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State/Territory Name: Texas

State Plan Amendment (SPA) #: 15-0026

This file contains the following documents in the order listed:

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

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



**DIVISION OF MEDICAID & CHILDREN'S HEALTH - REGION VI**

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January 12, 2016

Our Reference: SPA TX 15-026

Mr. Gary Jessee  
State Medicaid/CHIP Director  
Health and Human Services Commission  
Post Office Box 13247  
Mail Code H100  
Austin, Texas 78711

Dear Mr. Jessee:

We have reviewed the State's proposed amendment to the Texas State Plan submitted under Transmittal Number 15-026 dated September 23, 2015. This state plan amendment implements changes to the outpatient hospital services reimbursement methodology. These reimbursement changes include:

- Increasing general outpatient reimbursements to rural hospitals such that final payments do not exceed 100 percent of cost.
- Increasing reimbursement to rural hospitals for outpatient emergency department services that do not qualify as emergency visits such that final payments do not exceed 65 percent of cost.
- Removing references to hospitals in Rockwall County due to the expiration of the hospitals' transition from rural to urban classification.
- Creating rural hospital add-ons to the outpatient hospital imaging services fee schedule

Based on the information submitted, we have approved the amendment for incorporation into the official Texas State Plan with an effective date change of September 1, 2015. A copy of the CMS-179 and approved plan pages are enclosed with this letter.

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

Sincerely,



Bill Brooks  
Associate Regional Administrator

cc: Dana Williamson, Manager, Policy Development Support

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER:  <b>15-026</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>September 1, 2015</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 §§440.20, .210(a)(1), .220</b>		7. FEDERAL BUDGET IMPACT: <b>SEE ATTACHMENT</b> a. FFY 2015      \$ 1,383,790 b. FFY 2016      \$16,102,655 c. FFY 2017      \$17,002,308	
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:  <b>This amendment implements changes to the outpatient hospital services reimbursement methodology for rural hospitals.</b>			
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. [REDACTED] CIAL:		16. RETURN TO:  <b>Kay Ghahremani State Medicaid Director Post Office Box 13247; MC H-100 Austin, Texas 78711</b>	
13. TYPED NAME: <b>Kay Ghahremani</b>			
14. TITLE: <b>State Medicaid Director</b>			
15. DATE SUBMITTED: <b>September 23, 2015</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED:      23 September, 2015		18. DATE APPROVED:      12 January, 2016	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL:  1 September, 2015		20. SIGNATURE OF REGIONAL OFFICIAL:  [REDACTED]	
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 15-026**

**Number of the  
Plan Section or Attachment**

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

Attachment 4.19-B

Page 2  
Page 2a  
Page 2a.1  
Page 2a.2

Attachment 4.19-B

Page 2 (TN 13-041)  
Page 2a (TN 13-041)  
Page 2a.1 (TN 13-041)  
Page 2a.2 (TN 13-041)

State: Texas  
Date Received: 9-23-2015  
Date Approved: 1-12-2016  
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#### 4. Outpatient Hospital Services

(a) Introduction. The Health and Human Services Commission (HHSC) or its designee reimburses outpatient hospital services under the reimbursement methodology described in this section. Except as described in subsections (c) and (d) of this section, HHSC will reimburse for outpatient hospital services based on a percentage of allowable charges and an outpatient interim rate.

(b) Interim reimbursement.

(1) HHSC will determine a percentage of allowable charges, which are charges for covered Medicaid services determined through claims adjudication.

(A) For high volume providers that received Medicaid outpatient payments equaling at least \$200,000 during calendar year 2004.

(i) For children's hospitals and state-owned teaching hospitals as defined in Attachment 4.19-A, pages 1a and 3, respectively, of the Texas Medicaid State Plan (relating to Inpatient Hospital Reimbursement), the percentage of allowable charges is 76.03 percent.

(ii) For rural hospitals as defined in Attachment 4.19-A of the Texas Medicaid State Plan, page 3, the percentage of allowable charges is 100 percent.

(iii) For all other providers, the percentage of allowable charges is 72.00 percent.

(B) For all providers not considered high volume providers as determined in paragraph (1)(A) of this subsection.

(i) For children's hospitals and state-owned teaching hospitals as defined in Attachment 4.19-A, pages 1a and 3, respectively, of the Texas Medicaid State Plan, the percentage of allowable charges is 72.27 percent.

