

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
1301 Young Street, Room 833  
Dallas, Texas 75202



**Division of Medicaid & Children's Health, Region VI**

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May 31, 2011

Our Reference: SPA TX 11-13

Mr. Billy Millwee  
Associate Commissioner for Medicaid & CHIP  
Health and Human Services Commission  
Post Office Box 13247  
Mail Code: H100  
Austin, Texas 78711

Dear Mr. Millwee:

We have reviewed the State's proposed amendment to the Texas State Plan submitted under Transmittal Number 11-13, dated April 27, 2011. This state plan amendment updates the fee schedule rate for durable medical equipment, prosthetics, orthotics, and supplies.

Based on the information submitted, we have approved the amendment for incorporation into the official Texas State Plan with an effective date change of April 1, 2011. A copy of the CMS-179 and the approved plan pages are enclosed with this letter.

If you have any questions, please contact Cheryl Rupley at (214) 767-6278.

Sincerely,

/s/

Bill Brooks  
Associate Regional Administrator

Enclosures

cc: Emily Zalkovsky, Policy Development Support

FORM CMS - 179 (07-92)

**8. Home Health Services (continued)**

**(b) Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)**

- (1) If the item of DMEPOS is covered by Medicare, the Medicaid fee will be equal to or a percentage of the Medicare fee schedule specific to Texas that is available at the time of the fee review, unless there is documentation that the Medicare fee is insufficient for the items covered under the procedure code and required by the Medicaid population.
- (2) For items of DMEPOS not paid at the Medicare fee, the provider will either be reimbursed a fee determined by HHSC or through manual pricing. The fee determined by HHSC will be determined from cost information from providers, manufacturers, surveys of the Medicaid fees for other states, survey information from national fee analyzers, or other relevant fee-related information.
- (3) Manual pricing is reasonable when one procedure code covers a broad range of items with a broad range of costs, since a single fee may not be a reasonable fee for all items covered under the procedure code, resulting in access-to-care issues. Examples include 1) procedure codes with a description of "not otherwise covered," "unclassified," or "other miscellaneous;" and 2) procedure codes covering customized items. If manual pricing is used, the provider is reimbursed either the documented manufacturer's suggested retail price less 18 percent, or the documented average wholesale price (AWP) less 10.5 percent, whichever one is applicable. If one of these is not available, the provider's documented invoice cost is used as the basis for manual pricing. AWP pricing is used primarily for nutritional products and DMEPOS items sold in pharmacies.
- (4) The Medicaid fees for oxygen equipment, oxygen, and oxygen-related supplies will not exceed the Medicare fee for the same procedure code.
- (5) All fee schedules are available through the agency's website as outlined on Attachment 4.19-B, page 1.
- (6) The agency's fee schedule was revised with new fees for durable medical equipment, prosthetics, orthotics, and supplies effective April 1, 2011, and was posted on the agency's website on April 8, 2011.
- (7) The reimbursement for services effective September 1, 2010 through January 31, 2011 will be equal to the reimbursement on August 31, 2010, less one percent. For new reimbursement rates or reimbursement rates that were revised after August 31, 2010, for services effective September 1, 2010 through January 31, 2011, the reimbursement will be reduced by one percent.
- (8) The reimbursement for services effective February 1, 2011 will be equal to the reimbursement on August 31, 2010, less two percent. For new reimbursement rates or reimbursement rates revised after August 31, 2010, for services effective February 1, 2011, the reimbursement will be reduced by two percent.

TN No. 11-13

Approval Date 5-31-11

Supersedes TN No. 11-10

Effective Date: 4-1-11

**SUPERSEDES:** TN- 11-10

STATE <u>Texas</u>	<b>A</b>
DATE REC'D <u>4-26-11</u>	
DATE APPV'D <u>5-31-11</u>	
DATE EFF <u>4-1-11</u>	
HCFA 179 <u>11-13</u>	