DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

DEC 13 2013

Ms. Kay Ghahremani
State Medicaid/CHIP Director
Health and Human Services Commission
Post Office Box 13247
Mail Code: H100
Austin, Texas 78711

RE: TN 12-28

Dear Ms. Ghahremani:

We have reviewed the proposed amendment to Attachments 4.19-A and 4.19-B of your Medicaid State plan submitted under transmittal number (TN) 12-28. This amendment implements regulations for provider preventable conditions and related payment adjustments for Medicaid.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C.

Based upon your assurances, Medicaid State plan amendment 12-28 is approved effective September 1, 2013. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Tamara Sampson at (214) 767-6431.

Sincerely,

[redacted]

Cindy Mann
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE AND MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES

1. TRANSMITTAL NUMBER: **12-028**

2. STATE: **TEXAS**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE: **September 1, 2013**

5. TYPE OF PLAN MATERIAL *(Circle One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR section 447.26; 42 USC sections 1396a(a)(19), (30), 1396b-1

7. FEDERAL BUDGET IMPACT: **SEE ATTACHMENT**
a. **FFY 2014** **($18,159)**
b. **FFY 2015** **($15,148)**
c. **FFY 2016** **($12,678)**

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
SEE ATTACHMENT TO BLOCKS 8 & 9

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
SEE ATTACHMENT TO BLOCKS 8 & 9

10. SUBJECT OF AMENDMENT:
The proposed amendment demonstrates compliance with 42 CFR § 447.26 and 42 USC §§ 1396a(a)(19), (30), and 1396b-1 with respect to non-payment for hospital care acquired and other provider preventable conditions.

11. GOVERNOR'S REVIEW *(Check One)*:
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED: Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.

12. SIGNATURE OF STATE AGENCY OFFICIAL:
[redacted]

13. TYPED NAME:
Kay Ghahremani

14. TITLE:
State Medicaid Director

15. DATE SUBMITTED:
December 6, 2013

16. RETURN TO:
Kay Ghahremani
State Medicaid Director
Post Office Box 13247, MC: H-100
Austin, Texas 78711

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: DEC 13 2013

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: SEP 01 2013

20. SIGNATURE OF REGIONAL OFFICIAL:
[redacted]

21. TYPED NAME: Penny Thompson

22. TITLE: Deputy Director, Policy & Financial Mgt. CMCS

23. REMARKS:

FORM CMS – 179 (07-92)

Payment Adjustment for Provider Preventable Conditions

The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4),1902(a)(6), and 1903 of the Social Security Act with respect to non-payment for provider-preventable conditions.

In compliance with 42 CFR 447.26(c), the Medicaid Agency provides:

a) That no reduction in payment for a provider preventable condition (PPC) will be imposed on a provider when the condition indentified existed prior to the initiation of treatment by that provider. Reductions are only applied to claims if the present on admission (POA) indicates that the condition occurred during the hospital stay. Claims indicating that conditions are present at the time of admission are not subject to reductions.

b) That reductions in provider payment may be limited to the extent that the following apply:

1. The identified provider preventable conditions would otherwise result in an increase in payment. The claim payment is only reduced if the disallowance of the diagnosis results in a downgrade to the APR-DRG.

2. The State can reasonably isolate, for non-payment, the portion of the payment directly related to the treatment of a PPC. The State reduces the payment only if the treatment of the PPC would increase the APR-DRG payment. The payment is based on the disallowance of the diagnosis codes that are considered to be acquired while the patient is in the hospital.

c) Assurance that non-payment for PPC does not prevent access to services for Medicaid beneficiaries. Claims with PPCs are still reimbursed by the Medicaid program. The only impact to the claim is to lower the payment to eliminate payment for the acquired condition.

The State does not impose reductions on Institutes for Mental Disease (IMD) hospitals as these hospitals are paid a per diem rate. The payment is not increased to IMDs when a PPC occurs. If an acute care need arises, the patient is sent to an acute care hospital and any cost to care for that patient is reimbursed to the acute care facility by the IMD, not by the Medicaid program.

STATE Texas
DATE REC'D 6-29-2012
DATE APPV'D DEC 13 2013
DATE EFF 9-1-2013
TN: 12-028
A

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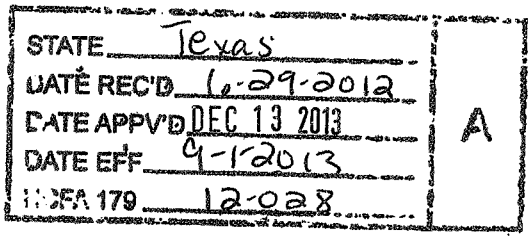

Payment Adjustment for Provider Preventable Conditions (continued)

Other Provider-Preventable Conditions

The State identifies the following other provider preventable conditions for non-payment under Section(s) 4.19-B.

☒ Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

☐ Additional other provider preventable conditions identified below:

Payment Adjustment Methodology

The Texas Medicaid Management Information system requires POA indicators to be submitted with each diagnosis code on inpatient hospital claims. Those POA indicators will guide the payment of the claim. The claim is initially sent to the APR-DRG grouper with all diagnosis codes and a "Non-POA" APR-DRG is assigned to the claim. If the claim is found to have a diagnosis that was not present at the time of admission based on the POA indicator, that diagnosis is disallowed and the claim is re-grouped. The process will downgrade the assigned APR-DRG to a lesser APR-DRG, which will result in a smaller payment. Where DRGs are not applicable, claims with any Other Provider Preventable Conditions identified will not be paid.