

## **Table of Contents**

**State/Territory Name: Texas**

**State Plan Amendment (SPA) #: TX 23-0038**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

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



---

**Financial Management Group**

October 4, 2023

Emily Zalkovsky  
State Medicaid/CHIP Director  
Health and Human Services Commission  
Mail Code: H100  
Post Office Box 13247  
Austin, Texas 78711

RE: Texas State Plan Amendment (SPA) 23-0038

Dear Director Zalkovsky:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 23-0038 effective for services on or after September 1, 2023. This amendment modifies the definition of rural hospitals to reflect the population updates in the 2020 U.S. Census and increase the minimum payment for the labor and delivery add-on for rural hospitals.

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 regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 23-0038 is approved effective September 1, 2023. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Tom Caughey at (517) 487-8598.

Sincerely,



Rory Howe  
Director

Enclosure

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER  
**2 3 0 0 3 8**

2. STATE  
**T X**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
**September 1, 2023**

5. FEDERAL STATUTE/REGULATION CITATION  
**42 USC §1396a(bb), 42 CFR §§ 440.10 and 440.20**

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)  
a. FFY **2023** \$ **348,526**  
b. FFY **2024** \$ **4,058,926**

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  
**Attachment 4.19-A  
Page 3a and Page 8h**

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  
**Attachment 4.19-A  
Page 3a (TN 21-0032) and Page 8h (TN 21-0032)**

9. SUBJECT OF AMENDMENT  
This amendment modifies the definition of rural hospitals to reflect the population updates in the 2020 U.S. Census and increase the minimum payment for the labor and delivery add-on for rural hospitals. The modifications are to comply with House Bill 1 (H.B. 1) Rider 8 and Rider 16, 88th Legislature, Regular Session 2023.

10. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED: Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.

11. SIGNATURE OF STATE AGENCY OFFICIAL  


12. TYPED NAME  
**Emily Zalkovsky**

13. TITLE  
**State Medicaid Director**

14. DATE SUBMITTED  
**September 22, 2023**

15. RETURN TO  
**Emily Zalkovsky  
State Medicaid Director  
Post Office Box 13247, MC: H-100  
Austin, Texas 78711**

**FOR CMS USE ONLY**

16. DATE RECEIVED  
**9/22/2023**

17. DATE APPROVED  
**October 4, 2023**

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL  
**9/1/2023**

20. TYPED NAME OF APPROVING OFFICIAL  
**Rory Howe**

19. SIGNATURE OF APPROVING OFFICIAL  


21. TITLE OF APPROVING OFFICIAL  
**Director, FMG**

22. REMARKS

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

(32) Rural hospital- A hospital that:

(A) is located in a county with 68,750 or fewer persons based on the 2020 decennial census;  
or

(B) is designated by Medicare as a Critical Access Hospital (CAH), a Sole Community Hospital (SCH), or a Rural Referral Center (RRC) that is not located in a Metropolitan Statistical Area (MSA), as defined by the U.S. Office of Management and Budget; or

(C) meets all of the following criteria:

(i) has 100 or fewer beds;

(ii) is designated by Medicare as a CAH, SCH, or RRC; and

(iii) is located in an MSA.

(33) Safety-Net add-on-An adjustment to the base SDA for a safety-net hospital to reflect the higher costs of providing Medicaid inpatient services in a hospital that provides a significant percentage of its services to Medicaid and/or uninsured patients.

(34) Safety-Net hospital-An urban or children's hospital that meets the eligibility and qualification requirements described in Appendix 1 to Attachment 4.19-A (relating to Disproportionate Share Hospital Reimbursement Methodology) in the Texas State Medicaid Plan for the most recent federal fiscal year for which such eligibility and qualification determinations have been made.

(35) Standard Dollar Amount (SDA)- A standardized payment amount calculated by HHSC, as described for the costs incurred by prospectively paid hospitals in Texas for furnishing covered inpatient hospital services.

(36) State-owned teaching hospital- Acute Care Hospital owned and operated by the state of Texas.

(37) Teaching hospital-A hospital for which CMS has calculated and assigned a percentage Medicare education adjustment factor under 42 CFR §412.105.

(38) Teaching medical education add-on-An adjustment to the base SDA for a children's teaching hospital with a program approved by the Accreditation Council for Graduate Medical Education (ACGME) to reflect higher patient care costs relative to non-teaching children's hospitals.

(39) TEFRA target-cap-A limit set under the Social Security Act §1886(b) (42 U.S.C. §1395ww(b)) and applied to the hospital's cost settlement under methods and procedures in the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). TEFRA target cap is not applied to services provided to patients under age 21, and incentive and penalty payments associated with this limit are not applicable to those services.

---

TN: 23-0038 Approval Date: October 4, 2023

Supersedes TN: 21-0032 Effective Date: 9/1/2023

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

(B) Full-cost SDA. Calculate a hospital-specific full-cost SDA by dividing each hospital's base year cost, calculated as described in subparagraph (A) of this paragraph, by the sum of the relative weights for the rural base year stays.

(C) Calculating the SDA floor and ceiling.

(i) Calculate the average adjusted hospital-specific SDA from subparagraph (B) of this paragraph for all rural hospitals with more than 50 claims.

(ii) Calculate the standard deviation of the hospital-specific SDAs identified in subparagraph (B) of this paragraph for all rural hospitals with more than 50 claims.

(iii) Calculate an SDA floor as clause (i) minus clause (ii) multiplied by a factor determined by HHSC to maintain budget neutrality.

(iv) Calculate an SDA ceiling as clause (i) plus clause (ii) multiplied by a factor determined by HHSC to maintain budget neutrality.

(D) Assigning a final hospital-specific SDA.

(i) If the adjusted hospital-specific SDA from subparagraph (B) is less than the SDA floor in subparagraph (C)(iii) of this paragraph, the hospital is assigned the SDA floor amount as the final SDA.

(ii) If the adjusted hospital-specific SDA from subparagraph (B) is more than the SDA ceiling in subparagraph (C)(iv), the hospital is assigned the SDA ceiling amount as the final SDA.

(iii) Assign the adjusted hospital-specific SDA as the final SDA to each hospital not described in clauses (i) and (ii) of this subparagraph.

(2) Alternate SDA for labor and delivery. For labor and delivery services provided by rural hospitals on or after September 1, 2023, the final SDA is the alternate SDA for labor and delivery stays, which is equal to the final SDA determined in paragraph (1)(D) of this subsection plus an SDA add-on sufficient to increase paid claims by no less than \$1,500.

(3) HHSC calculates a new rural hospital's final SDA as follows.

(A) For new rural hospitals for which HHSC has no base year claim data, the final SDA is the mean rural SDA in paragraph (1)(C)(i) of this subsection.

(B) The mean rural SDA assigned in subparagraph (A) of this paragraph remains in effect until the next realignment.

(4) Biennial review of rural rates. Every two years, HHSC will calculate new rural SDAs using the methodology in this subsection to the extent allowed by federal law and subject to limitations on appropriates.

---

TN: 23-0038 Approval Date: October 4, 2023

Supersedes TN: 21-0032 Effective Date: 9/1/2023