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State/Territory Name: Texas

State Plan Amendment (SPA) #: 13-17

This file contains the following documents in the order listed:

- 1) Approval Letter
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- 3) Superseded Page List
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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 13-17

Dear Ms. Ghahremani:

We have reviewed the proposed amendment to Attachments 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 13-17. This amendment defines a methodology for provider preventable complications 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 13-17 is approved effective November 1, 2013. We are enclosing the HCFA-179 and the amended plan pages.

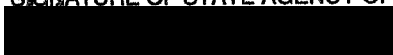

If you have any questions, please call Tamara Sampson at (214) 767-6431.

Sincerely,

A large black rectangular box redacting the signature of Cindy Mann.

Cindy Mann
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 13-017	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: November 1, 2013	
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: 42 USC section 1396a(a)(19), (30)		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2014 (\$ 4,112,705) b. FFY 2015 (\$11,515,063) c. FFY 2016 (\$12,660,279)	
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 defines the methodology for reimbursement adjustments for potentially preventable complications (PPCs).			
11. GOVERNOR'S REVIEW (Check One):			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Kay Ghahremani State Medicaid Director Post Office Box 13247, MC: H-100 Austin, Texas 78711	
13. TYPED NAME: Kay Ghahremani			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED: December 20, 2013			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: December 20, 2013		18. DATE APPROVED: FEB 05 2014	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: NOV 01 2013		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Penny Thompson		22. TITLE: Deputy Director, Policy & Financial Mgt. PMS	
23. REMARKS:			

Attachment to Blocks 8 & 9 of CMS Form 179

Transmittal Number 13-017

**Number of the
Plan Section or Attachment**

Appendix 3 to Attachment 4.19-A

Page 1

Page 2

Page 3

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

Appendix 3 to Attachment 4.19-A

N/A - New page

N/A - New page

N/A - New page

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Payment Adjustment for Potentially Preventable Complications

- (a) Introduction. The Health and Human Services Commission (HHSC) may penalize a hospital under this section based on the hospital's performance with respect to exceeding or failing to achieve outcome and process measures relative to all Texas Medicaid hospitals that address the rates of potentially preventable complications (PPCs).
- (b) Definitions.
- (1) Actual-to-Expected Ratio--The ratio of a hospital's actual PPC rate to its expected PPC rate.
 - (2) Actual PPC Inpatient Stays--A hospital's actual number of inpatient stays during the reporting period with at least one PPC.
 - (3) Actual PPC Rate--For each hospital, the actual PPC inpatient stays during the reporting period divided by the total number of inpatient stays during the reporting period.
 - (4) Case-mix--A measure of the clinical characteristics of patients treated during the reporting time period. "Higher" case-mix refers to sicker patients who require more hospital resources. Texas uses diagnosis-related groups as its measure of case-mix.
 - (5) Diagnosis-Related Group (DRG)--The classification of medical diagnoses as defined in the 3M™ All Patient Refined Diagnosis Related Group (APR-DRG) system or as otherwise specified by HHSC.
 - (6) Expected PPC inpatient stays--A hospital's expected number of inpatient stays during the reporting period with at least one PPC.
 - (7) Expected PPC Rate--For each hospital, the expected PPC inpatient stays during the reporting period divided by the total number of inpatient stays during the reporting period.

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Payment Adjustment for Potentially Preventable Complications (continued)

- (8) Inpatient stays during the reporting time period--Medicaid FFS and managed care inpatient hospital claims filed for reimbursement by a hospital that:

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- (A) Had a date of admission occurring within the reporting time period;
- (B) Were adjudicated and approved for payment during the reporting time period and the six-month grace period that immediately followed, except for such claims that had zero inpatient days;
- (C) Were not inpatient stays for patients who are covered by Medicare;
- (D) Were not Medicaid spend-down claims;
- (E) Were not claims for newborn or pediatric clients under 18 years of age; and
- (F) Were not claims for patients diagnosed with major metastatic cancer, organ transplants, human immunodeficiency virus, or major trauma.

- (9) HHSC--The Health and Human Services Commission or its designee.
- (10) Statewide Norm for PPC Inpatient Stays--The Texas statewide average or the standard by which hospital PPC performance is compared.
- (11) Potentially preventable complication (PPC)--A harmful event or negative outcome with respect to a person, including an infection or surgical complication, that:
 - (A) occurs after the person's admission to a hospital; and
 - (B) may have resulted from the care, lack of care, or treatment provided during the hospital stay rather than from a natural progression of an underlying disease.
- (12) Reporting time period--A state fiscal year (September through August) or other specified time frame as determined by HHSC.

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Payment Adjustment for Potentially Preventable Complications (continued)

- (c) Calculating the Statewide Norm for PPC Inpatient Stays for each APR-DRG. For each APR-DRG, HHSC will:
- (1) Determine the statewide total number of stays during the reporting time period with at least one PPC; and
 - (2) Divide the total from paragraph (1) of this subsection by the total statewide number of inpatient stays for the APR-DRG during the reporting time period.
- (d) Calculating Expected PPC Inpatient Stays. For each hospital, HHSC will:
- (1) Determine the number of inpatient stays for each APR-DRG during the reporting period;
 - (2) For each APR-DRG, multiply the number of inpatient stays from paragraph (1) of this subsection by the statewide norm for that APR-DRG from subsection (c) of this section; and
 - (3) Sum the products from paragraph (2) of this subsection.
- (e) Calculating Actual and Expected PPC rates. For each hospital, HHSC will calculate actual and expected PPC rates as follows using inpatient claims from the reporting period.
- (1) HHSC will calculate an actual PPC rate by dividing the actual PPC inpatient stays by the total number of inpatient stays.
 - (2) HHSC will calculate an expected PPC rate by dividing the expected PPC inpatient stays from subsection (d) of this section by the total number of inpatient stays.
- (f) Calculating a PPC Actual-to-Expected Ratio. For each hospital, using the actual and expected PPC rates determined in subsection (e) of this section, HHSC will calculate a PPC actual-to-expected ratio by dividing the actual PPC rate by the expected PPC rate.

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Payment Adjustment for Potentially Preventable Complications (continued)

- (g) Hospitals subject to reimbursement adjustment and amount of adjustment.
- (1) A hospital with a PPC actual-to-expected ratio greater than or equal to 1.10 and less than or equal to 1.25 is subject to a reimbursement adjustment of -2%;
 - (2) A hospital with a PPC actual-to-expected ratio greater than 1.25 is subject to a reimbursement adjustment of -2.5%.
- (h) Claims subject to reimbursement adjustment.
- (1) The reimbursement adjustments described in subsection (g) of this section apply to all Medicaid fee-for-service claims for dates of admission beginning November 1, 2013, and thereafter.
 - (2) The reimbursement adjustments for a hospital will cease for dates of admission on the first day of the state fiscal year that is one year after the hospital receives a confidential report indicating an actual-to-expected ratio of less than 1.10.

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