" means an individual, professional association, professional corporation, partnership, limited liability corporation, limited liability partnership, or nonprofit corporation, including a nonprofit corporation certified under Section 162.001, Occupations Code.

(9) "Rural area" means:

(A) a county with a population of 50,000 or less;

(B) an area that is not delineated as an urbanized area by the United States Bureau of the Census; or

(C) any other area designated as rural by a rule adopted by the commissioner, subject to Section 845.003.

(10) "System" means the statewide rural health care system established under this chapter.

(11) "Territorial jurisdiction" means the geographical area in which a participating hospital provider is obligated by law to provide health care services.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.213(a), eff. Sept. 1, 2003.

Sec. 845.003. RURAL AREA DESIGNATION. In determining whether to designate an area as a rural area under this chapter, the commissioner shall consider any area that is delineated as an urbanized area by the United States Bureau of the Census and:

(1) is contiguous with and not more than 10 miles away from a rural area described by Section 845.002(9)(A) or (B);

(2) is sparsely populated, compared to areas within a 10-mile radius that are delineated as urbanized areas by the United States Bureau of the Census;

(3) has not increased in population in any single calendar year in the seven years before the commissioner makes the designation; and

(4) in which emergency or primary care services:

(A) are limited or unavailable in accordance with network access standards imposed by the commissioner; and

(B) would be made materially more accessible by allowing access to care in a contiguous area that is otherwise eligible to participate in the system.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.213(b), eff. Sept. 1, 2003.

Sec. 845.004. RULES. The commissioner shall adopt rules as necessary to implement this subchapter and Subchapters B, C, and D.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(b), eff. Sept. 1, 2003.

#### SUBCHAPTER B. SYSTEM

Sec. 845.051. STATEWIDE RURAL HEALTH CARE SYSTEM. The commissioner shall designate a single organization as the statewide rural health care system. The system is authorized to sponsor, arrange for the provision of, or provide health care services to enrollees in programs in rural areas. The programs are not subject to:

(1) a law requiring the coverage or the offer of coverage for services by a particular health care provider under:

(A) Chapter 62, Health and Safety Code;

(B) Chapter 32, Human Resources Code;

(C) a state-, county-, or local government-sponsored indigent care initiative; or

(D) a federal Medicare Plus Choice program; or

(2) Subchapters A-I, Chapter 1251, Subchapter A, Chapter 1364, Subchapter A, Chapter 1366, or Section 1551.064 under a state-, county-, or local government-sponsored uninsured or indigent care initiative.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.214(a), eff. Sept. 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.055,

eff. April 1, 2009.

Sec. 845.052. ORGANIZATION REQUIREMENTS. The system must:

(1) be a corporation organized under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes); and

(2) consist of a combination of two or more hospital providers, each of which:

(A) is a member of the corporation; and

(B) is located in a rural area.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.053. REQUIREMENTS APPLICABLE TO CERTAIN PLANS.

(a) Except as provided by Subsection (b), if the system seeks to sponsor, arrange for the provision of, or provide health care services to enrollees in exchange for a predetermined payment per enrollee on a prepaid basis, the system must comply with:

(1) all requirements under this code imposed on health plans, including health maintenance organizations; and

(2) any additional requirements the commissioner determines are necessary to ensure enrollee access to health care providers and health care services.

(b) The system is not required to comply with requirements described by Subdivision (a)(1) that relate to mileage, distance, network adequacy, and scope of coverage that the commissioner determines are not applicable to the system.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.214(a), eff. Sept. 1, 2003.

Sec. 845.054. LOCAL GOVERNMENT. (a) The system is:

(1) a unit of local government that is a governmental unit for purposes of Chapter 101, Civil Practice and Remedies Code; and

(2) a local government for purposes of Chapter 102, Civil Practice and Remedies Code.

(b) The system may enter into interlocal cooperation

contracts under Chapter 791, Government Code, and is a local government for purposes of that chapter.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.055. PROVISION OF ADMINISTRATIVE AND HEALTH CARE SERVICES. (a) The system shall contract with or otherwise arrange for local health care provider networks composed of not more than 19 counties to deliver health care services to enrollees residing in the rural areas of the territorial jurisdiction of the participating hospital providers.

(b) If the local health care provider networks under contract or arrangement with the system as provided by Subsection (a) are unable to provide the type and quality of health care services required by the enrollees, the system may contract with health care practitioners who are not local health care providers.

(c) The system may:

(1) enter into a contract or joint venture to provide administrative services under this chapter;

(2) enter into an intergovernmental or interlocal agreement; or

(3) provide technical assistance and management services to local health care providers as necessary to deliver health care services.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.056. GIFTS AND GRANTS. The system may accept gifts or grants of money or property to provide programs and services.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.057. LIMITATION ON AUTHORITY OF PARTICIPATING HOSPITAL PROVIDERS. The participating hospital providers may exercise only the authority provided by Sections 845.058, 845.101, and 845.103.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.058. SALE OR DISSOLUTION OF SYSTEM. (a) The participating hospital providers may authorize, by a two-thirds

vote, the sale of the system or substantially all of the assets of the system.

