

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



Center for Medicaid, CHIP, and Survey & Certification

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

FEB - 2 2011

RE: TN 10-64

Dear Mr. Millwee:

We have reviewed the proposed amendment to Attachment 4.19-A and 4.19-B of your Medicaid State plan submitted under transmittal number (TN) 10-64. The purpose of this amendment is to update and clarify the state plan regarding supplemental payments to rural public hospitals for inpatient and outpatient hospital services.

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. As part of the review process the State was asked to provide information regarding funding of the State share of expenditures under Attachment 4.19-A. Based upon your assurances, Medicaid State plan amendment 10-64 is approved effective October 1, 2010. We are enclosing the HCFA-179 and the amended plan pages.



If you have any questions, please call Sandra Dasheiff, CPA at (214) 767-6490.

Sincerely,

A solid black rectangular box redacting the signature of the sender.

Cindy Mann
Director, CMCS

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 10-064	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: October 1, 2010	
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: Section 1902(a)(30)(A) of the Act and 42 C.F.R. §§ 447.271, 447.272, 447.321, 447.325		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2011 \$ 0 b. FFY 2012 \$ 0 c. FFY 2013 \$ 0	
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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): SEE ATTACHMENT TO BLOCKS 8 & 9	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 purpose of this amendment is to update and clarify the state plan regarding supplemental payments to rural public hospitals.			
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: Billy R. Millwee State Medicaid Director Post Office Box 13247, MC: H-100 Austin, Texas 78711	
13. TYPE OF SIGNATURE: Billy R. Millwee			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED: December 7, 2010			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 7 Dec. 2010		18. DATE APPROVED: 02-02-11	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT - 1 2010		20. 	
21. TYPED NAME: William Lasowski		22. TITLE: Deputy Director, CMCS	
23. REMARKS:			

Attachment to Blocks 8 & 9 to CMS Form 179

Transmittal No. 10-064, Amendment No. 957

**Number of the
Plan Section or Attachment**

Attachment 4.19-A
Page 10
Page 10a
Page 10b
N/A – Delete

Attachment 4.19-B
Page 2a.1
Page 2a.2

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

Attachment 4.19-A
Page 10 (TN 09-034)
Page 10a (TN 09-034)
Page 10b (TN 03-024)
Page 10b.1 (TN 03-015)

Attachment 4.19-B
Page 2a.1 (TN 09-034)
Page 2a.2 (TN 09-034)

(t) Inpatient Supplemental Payments to Hospitals

- (1) Calculation of the Medicaid Upper Payment Limit (UPL). The inpatient supplemental payments described in subsections (u) - (z) will be made in accordance with the applicable regulations regarding the Medicaid upper limit provisions codified at 42 CFR §447.272. The following method is used to reasonably estimate the Medicaid upper limit. The Medicare Standardized Amount is multiplied by the Medicaid Case Mix derived using Medicare Relative Weights to yield the Medicare DRG Reimbursement for Medicaid Claims. Medicare Pass-Through Payments is divided by Medicaid Discharges to yield Medicare Pass-Through Payments per Discharge. The Medicare DRG Reimbursement for Medicaid Claims is added to Medicare Pass-Through Payments per Discharge to yield the Medicare Equivalent Reimbursement per Discharge per Hospital. This Medicare Equivalent Reimbursement per Discharge per Hospital is multiplied by Medicaid Discharges to yield the Medicaid UPL per Hospital.
- (2) Definitions. When used in (u) - (z), the following terms have the following meanings, unless the context clearly indicates otherwise.
 - (A) Adjudicated Medicaid Claim - A hospital claim for payment for a covered Medicaid service that is paid or adjusted by HHSC or another payer.
 - (B) Disproportionate Share Hospitals (DSH) - Hospitals participating in the Texas Medical Assistance (Medicaid) program that meet the conditions of participation and that serve a disproportionate share of low-income patients are eligible for additional reimbursement from the DSH fund.
 - (C) DSH Limit - DSH Limit has the meaning assigned to the term "hospital specific limit," as determined under Appendix 1 to Attachment 4.19-A (relating to Reimbursement to Disproportionate Share Hospitals).
 - (D) Publicly-Owned or Publicly-Affiliated Hospital - A hospital owned by or affiliated with a city, county, hospital authority or hospital district.
- (3) The supplemental payments authorized for all hospitals identified in (u), (v) and (z) are subject to the following limits:
 - (A) For Disproportionate Share Hospitals, in each fiscal year the amount of any inpatient supplemental payments and outpatient supplemental payments will not exceed the hospital's Disproportionate Share Hospital Limit, as determined under Appendix 1 to Attachment 4.19-A (relating to Reimbursement to Disproportionate Share Hospitals); and

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- (B) For all eligible hospitals, the amount of inpatient supplemental payments and fee-for-service Medicaid inpatient payments the hospital receives in a fiscal year will not exceed Medicaid inpatient billed charges for inpatient services provided by the hospital to fee-for-service Medicaid recipients in accordance with 42 CFR §447.271.
- (4) An eligible hospital under (u), (v) or (z) will receive quarterly supplemental payments. The quarterly payments will be:
- (A) For Non-Disproportionate Share Hospitals, the difference between a hospital's fee-for-service billed charges for adjudicated inpatient Medicaid claims and all Medicaid and other payments received during the calculation period for such claims.
- (B) For Disproportionate Share Hospitals, the lesser of:
- (i) The difference between a hospital's fee-for-service billed charges for adjudicated inpatient Medicaid claims and all Medicaid and other payments received during the calculation period for such claims; or
- (ii) One fourth of the difference between the hospital's DSH Limit and the hospital's DSH payments for the federal fiscal year.
- (5) At the time the fourth quarter payment is made for a given federal fiscal year, an eligible hospital under (u), (v) or (z) may be paid any unfunded supplemental payment which they were eligible to receive from the first three quarters of the federal fiscal year.

