

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 10-89

Dear Mr. Millwee:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-89. This amendment implements a one percent payment reduction for Medicaid services provided by inpatient hospital services reimbursed under the diagnosis related group (DRG) prospective payment system.



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 access to care issues and the funding of the State share of expenditures under Attachment 4.19-A. Based upon your assurances, Medicaid State plan amendment 10-89 is approved effective February 1, 2011. We are enclosing the HCFA-179 and the amended plan page.

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

Sincerely,


Cindy Mann
Director, CMCS

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 10-089	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: February 1, 2011	
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 CFR §440.10		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2011 \$ (12,626,590) b. FFY 2012 \$ (17,565,584) c. FFY 2013 \$ (18,155,767)	
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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): SEE ATTACHMENT TO BLOCKS 8 & 9	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 amendment implements a one percent payment reduction for inpatient hospital services reimbursed under the diagnosis related group (DRG) prospective payment system.			
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. OFFICIAL: 		16. RETURN TO: Billy R. Millwee State Medicaid Director Post Office Box 13247 MC: H-100 Austin, Texas 78711-5200	
13. TYPED NAME: Billy R. Millwee			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED: December 29, 2010			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 29 Dec, 2010		18. DATE APPROVED: 02 02-11	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: FEB - 1 2011		20. SIGNATURE OF REGIONAL OFFICE: 	
21. TYPED NAME: William Lasowski		22. TITLE: Deputy Director, CMCS	
23. REMARKS:			

Attachment to Blocks 8 & 9 to CMS Form 179

Transmittal No. 10-089

**Number of the
Plan Section or Attachment**

Attachment 4.19-A
Page 6

**Number of the Superseded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

Attachment 4.19-A
Page 6 (TN 10-069)

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

(d) Payment Division Standard Dollar Amount (PDSDA).

- (1) Rebasing PDSDA. HHSC may recalculate a hospital's PDSDA using base year claims. HHSC will not include claims that are adjudicated and approved for payment after the base year and subsequent six-month grace period. The six-month grace period is intended to allow HHSC to include as many base year claims as possible, given practical time constraints.
- (2) Adjustment of PDSDA.
 - (A) HHSC will adjust a hospital's PDSDA, described in (d)(1), pro rata among hospitals to the available funds PDSDA of 62.32 percent of the full cost rebased PDSDA and using one or more of the methods described in (d)(12).
 - (B) For a hospital that was inactive for reimbursement purposes during any period in which HHSC made an adjustment:
 - (i) HHSC will adjust the hospital's PDSDA accordingly; and
 - (ii) HHSC will assign the hospital to a payment division within the PDI that corresponds to the PDSDA as determined in (i); or
 - (iii) HHSC will assign the hospital a final SDA if adjustments are made to the hospital's PDSDA under (d)(12).
 - (C) In addition to the adjustment described in (d)(2)(A) or (B), as applicable, the reimbursement rates for services effective November 1, 2010 through January 31, 2011 will be reduced by one percent.
 - (D) In addition to the adjustment described in (d)(2)(A) or (B), as applicable, the reimbursement rates for services effective February 1, 2011 will be reduced by two percent.
- (3) Hospital-specific standard dollar amount (HSDA). Using base year claims, HHSC calculates an HSDA for each hospital as follows:
 - (A) Determines the base year cost per claim;
 - (B) Sums the dollar amount for each hospital's base year costs per claim determined in (A);
 - (C) Calculates the average base year cost per claim by dividing the result in (B) by the total number of base year claims for the hospital;
 - (D) Calculates the case mix index by summing the hospital's relative weights for all base year claims divided by the total number of that hospital's base year claims;

TN 10-89

Approval Date FEB - 2 2011

Effective Date 2-1-11

Supersedes TN 10-69