

**TEXAS HEALTH AND HUMAN SERVICES COMMISSION
RATE ANALYSIS DEPARTMENT**

Proposed Medicaid Payment Rates for the following:

**Hospital Outpatient Services
Hospital Inpatient Services**

**Revised on July 2, 2013:
Children's Hospital Rates**

Payment rates are proposed to be effective September 1, 2013.

SUMMARY OF PROPOSED MEDICAID PAYMENT RATES

Effective September 1, 2013

Included in this document is information relating to the proposed Medicaid reimbursement reduction for the following: Hospital Outpatient Services and Hospital Inpatient Services. The rates are proposed to be effective September 1, 2013.

Hearing

The Health and Human Services (HHSC) will conduct a public hearing to receive comments regarding the proposed Medicaid rates detailed in this document on July 19, 2013, at 1:30 p.m. in the Department of Aging and Disability Services, Public Hearing Room in the Winters Building, at 701 W 51st Street, Austin, Texas 78751, with entrance through Security at the front of the building facing 51st street. HHSC will consider concerns expressed at the hearing prior to final rate approval. This public hearing is held in compliance with the provisions of Human Resources Code §32.0282 and 1 Texas Administrative Code (TAC) §355.105(g), which requires a public hearing on proposed payment rates. Should you have any questions regarding the information in this document, please contact:

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Background

The proposed reimbursement rates were determined in accordance with proposed rules developed in response to direction received from the 2014-2015 General Appropriations Act (Article II, Senate Bill 1, 83rd Legislature, Regular Session, 2013), including reductions described in the Health and Human Services Rider 51, Medicaid Funding Reduction and Cost Containment; Rider 38, Payments to Rural Hospital Providers; and Rider 71, Inpatient Payments to Children's Hospitals.

Methodology

The proposed payment rates were calculated in accordance with the following proposed rules published in the *Texas Register* on June 28, 2013 under 1 TAC:

§355.8061, which addresses payment for outpatient hospital services;
§355.8052, which addresses payment for inpatient hospital services; and
§355.8060, which addresses payment for freestanding psychiatric facilities.

Proposed Rates

Proposed rates were developed using the following methodologies:

Proposed Inpatient Hospital Rates

Children's hospitals - A new SDA methodology for reimbursing children's hospitals is proposed using a statewide base SDA of \$9,511.06 for 2014 with add-ons for geographic wage differences and for teaching medical education. The final SDA will be inflated for state fiscal year 2015. The base SDA is determined from the total cost for all children's hospitals with amounts set aside for outliers, wage add-on and teaching medical education add-on. The final SDA will be inflated to 2014. A one year phase in approach is proposed for the children's hospitals, which will establish a blended rate of 50 percent of the base SDA with add-ons plus 50 percent of the hospital's full cost SDA for fiscal year 2014. For state fiscal year 2015 the base SDA with add-ons is proposed to be the final SDA. The full cost SDA is the hospital's total cost divided by the sum of the relative weights in the base year. New children's hospitals are proposed to receive the base SDA rate plus the wage add-on until the next rebasing. The teaching medical education add-on will be calculated at the beginning of the state fiscal year after the provider's first cost report containing medical education costs is received.

Rural hospitals - A new SDA methodology for reimbursing rural hospitals is proposed using a facility specific SDA limited by a floor and a ceiling. The SDA is determined as follows:

- The full cost SDA is the hospital's total cost divided by the sum of the relative weights in the base year inflated to 2014.
- To determine floor and ceiling amounts, an average SDA is determined using only those hospitals with 50 or greater claims in the base year. The floor is proposed at 1.5 standard deviations below the adjusted average SDA and the ceiling is proposed at 2.0 standard deviations above the adjusted average SDA.
- If the hospital's full cost SDA is less than the calculated SDA floor, the hospital is assigned the SDA floor. If the hospital's full cost SDA is greater than the SDA ceiling, the hospital is assigned the SDA ceiling. The floor SDA amount is proposed to be \$4,533.08 and the ceiling SDA amount is proposed to be \$12,968.04.
- New rural hospitals will receive the mean rural SDA inflated to 2014, which is calculated by dividing the sum of the SDA amounts for rural hospitals by the number of hospitals in the group. The SDA amount of \$7,781.97 will remain in effect until the next rebasing.

Hospitals in Rockwall County – The two hospitals that no longer fit the proposed new definition of a rural hospital are proposed to have a two year phase-in from a rural to an urban hospital for reimbursement.

Outliers – A day or cost outlier is paid for medically necessary inpatient services provided to clients under age 21 in all Medicaid participating hospitals that are reimbursed under the prospective payment system. A reduction of 10 percent is proposed for all outliers paid to non-children's hospitals. A cap will be placed on day outliers to ensure that the sum of the day outlier and the APR DRG payment does not exceed the total cost of the claim.

Proposed Outpatient Hospital Rates

Outpatient charges - Outpatient allowable charges are proposed to be reduced by four percent except for children's and rural hospitals.

Outpatient charges for new hospitals - New hospitals are proposed to receive a default interim payment rate of 50 percent, which is applied to allowable charges.

Outpatient charges for hospitals in Rockwall County – The two hospitals that no longer fit the proposed new definition of a rural hospital are proposed to have a two-year phase-in from a rural to an urban hospital for reimbursement.

Non-urgent emergency department services – Services provided in the hospital emergency department that do not qualify as an emergency are proposed to be reduced to \$51.36 per visit, which is 125 percent of the adult physician office visit fee. Rural hospitals are not proposed to receive this reduction. Hospitals in Rockwall County are proposed to not receive this reduction until state fiscal year 2016.

Imaging - Outpatient hospital imaging services will be 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 is greater than 125 percent of the Medicaid adult acute care fee for a similar service, it is proposed that the fee is reduced to 125 percent of the Medicaid adult acute care fee.

Proposed rates for inpatient children's, rural and Rockwall county rates; and proposed rates for outpatient imaging fees are attached