(b) Except as otherwise provided by law, on the sale or dissolution of the system or the sale of substantially all of the assets of the system, the net revenue shall be distributed equally to the participating hospital providers after payment of any outstanding liabilities incurred by the system.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

#### SUBCHAPTER C. BOARD OF DIRECTORS

Sec. 845.101. APPOINTMENT OF BOARD. (a) The system is governed by a board of directors that consists of 17 members. Notwithstanding the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes), appointments to the board shall be made as provided by this section.

(b) The participating hospital providers shall elect, by a majority vote of the governing bodies of the participating hospital providers, five members who represent the participating hospital providers.

(c) Twelve members shall be appointed according to the system's bylaws, including:

(1) six members who reside in the territorial jurisdictions of the participating hospital providers, including:

(A) two members who represent employers;

(B) two members who represent local government officials; and

(C) two members who represent consumers of health care services; and

(2) six members who are licensed physicians who reside and practice in the territorial jurisdictions of the participating hospital providers, including at least three members who perform the general practice of medicine as their professional practice.

(d) Appointments to the board under Subsection (c) shall be made in a manner that provides representation for the territorial jurisdictions of all participating hospital providers.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by Acts 2003, 78th Leg., ch. 1170, Sec. 41.01, eff. Sept. 1, 2003; Acts 2003, 78th Leg., ch. 1276, Sec. 10A.215(a), eff. Sept. 1, 2003.

Sec. 845.102. TERMS; VACANCY. (a) Members of the board serve staggered six-year terms. The terms of five or six members expire December 1 of each even-numbered year.

(b) A person may not be appointed to serve consecutive terms.

(c) A person may be appointed to serve a nonconsecutive term if the person left the board at the expiration of the person's previous term.

(d) If a vacancy occurs during a member's term, the same entity that appointed the member shall appoint a replacement to fill the unexpired term.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003. Amended by Acts 2003, 78th Leg., ch. 1170, Sec. 41.02, eff. Sept. 1, 2003.

Sec. 845.103. REMOVAL OF CERTAIN BOARD MEMBERS. The participating hospital providers may remove, by a two-thirds vote, any member of the board elected by the participating hospital providers under Section [845.101\(b\)](#).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.104. BOARD DUTIES. The board shall:

- (1) administer the system;
- (2) adopt policies and procedures for the system that are consistent with the purposes of this subchapter and Subchapters A, B, and D; and
- (3) adopt rules for the holding of regular and special meetings.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003. Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(b), eff. Sept. 1, 2003.

Sec. 845.105. RULES RELATING TO ADMINISTRATIVE AND HEALTH

CARE SERVICES. The board may adopt rules to regulate the provision of administrative services and health care services by the system. Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.106. OFFICERS. The board may elect officers as it considers appropriate.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.107. EXECUTIVE COMMITTEE. (a) The board may appoint an executive committee as determined by the board to be useful in conducting the business of the board.

(b) The board may delegate to the executive committee any responsibility considered reasonable by the board.

(c) An executive committee appointed under this section must consist of:

(1) two members who represent the participating hospital providers;

(2) two members who are community representatives, including employers, local government officials, or consumers of health care services; and

(3) two members who meet the requirements of Section [845.101\(c\)\(2\)](#).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.108. ADMINISTRATIVE SERVICES; PERSONNEL. (a) The board may, by majority vote:

(1) contract for administrative, management, or support services;

(2) hire an executive director;

(3) contract with a consultant, an attorney, or other professional; or

(4) retain other staff as necessary to perform the duties of the system.

(b) If the board hires an executive director for the system, the board shall delegate to the executive director the authority to hire staff for the system and may delegate to the executive director other duties determined by the board to be appropriate.



Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.  
Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.216(a), eff.  
Sept. 1, 2003.

Sec. 845.109. ADVISORY COMMITTEES. (a) The board may appoint a health care services advisory committee. The advisory committee must include members who represent rural, urban, and educational groups and organizations. The advisory committee, as directed by the board, shall meet and advise the board on any matter.

(b) The board may appoint other advisory committees as determined by the board to be appropriate.

(c) A member of an advisory committee appointed under this section is not entitled to compensation for service on the committee.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.110. OPEN MEETINGS AND RECORDS REQUIREMENTS. (a) Meetings of the board are open to the public in accordance with Chapter 551, Government Code. This subsection does not require the board to conduct an open meeting to deliberate:

(1) pricing or financial planning information relating to a bid or negotiation for arranging or providing services or product lines to another person if disclosure of the information would give the advantage to competitors;

(2) information relating to a proposed new service, product line, or marketing strategy;

(3) patient information made confidential under Chapter 159, Occupations Code, or Subchapter G, Chapter 241, Health and Safety Code; or

(4) information that relates to the credentialing of physicians or to peer review and that is made confidential under Subchapter A, Chapter 160, Occupations Code, or Subchapter G, Chapter 241, Health and Safety Code.

