

## **Table of Contents**

**State/Territory Name: Texas**

**State Plan Amendment (SPA) #: 13-16**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Superseding Page List
- 4) Approved SPA Pages

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



FEB 05 2014

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

RE: TN 13-16

Dear Ms. Ghahremani:

We have reviewed the proposed amendment to Attachments 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-16. This amendment defines a methodology for provider preventable readmissions 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 13-16 is approved effective May 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,

A black rectangular box redacting the signature of Cindy Mann.

Cindy Mann  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER:  <b>13-016</b>	2. STATE:  <b>TEXAS</b>
		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:  <b>May 1, 2013</b>	
5. TYPE OF PLAN MATERIAL (Circle One):  <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: <b>42 USC sections 1396a(a)(19), (30); 42 CFR pt. 456, subpts. A, B.</b>		7. FEDERAL BUDGET IMPACT: <b>SEE ATTACHMENT</b> a. FFY 2013      \$ (960,751) b. FFY 2014      \$(6,393,691) c. FFY 2015      \$(6,624,358)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  <b>SEE ATTACHMENT TO BLOCKS 8 &amp; 9</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  <b>SEE ATTACHMENT TO BLOCKS 8 &amp; 9</b>	
10. SUBJECT OF AMENDMENT:  <b>The proposed amendment defines the methodology for reimbursement adjustments for potentially preventable readmissions (PPRs).</b>			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt. <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO:  <b>Kay Ghahremani</b> <b>State Medicaid Director</b> <b>Post Office Box 13247, MC: H-100</b> <b>Austin, Texas 78711</b>	
13. TYPED NAME: <b>Kay Ghahremani</b>			
14. TITLE: <b>State Medicaid Director</b>			
15. DATE SUBMITTED: <b>June 28, 2013</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: <b>June 28, 2013</b>		18. DATE APPROVED: <b>FEB 05 2014</b>	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>MAY 01 2013</b>		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: <b>Penny Thompson</b>		22. TITLE: <b>Deputy Director, Policy &amp; Financial Mgmt.</b>	
23. REMARKS:			

**Attachment to Blocks 8 & 9 of CMS Form 179**

**Transmittal Number 13-016**

**Number of the  
Plan Section or Attachment**

**Number of the Superseded  
Plan Section or Attachment**

Appendix 2 to Attachment 4.19-A

Appendix 2 to Attachment 4.19-A

Page 1

N/A - New page

Page 2

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Page 3

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Page 4

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DATE EFF <u>5-1-2013</u>	
INCA 179 <u>13-016</u>	

### Payment Adjustment for Potentially Preventable Readmissions

- (a) Introduction. The Health and Human Services Commission (HHSC) may penalize a hospital based on the hospital's performance with respect to failing to meet outcome and process measures relative to all Texas Medicaid hospitals regarding the rates of potentially preventable events.
- (b) Definitions.
- (1) Actual-to-Expected Ratio—The ratio of the actual number of potentially preventable readmission (PPR) chains compared to the expected number of PPR chains, where the expected number depends on the diagnosis code, the severity of illness, the patient age, and the presence or absence of a major mental health or substance abuse comorbidity.
  - (2) Case-mix—A measure of the clinical characteristics of patients treated during the reporting time period and measured using diagnosis-code relative weights, patient age, and the presence of a major mental health or substance abuse comorbidity.
  - (3) Claims during the reporting time period—Includes Medicaid traditional fee-for-service (FFS) and managed care inpatient hospital claims filed for reimbursement by a hospital that:
    - (A) had a date of admission occurring within the reporting period;
    - (B) were adjudicated and approved for payment during the reporting period and the six-month grace period that immediately followed, except for claims that had zero inpatient days;
    - (C) were not claims for patients who are covered by Medicare; and
    - (D) were not Medicaid spend-down claims.