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TN: 15-0026 Approval Date: 1-12-2016 Effective Date: 9-1-2015

Supersedes TN: 13-0041

**4. Outpatient Hospital Services, continued**

- (ii) For rural hospitals as defined in Attachment 4.19-A, page 3, of the Texas Medicaid State Plan, the percentage of allowable charges is 100 percent.
  - (iii) For all other providers, the percentage of allowable charges is 68.44 percent.
- (C) For outpatient emergency department (ED) services that do not qualify as emergency visits, which are listed in the Texas Medicaid Provider Procedures Manual and other updates on the claims administrator's website, HHSC will reimburse:
- (i) rural hospitals an amount not to exceed 65.00 percent of allowable charges after application of the methodology in paragraph (2)(C) of this section, which will result in a payment that does not exceed 65.00 percent of allowable cost, for claims with a date of service on or after September 1, 2015; and
  - (ii) all other hospitals, a flat fee set at a percentage of the Medicaid acute care physician office visit amount for adults.
- (2) HHSC will determine an outpatient interim rate for each hospital, which is the ratio of Medicaid allowable outpatient costs to Medicaid allowable outpatient charges derived from the hospital's Medicaid cost report.
- (A) For a hospital with at least one tentative cost report settlement completed prior to September 1, 2013, the interim rate is the rate in effect on August 31, 2013, except the hospital will be assigned the interim rate calculated upon completion of any future cost report settlement if that interim rate is lower.
- (B) For a new hospital that does not have at least one tentative cost report settlement completed prior to September 1, 2013, the interim rate is 50 percent until the interim rate is adjusted as follows:
- (i) If the hospital files a short-period cost report for its first cost report, the hospital will be assigned the interim rate calculated upon completion of the hospital's first tentative cost report settlement.
  - (ii) The hospital will be assigned the interim rate calculated upon completion of the hospital's first full-year tentative cost report settlement.

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**4. Outpatient Hospital Services, continued**

(iii) The hospital will retain the interim rate calculated as described in clause (ii) of this subparagraph, except it will be assigned the interim rate calculated upon completion of any future cost report settlement if that interim rate is lower.

(C) Interim claim reimbursement is determined by multiplying the amount of a hospital's outpatient allowable charges after applying any reductions to allowable charges made under paragraph (1) of this subsection by the outpatient interim rate in effect on the date of service.

(D) Cost settlement. Interim claim reimbursement determined in subparagraph (C) of this paragraph will be cost-settled at both tentative and final audit of a hospital's cost report. The calculation of allowable costs will be determined based on the amount of allowable charges after applying any reductions to allowable charges made under paragraph (1) of this subsection.

(i) Interim payments for claims with a date of service prior to September 1, 2013, will be cost settled.

(ii) Interim payments for claims with a date of service on or after September 1, 2013, will be included in the cost report interim rate calculation, but will not be adjusted due to cost settlement unless the settlement calculation indicates an overpayment.

(iii) HHSC will calculate an interim rate at tentative and final cost settlement for the purposes described in subparagraph (B) of this paragraph.

(iv) If a hospital's interim claim reimbursement for all outpatient services, excluding imaging, clinical lab and outpatient emergency department services that do not qualify as emergency visits, for the hospital's fiscal year exceeded the allowable costs for those services, HHSC will recoup the amount paid to the hospital in excess of allowable costs.

(v) If a hospital's interim claim reimbursement for all outpatient services, excluding imaging, clinical lab and outpatient emergency department services that do not qualify as emergency visits, for the hospital's fiscal year was less than the allowable costs for those services, HHSC will not make additional payments through cost settlement to the hospital for service dates on or after September 1, 2013.

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Supersedes TN: 13-0041

**4. Outpatient Hospital Services, continued**

(c) Outpatient hospital imaging.

- (1) For all hospitals except rural hospitals, as defined in Attachment 4.19-A, page 3, of the Texas Medicaid State Plan, outpatient hospital imaging services for claims with a date of service on or after September 1, 2013, are not reimbursed under the outpatient reimbursement methodology described in subsection (b) of this section. Outpatient hospital imaging services are reimbursed according to an outpatient hospital imaging service fee schedule that is based on a percentage of the Medicare fee schedule for similar services. If a resulting fee for a service provided to any Medicaid beneficiary is greater than 125 percent of the Medicaid adult acute care fee for a similar service, the fee is reduced to 125 percent of the Medicaid adult acute care fee.
- (2) For rural hospitals, outpatient hospital imaging services for claims with a date of service on or after September 1, 2015, are reimbursed according to the outpatient hospital imaging service fee schedule calculated in paragraph (1) of this subsection plus add-on amounts as follows:
  - (A) for procedure codes with a fee calculated under paragraph (1) of this subsection that is less than or equal to \$80.00, the rural hospital add-on amount is \$3.00;
  - (B) for procedure codes with a fee calculated under paragraph (1) of this subsection that is greater than \$80.00 and less than or equal to \$150.00, the rural hospital add-on amount is \$8.00;
  - (C) for procedure codes with a fee calculated under paragraph (1) of this subsection that is greater than \$150.00 and less than or equal to \$300.00, the rural hospital add-on amount is \$15.00; and
  - (D) for procedure codes with a fee calculated under paragraph (1) of this subsection that is greater than \$300.00, the rural hospital add-on amount is \$32.00.

**5. Hospital Ambulatory Surgical Centers (HASC)** are reimbursed in accordance with Attachment 4.19-B, page 7(f), relating to the reimbursement methodology for Ambulatory Surgical Centers (ASCs).

**6-7. Intentionally left blank.**

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