(b) The board shall keep a record of its proceedings in accordance with Chapter 551, Government Code.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER D. STATE MANAGED CARE CONTRACTS

Sec. 845.151. CONTRACT AWARD. To the extent consistent with federal law, the state shall award to the system at least one of the state managed care contracts that are awarded to provide health care services to beneficiaries of the medical assistance program under Chapter 32, Human Resources Code, in the rural areas of the territorial jurisdiction of the participating hospital providers.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.152. PARTICIPATION REQUIREMENT. As a requirement of participation in a state contract awarded under Section 845.151, the system must satisfactorily address the qualifications for arranging to provide health care services to beneficiaries of certain governmental health care programs as delineated in the contractor's request for proposal, including:

(1) readiness reviews and adequacy of credentialing, medical management, quality assurance, claims payment, information management, provider and patient education, and complaint and grievance procedures; and

(2) adequacy of physician and provider networks, including factors such as diversity, geographic accessibility, inclusion of physicians and other providers that have furnished a significant amount of Medicaid or charity care to beneficiaries, and tertiary and subspecialty services.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.153. REIMBURSEMENT AT STATE-DEFINED CAPITATION RATE. (a) To the extent the system operates under a certificate of authority issued under Chapter 843, the Medicaid contracting agency shall reimburse the system at the state-defined capitation rate for each service area in which the system operates.

(b) The system is not required as a condition of participation in a state contract awarded under Section 845.151 to accept from the Medicaid contracting agency a capitation rate that

is lower than the state-defined capitation rate for each service area in which the system operates.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.154. RIGHT OF STATE TO CANCEL CONTRACT ON SALE OR DISSOLUTION. The state may cancel a contract awarded under this subchapter if the system is sold or dissolved.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 845.155. USE OF SYSTEM AS PILOT PROGRAM, DEMONSTRATION PROJECT, OR STUDY. The commissioner of health and human services may use the system for:

(1) a voluntary pilot or demonstration program that:

(A) evaluates the use of an insured model for beneficiaries of a medical assistance program in a rural area not currently included in an existing Medicaid managed care pilot program area; and

(B) incorporates the principles of prevention and disease management; and

(2) a study of the use of promotoras as defined by Section 48.001, Health and Safety Code.

Added by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.217(a), eff. Sept. 1, 2003.

#### SUBCHAPTER E. GOALS OF SYSTEM

Sec. 845.201. RURAL HEALTH CARE DELIVERY SYSTEM. (a) The system is designed to protect and enhance the rural health care delivery system by:

(1) establishing a statewide rural health care network;

(2) supporting funding to rural communities;

(3) enabling administrative simplification for the benefit of rural providers that participate in various health care plans; and

(4) ensuring the inclusion of consumer-oriented attributes considered important to a successful health care

organization.

(b) The attributes described by Subsection (a)(4) include:

- (1) consideration of patient rights;
- (2) preservation of patient rights;
- (3) preservation of the provider-patient relationship;
- (4) emphasis on prevention and wellness;
- (5) an appropriate credentialing and peer review program; and
- (6) emphasis on quality improvement and disease management.

Added by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(a), eff. Sept. 1, 2003.

Sec. 845.202. PATIENT RIGHTS POLICIES. It is intended that the system incorporate patient-focused considerations that include:

- (1) open communication;
- (2) informed consent;
- (3) protection of confidentiality and privacy;
- (4) full disclosure of program policies and procedures to patients and providers;
- (5) coverage of emergency care;
- (6) disclosure of compensation arrangements with providers; and
- (7) efficient appeal of coverage decisions.

Added by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(a), eff. Sept. 1, 2003.

Sec. 845.203. PATIENT-PHYSICIAN RELATIONSHIP. It is intended that the system preserve significant traditional and ethical relationships between a patient and the patient's health care provider by ensuring that:

- (1) medical management does not intrude on the delivery of quality patient care;
- (2) the process of making health care decisions remains a matter between a patient and the patient's health care

provider; and

(3) nothing in the system will place a health care provider in an adverse relationship with a patient.

Added by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(a), eff. Sept. 1, 2003.

Sec. 845.204. PUBLIC HEALTH AND PREVENTION. It is intended that the system use incentives to promote healthy communities and individuals by using a public health model that focuses on health promotion, illness prevention, patient self-care education, and incentives that encourage positive health behavior.

Added by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(a), eff. Sept. 1, 2003.

Sec. 845.205. CREDENTIALS AND PEER REVIEW. To ensure that enrollees will receive quality health care, it is intended that the system focus on processes for obtaining credentials and performing peer review that take into consideration the unique nature of rural communities and that track processes required under federal and state law. It is intended that local physicians and hospitals retain responsibility for these processes. These processes are not intended to exclude otherwise qualified practitioners from participating in the system.

Added by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(a), eff. Sept. 1, 2003.

Sec. 845.206. QUALITY IMPROVEMENT AND MANAGEMENT. It is intended that the system use standard guidelines established by the National Committee on Quality Assurance and other recognized accrediting organizations to:

(1) ensure that the program achieves the objectives of providing quality patient care; and

(2) emphasize establishing benchmarks to measure program outcomes that will be made available to the public through proper reporting procedures.

Added by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.218(a), eff. Sept. 1, 2003.