

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
1301 Young Street, Room 833
Dallas, Texas 75202



Division of Medicaid & Children's Health, Region VI

September 6, 2011

Our Reference: SPA TX 10-90

Mr. Billy Millwee
Associate Commissioner for Medicaid & CHIP
Health and Human Services Commission
Post Office Box 13247
Mail Code: H100
Austin, Texas 78711

Dear Mr. Millwee:

We have reviewed the State's proposed amendment to the Texas State Plan submitted under Transmittal Number 10-90, dated December 29, 2010. This state plan amendment updates the Medicaid reimbursement methodology for Federally Qualified Health Centers (FQHCs). Specifically, the state plan amendment (SPA) reduces the alternative prospective payment system (APPS) add-on percentage to the Medicare Economic Index from 1.5 percent to 0.5 percent. The SPA also gives FQHCs the opportunity to reselect the APPS reimbursement methodology once a change to the methodology has been made.

Based on the information submitted, we have approved the amendment for incorporation into the official Texas State Plan with an effective date change of January 1, 2011. A copy of the CMS-179 and the approved plan pages are enclosed with this letter.

If you have any questions, please contact Cheryl Rupley at (214) 767-6278.



Sincerely,

A large black rectangular redaction box covering the signature of Bill Brooks.

Bill Brooks
Associate Regional Administrator

Enclosures

cc: Emily Zalkovsky, Policy Development Support

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 10-090	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: January 1, 2011	
5. TYPE OF PLAN MATERIAL (<i>Circle One</i>):			
<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 (<i>Separate Transmittal for each amendment</i>)			
6. FEDERAL STATUTE/REGULATION CITATION: Social Security Act § 1902(bb)		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2011 \$(524,372) b. FFY 2012 \$(642,814) c. FFY 2013 \$(659,527)	
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 (<i>If Applicable</i>): SEE ATTACHMENT TO BLOCKS 8 & 9	
10. SUBJECT OF AMENDMENT: The amendment updates the reimbursement methodology for federally qualified health centers (FQHC) to reduce the alternative prospective payment system (APPS) add-on percentage to the Medicare economic Index (MEI) from 1.5 percent to 0.5 percent. The amendment also adds language giving FQHCs the opportunity to reselect the APPS reimbursement methodology once a change to the methodology has been made.			
11. GOVERNOR'S REVIEW (<i>Check One</i>):			
<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: 		16. RETURN TO: Billy R. Millwee State Medicaid Director Post Office Box 85200 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 December, 2010		18. DATE APPROVED: 6 September 2011	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 1 January, 2011		20. SIGNATURE: 	
21. TYPED NAME: Bill Brooks		22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health	
23. REMARKS:			

Attachment to Blocks 8 & 9 to CMS Form 179

Transmittal Number 10-090

**Number of the
Plan Section or Attachment**

Attachment 4.19-B
Page 24a
Page 24b

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

Attachment 4.19-B
Page 24a (SPA 10-061)
Page 24b (SPA 10-061)

STATE	<u>Texas</u>
DATE REC'D	<u>12-29-10</u>
DATE APP'VD	<u>9-6-11</u>
DATE EFF	<u>1-1-11</u>
HCFA 179	<u>10-90</u>

A

(31) Federally Qualified Health Centers (FQHC) (continued)

(b) Alternate Prospective Payment System (APPS) Methodology (continued).

- (1) Prior to HHSC setting a final base rate for each FQHC existing in 2000, each FQHC was reimbursed on the basis of an interim base rate. The interim base rate for each FQHC was calculated from the latest finalized cost report settlement, adjusted as provided for in (b)(4). When HHSC determined a final base rate, interim payments were reconciled back to the beginning of the interim period. For FQHCs that agreed to the APPS methodology prior to August 31, 2010, adjustments were made to the FQHCs' interim payments only if the interim payments were less than what would have occurred under the final base rate. In section (31)(b)(8)(A) of this section the interim and final base rate methodology for new FQHCs is described. The final base rate, as adjusted, applies prospectively from the date of the final approval. Payments made under the APPS methodology will be at least equal to the amount that would be paid under PPS.
- (2) Reasonable costs, as used in setting the interim or final base rate or any subsequent effective rate, is defined as those costs that are allowable under Medicaid cost principles, as required in 45 CFR 92.22(b) and the applicable OMB Circular, with no productivity screens and no per visit payment limit. Administrative costs will be limited to 30 percent of total costs in determining reasonable costs. Reasonable costs do not include unallowable costs.
- (3) Unallowable costs are expenses that are incurred by an FQHC and that are not directly or indirectly related to the provision of covered services, according to applicable laws, rules, and standards.
- (4) The effective rate for APPS is the rate paid to the FQHC for the FQHC's fiscal year. The effective rate shall be updated by the rate of change in the MEI plus 0.5 percent for each of the FQHC's fiscal years since the setting of its final base rate. If the increase in an FQHC's costs is greater than the MEI plus 0.5 percent for APPS, an FQHC may request an adjustment of its effective rate as described in (b). The effective rate shall be calculated at the start of each FQHC's fiscal year and shall be applied prospectively for that fiscal year. The effective rate for PPS is described in section (31)(a)(2)(A).
- (5) PPS and APPS reimbursement methodology selection is determined as follows:
 - (A) Each new in-state FQHC will receive a letter from HHSC upon enrollment as a new Medicaid provider along with a FQHC prospective payment system form. The FQHC must indicate on the form the selection as either the PPS or APPS reimbursement methodology and return the form to HHSC.
 - (B) Each out-of-state FQHC will receive the PPS reimbursement methodology. HHSC will compute an effective rate based on reasonable costs provided by the FQHC on its most recent Medicare cost report. The effective rate will reflect the rate that would have been calculated for an in-state FQHC based on the approved scope of services that an in-state FQHC could provide in Texas.

TN 10-90

Approval Date 9-6-11

Effective Date 1-1-11

Supersedes TN 10-61

SUPERSEDES: TN- 10-61

(31) Federally Qualified Health Centers (FQHC) (continued)

(b) Alternate Prospective Payment System (APPS) Methodology (continued).

- (C) After a change to the reimbursement methodology, the state may require the reselection of the APPS or PPS methodology following the requirements of section (31)(b)(5)(A).
- (6) A change of the effective rate is determined as follows:
 - (A) An adjustment, as described in section (31)(b)(8)(C), will be made to the effective rate if the FQHC can show that it is operating in an efficient manner, or show that the adjustment is warranted due to a change in scope of services. Any request to adjust an effective rate must be accompanied by documentation showing that the FQHC is operating in an efficient manner or that it has had a change in scope. A change in scope provided by an FQHC includes the addition or deletion of a service or a change in the magnitude, intensity or character of services currently offered by an FQHC or one of the FQHC's sites.
 - (i) A change in the scope of services is a change in the type, intensity, duration or amount of services. A change in the cost of a service is not considered in and of itself a change in the scope of services.

SUPERSEDES: TN 10-61

STATE <u>Texas</u>	A
DATE REC'D <u>12-29-10</u>	
DATE APPV'D <u>9-6-11</u>	
DATE EFF <u>1-1-11</u>	
HCFA 179 <u>10-90</u>	

TN 10-90

Approval Date 9-6-11

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