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State/Territory Name: Texas

State Plan Amendment (SPA) #: 17-0019

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Superseding Page Listing
- 4) Approved Page

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-14-28  
Baltimore, Maryland 21244-1850



**Financial Management Group**

DEC 08 2017

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

RE: TN 17-0019

Dear Ms. Snyder:

We have reviewed the proposed amendment to Attachments 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 17-0019. The purpose of this amendment is to revise the definition of a rural hospital for Medicaid reimbursement purposes. In addition, the proposed amendment updates the funding factor used for the Safety-Net Add-on for state fiscal years 2018 and 2019.

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.

We are pleased to inform you that Medicaid State plan amendment 17-0019 is approved effective October 1, 2017. We are enclosing the CMS-179 and the amended plan pages. If you have any questions, please call Tamara Sampson at (214) 767-6431.

Sincerely,

A black rectangular redaction box covers the signature of Kristin Fan. A blue horizontal line extends from the right side of the redaction box.

Kristin Fan  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER: <b>17-0019</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>October 1, 2017</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 CFR §440.10 and 42 CFR §440.20</b>		7. FEDERAL BUDGET IMPACT: <b>SEE ATTACHMENT</b> a. FFY 2018 (\$ 49,387,016) b. FFY 2019 (\$ 48,388,547)	
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: <p>The proposed amendment revises the definition of a rural hospital for Medicaid reimbursement purposes. The amendment changes this to define a rural hospital as (1) a hospital located in a county with 60,000 or fewer persons according to the 2010 U.S. Census; or (2) a hospital designated by Medicare as a Critical Access Hospital (CAH), Sole Community Hospital (SCH), or a Rural Referral Center (RRC) that is not located in a Metropolitan Statistical Area (MSA), as defined by the U.S. Office of Management and Budget; or (3) a hospital that (a) has 100 or fewer beds, (b) is designated by Medicare as a CAH, SCH, or RRC, and (c) is located in an MSA.</p> <p>In addition, the proposed amendment updates the funding factor used for the Safety-Net Add-on for state fiscal years 2018 and 2019.</p>			
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 REGIONAL OFFICIAL: 		16. RETURN TO: <b>Jami Snyder State Medicaid Director Post Office Box 13247, MC: H-100 Austin, Texas 78711</b>	
13. TYPED NAME: <b>Jami Snyder</b>			
14. TITLE: <b>State Medicaid Director</b>			
15. DATE SUBMITTED: <b>October 18, 2017</b> October 13, 2017 **			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: <b>October 13, 2017</b>		18. DATE APPROVED: <b>DEC 08 2017</b>	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>October 1, 2017</b>		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: <b>Kristin Fan</b>		22. TITLE: <b>Director MC</b>	
23. REMARKS:			

**Attachment to Block 7 of CMS Form 179**

**Transmittal Number 17-0019**

	<b>Total Fiscal Impact</b>	<b>Federal</b>	<b>State</b>
<b>FFY 2018</b>	(\$87,226,509)	(\$49,387,016)	(\$37,839,493)
<b>FFY 2019</b>	(\$85,841,922)	(\$48,388,547)	(\$37,453,375)

For the change in the definition of rural hospitals, the fiscal impact for inpatient hospital reimbursement is based on the difference between payments estimated using the current Standard Dollar Amount (SDA) for each impacted provider and the new SDA rates for the same providers. All calculations were based on fiscal year 2016 data.

FFY 2018: The FFY 2018 amount was determined by estimating a total annual payment for impacted providers using FY 2016 sum of the DRG relative weights for each impacted provider multiplied by the current Standard Dollar Amount and then separately by the revised Standard Dollar Amount. The amount calculated using the new rate was subtracted from the amount determined using the current rate. The FMAP applied was 56.88 percent.

FFY 2019: The FFY 2018 amount was used for FY 2019. The FMAP applied was 57.32 percent.

For the change to the funding factor used for the Safety-Net Add-on for state fiscal years 2018 and 2019, the fiscal impact was determined by calculating total estimated Safety-Net Add-on payments for FFY 2017 and comparing this amount to the total estimated Safety-Net Add-on payments for FFY 2018 and FFY 2019.

**Access to Care**

**Access to care will not be affected and communications with providers will be maintained to address any concerns, should they arise.**

**There were no across-the-board percentage decreases or increases.**

State: Texas
Date Received: October 13, 2017
Date Approved: DEC 08 2017
Date Effective: October 1, 2017
Transmittal Number: 17-0019

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

**Transmittal Number 17-0019**

<b><u>Number of the Plan Section or Attachment</u></b>	<b><u>Number of the Superseded Plan Section or Attachment</u></b>
Attachment 4.19-A Page 3	Attachment 4.19-A Page 3 (TN 15-025)
Attachment 4.19-A Page 3a	Attachment 4.19-A New Page
Attachment 4.19-A Page 8b	Attachment 4.19-A Page 8b (TN 15-025)

**State: Texas**  
**Date Received: October 13, 2017**  
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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT HOSPITAL SERVICES (continued)**