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(v) Supplemental Payments to Rural Public Hospitals

- (1) Introduction. Supplemental payments are available under (t) for inpatient hospital services provided to Medicaid patients by rural public hospitals.
- (2) Eligible hospitals. A publicly owned hospital located in a county of less than 100,000 population based on the most recent federal decennial census is eligible to receive supplemental payments under (t).

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8. Outpatient Supplemental Payments to Hospitals

- (a) The supplemental payments described in this section 8 will be made in accordance with the applicable regulations regarding the Medicaid upper limit provisions codified at 42 CFR §447.321.
- (b) Definitions. When used in this section, the following terms have the following meanings, unless the context clearly indicates otherwise.
- (1) **Adjudicated Claims** - A hospital claim for payment for a covered Medicaid service that is paid or adjusted by HHSC or another payer.
 - (2) **Disproportionate Share Hospital (DSH)** - Hospitals participating in the Texas Medical Assistance (Medicaid) program that meet the conditions of participation and that serve a disproportionate share of low-income patients are eligible for additional reimbursement from the DSH fund.
 - (3) **DSH Limit** - DSH Limit has the meaning assigned to the term "hospital specific limit," as determined under Appendix 1 to Attachment 4.19-A (relating to Reimbursement to Disproportionate Share Hospitals) for DSH Hospitals.
 - (4) **Medicaid Allowable Outpatient Hospital Costs** - Costs remaining when total billed outpatient hospital charges are reduced by a hospital outpatient reduction factor in accordance with 4(a) of Attachment 4.19-B (relating to Outpatient Hospital Reimbursement).
 - (5) **Publicly-Owned or Publicly-Affiliated Hospital** - A hospital owned by or affiliated with a city, county, hospital authority or hospital district.
- (c) **Supplemental Payment Limits**
- (1) The supplemental payments authorized for all hospitals identified in 8(e), 8(f), and 8(h) are subject to the following limits:
 - (i) For Disproportionate Share Hospitals, in each fiscal year the amount of any inpatient supplemental payments and outpatient supplemental payments may not exceed the hospital's DSH Limit, as determined under Appendix 1 to Attachment 4.19-A (relating to Reimbursement to Disproportionate Share Hospitals);
 - (ii) The amount of outpatient supplemental payments and fee-for-service Medicaid outpatient payments the hospital receives in a fiscal year may not exceed Medicaid billed charges for outpatient services provided by the hospital to fee-for-service Medicaid recipients in accordance with 42 CFR §447.325.

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- (2) For all hospitals identified in 8(g), the amount of outpatient supplemental payments and fee-for-service Medicaid outpatient payments the hospital receives in a fiscal year may not exceed Medicaid billed charges for outpatient services provided by the hospital to fee-for-service Medicaid recipients in accordance with 42 CFR §447.325.
- (d) An eligible hospital under 8(e), 8(f), and 8(h) will receive quarterly supplemental payments. The quarterly payments will be the difference between a hospital's fee-for-service payments for adjudicated outpatient Medicaid claims during the calculation period and 100 percent of Medicaid allowable outpatient hospital cost for those claims.
- (e) **Outpatient Supplemental Payments to Certain Urban Hospitals**
 - (1) **Introduction.** Supplemental payments are available under (e) for outpatient hospital services provided by eligible publicly-owned or -affiliated urban hospitals that serve high volumes of Medicaid and uninsured patients.
 - (2) **Eligible hospitals.** Supplemental payments are available under this subsection (e) for outpatient hospital services provided by publicly-owned hospitals in Bexar, Brazoria, Dallas, Ector, El Paso, Fort Bend, Harris, Lubbock, Nueces, Midland, Tarrant, Travis, and Wichita counties; and a hospital located in Potter County that is affiliated with the Amarillo Hospital District. The publicly-owned or publicly-affiliated hospital or hospitals in each listed county that incur the greatest cost(s) for providing services to Medicaid and uninsured patients may be eligible to receive supplemental payments. No more than two hospitals in any county may be eligible.
 - (3) **Dates of eligibility.** Supplemental payments will be made for outpatient services on or after July 6, 2001, for hospitals in Bexar, Dallas, Ector, El Paso, Harris, Lubbock, Nueces, Tarrant, and Travis counties. Supplemental payments will be made for outpatient services on or after June 11, 2005, for hospitals in Midland County and a hospital in Potter County affiliated with the Amarillo Hospital District. Supplemental payments will be made for outpatient services provided on or after September 1, 2009, for hospitals in Brazoria, Fort Bend, and Wichita counties, as well as any hospital in Dallas County or Harris County that was not eligible as of February 7, 2004.

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Marks, Marsha L. (CMS/SC)

From: Cooley, Mark S. (CMS/CMSO)
Sent: Wednesday, February 02, 2011 12:48 PM
To: Dasheiff, Sandra (CMS/CMCHO)
Cc: Brooks, Bill D. (CMS/CMCHO); GOLDSTEIN, STUART S. (CMS/CMSO); Marks, Marsha L. (CMS/SC)
Subject: Approval package TX 10-064
Attachments: TX 10-064.pdf

Approval Package for Texas 10-064