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Effective Date: 5-1-2013

Supersedes TN: New page

**Payment Adjustment for Potentially Preventable Readmissions (continued)**

- (4) Clinically related—A requirement that the underlying reason for readmission be plausibly related to the care rendered during or immediately following the initial admission. A clinically related admission occurs within a specified readmission time interval resulting from the process of care and treatment during the initial admission or from a lack of post admission follow-up, but not from unrelated events occurring after the initial admission.
- (5) HHSC—The Health and Human Services Commission or its designee.
- (6) Initial admission—Either an admission followed by one or more PPRs or an admission that was not followed by a PPR.
- (7) Potentially preventable readmission (PPR)—A return hospitalization of a person within a time period specified by HHSC that may have resulted from deficiencies in the care or treatment provided to the person during a previous hospital stay or from deficiencies in post-hospital discharge follow-up. The term does not include a hospital readmission necessitated by the occurrence of unrelated events after the discharge. The term includes the readmission of a person to a hospital for:
  - (A) the same condition or procedure for which the person was previously admitted;
  - (B) an infection or other complication resulting from care previously provided;
  - (C) a condition or procedure that indicates that a surgical intervention performed during a previous admission was unsuccessful in achieving the anticipated outcome; or
  - (D) another condition or procedure of a similar nature.
- (8) Readmission chain—One or more PPRs that are clinically related to the same initial admission.
- (9) Reporting time period—A state fiscal year (September through August) or other specified time frame.

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DATE APP'D	<u>FEB 05 2014</u>
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ISSN	<u>178 13-016</u>

TN: 13-016

Approval Date: FEB 05 2014

Effective Date: 5-1-2013

Supersedes TN: New page

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**Payment Adjustment for Potentially Preventable Readmissions (continued)**

(c) Calculating a PPR rate. Using claims during the reporting period, HHSC will calculate an actual PPR rate and an expected PPR rate for each hospital that participates in the Medicaid program.

- (1) The actual PPR rate is the number of readmission chains divided by the number of initial admissions, excluding readmissions that are not considered potentially preventable.
  - (2) The expected PPR rate is the expected number of readmission chains divided by the number of initial admissions, excluding readmissions that are not considered potentially preventable. The expected number of readmission chains is based on the hospital's case-mix relative to the case-mix of all Texas Medicaid hospitals during the reporting period.
- (d) Comparing the PPR performance of all Medicaid hospitals. Using the rates determined in subsection (c) of this section, HHSC calculates a ratio of actual-to-expected PPR rates.
- (e) Reporting results of PPR rate calculations. HHSC will provide a confidential report to each hospital that participates in the Medicaid program regarding the hospital's performance with respect to potentially preventable readmissions, including the PPR rates calculated as described in subsection (c) of this section and the hospital's actual-to-expected ratio calculated as described in subsection (d) of this section.
- (f) Hospitals subject to reimbursement adjustment and amount of adjustment.
- (1) A hospital with an actual-to-expected PPR ratio greater than or equal to 1.10 and less than or equal to 1.25 is subject to a reimbursement adjustment of -1 percent;
  - (2) A hospital with an actual-to-expected PPR ratio greater than 1.25 is subject to a reimbursement adjustment of 2 percent.
- (g) Claims subject to reimbursement adjustment.

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Approval Date: FEB 05 2014

Effective Date: 5-1-2013

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**Payment Adjustment for Potentially Preventable Readmissions (continued)**

- (1) The reimbursement adjustments described in subsection (f) of this section apply to all Medicaid fee-for-service claims for dates of admission beginning on the earlier of:
  - (A) May 1, 2013; or
  - (B) The first day of the state fiscal year that is one year after the confidential report on which the reimbursement adjustments are based is posted on HHSC's website.
- (2) The reimbursement adjustments for a hospital will cease for dates of admission on the first day of the state fiscal year that is at least one year after the hospital receives a confidential report indicating an actual-to-expected ratio of less than 1.10.

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Approval Date: FEB 05 2014

Effective Date: 5-1-2013

Supersedes TN: New Page