

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
Center for Medicaid & CHIP Services  
233 North Michigan Ave., Suite 600  
Chicago, Illinois 60601



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**Financial Management Group**

December 14, 2021

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

RE: Texas TN 21-0048

Dear Ms. Stephens:

We have reviewed the proposed Texas State Plan Amendment (SPA) to Attachment 4.19-B, TX#21-0048, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on September 27, 2021. The proposed amendment will increase Medicaid outpatient reimbursement rates for rural hospitals. The proposed amendment removes the cap established September 1, 2013 and applies a percentage increase to the cost-to-charge ratio for rural hospitals. The proposed amendment will also eliminate the cost settlement of payments to maintain the level of payment.

Based upon the information provided by the State, we have approved the amendment with an effective date of September 1, 2021. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Monica Neiman at: [Monica.Neiman@cms.hhs.gov](mailto:Monica.Neiman@cms.hhs.gov).

Sincerely,

*Todd McMillion*

Todd McMillion  
Director  
Division of Reimbursement Review

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER: <b>21-0048</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: September <del>11</del> , 2021	
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: <b>Social Security Act § 1902(a)(30); 42 CFR §440.20 1905(a)(2)(A)</b>		7. FEDERAL BUDGET IMPACT: <b>SEE ATTACHMENT</b> * Figures in the thousands a. FFY 2022 \$1,640* b. FFY 2023 \$1,724* c. FFY 2024 \$1,724*	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <b>Attachment 4.19-B- See Attachment to Blocks 8 &amp; 9</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ): <b>Attachment 4.19-B See Attachment to Blocks 8 &amp; 9</b>	
10. SUBJECT OF AMENDMENT:  The proposed amendment will increase outpatient reimbursement rates for rural hospitals. The proposed amendment removes the cap established September 1, 2013 and applies a percentage increase to the cost-to-charge ratio for rural hospitals. The proposed amendment will also eliminate the cost settlement of payments to maintain the level of payment.			
11. GOVERNOR'S REVIEW ( <i>Check One</i> ): <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:  Stephanie Stephens <small>Digitally signed by Stephanie Stephens Date: 2021.09.30 13:23:38 -05'00'</small>		16. RETURN TO:  <b>Stephanie Stephens State Medicaid Director Post Office Box 13247, MC: H-100 Austin, Texas 78711</b>	
13. TYPED NAME: <b>Stephanie Stephens</b>			
14. TITLE: <b>State Medicaid Director</b>			
15. DATE SUBMITTED: <b>September 30, 2021</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: <b>September 30, 2021</b>		18. DATE APPROVED: <b>December 14, 2021</b>	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>September 1, 2021</b>		20. SIGNATURE OF REGIONAL OFFICIAL: <i>Todd McMillion</i>	
21. TYPED NAME: <b>Todd McMillion</b>		22. TITLE: <b>Director, Division of Reimbursement Review</b>	
23. REMARKS:  Pen & Ink done by the State. Section 6:1905(a)(2)(A) and Section 7:Effective Date corrected from September 11, 2021 and changed to September 1, 2021.			

- (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 (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 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 the percentage of allowable charges is 72.27 percent.
      - (ii) For rural hospitals as defined in Attachment 4.19-A 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 non-rural 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 non-rural 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 non-rural 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 non-rural 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.
    - (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) Cost settlement. Interim claim reimbursement determined in subparagraph (C) of this paragraph will be cost-settled at both tentative and final audit of a non-rural 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 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.
- (3) HHSC will determine an outpatient interim rate for each rural 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 rural hospital with at least one tentative cost report settlement completed prior to September 1, 2021, the interim rate effective on September 1, 2021, is the rate calculated in the latest initial cost report with an additional percentage increase, not to exceed an interim rate of 100 percent. After September 1, 2021, a rural hospital will be assigned the interim rate calculated upon completion of each initial or amended initial cost report, with an additional percentage increase, not to exceed an interim rate of 100 percent.

For a new rural hospital that does not have at least one initial cost report completed prior to September 1, 2021, the default interim rate is 50 percent until the interim rate is adjusted as: follows

- (i) If the rural hospital files a short-period cost report for their first cost report, the hospital will continue to receive the default rate until completion of the first full-year initial cost report.
- (ii) The rural hospital will be assigned the interim rate calculated upon completion of a review of the hospital's first full-year initial or amended initial cost report, with an additional percentage increase, not to exceed an interim rate of 100%.

(B) Interim claim reimbursement for a rural hospital 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 as described in (A) of this paragraph.

(C) Cost settlement. Interim claim reimbursement determined in subparagraph c of this paragraph will not be cost-settled for services rendered on or after September 1, 2021.

(D) Outpatient hospital diagnostic radiology referred to as 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 February 1, 2017, are reimbursed based on a percentage of the Medicare Outpatient Prospective Payment System fee schedule for similar services.

F. Minimum Fee Schedule. Effective March 1, 2021, Managed Care Organizations are required to reimburse rural hospitals based on a minimum fee schedule. The minimum fee schedule is the rate schedule as described above.

G. 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 Center