- (21) Interim rate—The ratio of Medicaid allowed inpatient costs to Medicaid allowed inpatient charges filed on a hospital's Medicare/Medicaid cost report, expressed as a percentage. The interim rate established during a cost report settlement for an urban hospital or a rural hospital reimbursed under this section excludes the application of TEFRA target caps and the resulting incentive and penalty payments.
- (22) Mean length of stay (MLOS)—One factor used in determining the payment amount calculated for each DRG; for each DRG, the average number of days that a patient stays in the hospital.
- (23) Medical education add-on—An adjustment to the base SDA for an urban teaching hospital to reflect higher patient care costs relative to non-teaching urban hospitals.
- (24) Military hospital—A hospital operated by the armed forces of the United States.
- (25) New Hospital—A hospital that was enrolled as a Medicaid provider after the end of the base year and has no base year claims data.
- (26) Out-of-state children's hospital—A hospital located outside of Texas that is recognized by Medicare as a children's hospital and is exempted by Medicare from the Medicare prospective payment system.
- (27) Rebasing—Calculation of the base year cost per claim for each Medicaid inpatient hospital.
- (28) Relative weight—The weighting factor HHSC assigns to a DRG representing the time and resources associated with providing services for that DRG.
- (29) Rural hospital—A hospital that:
- a is located in a county with 60,000 or fewer persons based on the 2010 decennial census; or
  - b is designated by Medicare as a Critical Access Hospital (CAH), a Sole Community Hospital (SCH), or a Rural Referral Center (RRC) that is not located in a Metropolitan Statistical Area (MSA), as defined by the U.S. Office of Management and Budget; or
  - c meets all of the following criteria:
    - i has 100 or fewer beds;
    - ii is designated by Medicare as a CAH, a SCH, or a RRC; and
    - iii is located in an MSA

State: Texas
Date Received: October 13, 2017
Date Approved: DEC 08 2017
Date Effective: October 1, 2017
Transmittal Number: 17-0019

TN: 17-0019 Approval Date: DEC 08 2017  
Supersedes TN: 15-025 Effective Date: 10-01-2017

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT  
HOSPITAL SERVICES (continued)**

- (30) Safety-Net add-on—An adjustment to the base SDA for a safety-net hospital to reflect the higher costs of providing Medicaid inpatient services in a hospital that provides a significant percentage of its services to Medicaid and/or uninsured patients.
- (31) Safety-Net hospital—An urban or children's hospital that meets the eligibility and qualification requirements described in Appendix 1 to Attachment 4.19-A (relating to Disproportionate Share Hospital Reimbursement Methodology) in the Texas State Medicaid Plan for the most recent federal fiscal year for which such eligibility and qualification determinations have been made.
- (32) State-owned teaching hospital—The following hospitals: University of Texas Medical Branch (UTMB); University of Texas Health Center Tyler; and M.D. Anderson Hospital.
- (33) Teaching hospital—A hospital for which CMS has calculated and assigned a percentage Medicare education adjustment factor under 42 CFR §412.105.

<b>State: Texas</b> <b>Date Received: October 13, 2017</b> <b>Date Approved: DEC 08 2017</b> <b>Date Effective: October 1, 2017</b> <b>Transmittal Number: 17-0019</b>
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TN: 17-0019 Approval Date: DEC 08 2017  
Supersedes TN: New Page Effective Date: 10-01-2017

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT HOSPITAL SERVICES (continued)**

- (iv) for each eligible hospital, multiply the amount determined in clause (iii) of this subparagraph by the appropriate funding factor as indicated in subclause (I) or (II) of this clause:
    - (I) For the period beginning September 1, 2017, and ending August 31, 2018, the appropriate funding factor is \$134,304,963 ;
    - (II) For the period beginning September 1, 2018, and ending August 31, 2019, as well as for future 12-month periods, the appropriate funding factor is \$135,689,550.
  - (v) for each eligible hospital, sum the relative weights of all inpatient claims for the period of 12 contiguous months indicated in clause (i) of this subparagraph; and
  - (vi) for each eligible hospital, divide the amount determined in clause (iv) of this subparagraph by the amount determined in clause (v) of this subparagraph to calculate the Safety-Net add-on amount.
- (C) Effective for costs and revenues accrued on or after September 1, 2015, the Safety-Net add-on cannot result in a hospital receiving reimbursement in excess of its total Medicaid and uncompensated care costs.
- (9) Add-on status verification.
- (A) Notification. HHSC will determine a hospital's initial add-on status by reference to the impact file, the Texas Department of State Health Services' list of trauma-designated hospitals, and Medicaid days and relative weight information from HHSC's fiscal intermediary. HHSC will notify the hospital of the CBSA to which the hospital is assigned, the Medicare education adjustment factor assigned to the hospital for urban hospitals, the trauma level designation assigned to the hospital, the Medicare teaching hospital designation for children's hospitals as applicable, and any other related information determined relevant by HHSC. For state fiscal years 2017 and after, HHSC will also notify eligible hospitals of the data used to calculate the Safety-Net add-on.
  - (B) HHSC will calculate a hospital's final SDA using the add-on status initially determined by HHSC unless, within 14 calendar days after the date of the notification, HHSC receives notification, in writing by regular mail, hand delivery or special mail delivery, from the hospital (in a format determined by HHSC) that any add-on status determined by HHSC is incorrect and:

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Date Approved: DEC 08 2017
Date Effective: October 1, 2017
Transmittal Number: 17-0019

TN: 17-0019 Approval Date: DEC 08 2017

Supersedes TN: 15-025 Effective Date: 10-01-2017