

# Texas Register

TITLE 1            ADMINISTRATION  
 PART 15            TEXAS HEALTH AND HUMAN SERVICES COMMISSION  
 CHAPTER 353      MEDICAID MANAGED CARE  
 SUBCHAPTER O DELIVERY SYSTEM AND PROVIDER PAYMENT INITIATIVES  
 RULE §353.1305 Regional Uniform Rate Increases for Hospital Services  
 ISSUE              01/20/2017  
 ACTION             Proposed

[Preamble](#)

No Rule Available

(a)Introduction. This section describes the circumstances under which HHSC directs an MCO to provide a uniform percentage rate increase to hospitals in the MCO's network in a designated service delivery area for the provision of inpatient services, outpatient services, or both. This section also describes the methodology used by HHSC to calculate and administer such rate increase.

(b)Definitions. The following definitions apply when the terms are used in this section. Terms that are used in this and other sections of this subchapter may be defined in §353.1301 of this subchapter (relating to General Provisions).

(1)Children's hospital--A Medicaid hospital designated by Medicare as a children's hospital.

(2)Inpatient hospital services--Services ordinarily furnished in a hospital for the care and treatment of inpatients under the direction of a physician or dentist, or a subset of these services identified by HHSC. Inpatient hospital services do not include skilled nursing facility or intermediate care facility services furnished by a hospital with swing-bed approval, and any other services that HHSC determines should not be subject to the rate increase.

(3)Institution for mental diseases (IMD)--A hospital that is primarily engaged in providing psychiatric diagnosis, treatment, or care of individuals with mental illness.

(4)Non-urban public hospital--

(A)A hospital owned and operated by a governmental entity, other than a hospital described in paragraph (9) of this subsection defining urban public hospital; or

(B)A hospital meeting the definition of rural public-financed hospital in §355.8065(b)(37) of this title (relating to Disproportionate Share Hospital Reimbursement Methodology), other than a hospital described in paragraph (7) of this subsection defining rural hospital.

(5)Outpatient hospital services--Preventive, diagnostic, therapeutic, rehabilitative, or palliative services that are furnished to outpatients of a hospital under the direction of a physician or dentist, or a subset of these services identified by HHSC. HHSC may, in its contracts with MCOs governing rate increases under this section, exclude from the definition of outpatient hospital services such services as are not generally furnished by most hospitals in the state, or such services that HHSC determines should not be subject to the rate increase.

(6)Program period--A period of time for which HHSC will contract with participating MCOs to pay increased capitation rates for the purpose of provider payments under this section. Each program period is equal to a state fiscal year beginning September 1 and ending August 31 of the following year.

(7)Rural hospital--A hospital located in a county with 60,000 or fewer persons according to the most recent United States Census, a Medicare-designated rural referral center, a sole community hospital, or a critical access hospital.

(8)State-owned hospital--A hospital that is owned and operated by a state university or other state agency.

(9)Urban public hospital--A hospital that is operated by or under a lease contract with one of the following entities: the Dallas County Hospital District, the El Paso County Hospital District, the Harris County Hospital District, the Tarrant County Hospital District, the Travis County Healthcare District dba Central Health, the University Health System of Bexar County, the Ector County Hospital District, the Lubbock County Hospital District, or the Nueces County Hospital District.

(c)Classes of participating hospitals.

(1)HHSC may direct the MCOs in a service delivery area to provide a uniform percentage rate increase to all hospitals within one or more of the following classes of hospital with which the MCO contracts for inpatient or outpatient services:

(A)children's hospitals;

(B)non-urban public hospitals;

(C)rural hospitals;

(D)state-owned hospitals;

(E)urban public hospitals;

(F)institutions for mental diseases; and

(G)all other hospitals.

(2)If HHSC directs rate increases to more than one class of hospital within the service delivery area, the percentage rate increases directed by HHSC may vary between classes of hospital.

(d)Eligibility. HHSC determines eligibility for rate increases by service delivery area and class of hospital.

(1)Service delivery area. Only hospitals in a service delivery area that includes at least one sponsoring governmental entity are eligible for a rate increase.

(2)Class of hospital. HHSC will identify the class or classes of hospital within each service delivery area described in paragraph (1) of this subsection to be eligible for a rate increase. HHSC will consider the following factors when identifying the class or classes of hospital eligible for a rate increase and the percent increase applicable to each class:

(A)whether a class of hospital contributes more or less significantly to the goals and objectives in HHSC's quality strategy, as required in 42 C.F.R. §438.340, relative to other classes;

(B)which class or classes of hospital the sponsoring governmental entity wishes to support through intergovernmental transfers (IGTs) of public funds; and

(C)the percentage of Medicaid costs incurred by the class of hospital in providing care to Medicaid managed care clients that are reimbursed by Medicaid MCOs prior to any uniform rate increase administered under this section.

(e)Services subject to rate increase. HHSC may direct the MCOs in a service delivery area to increase rates for all or a subset of inpatient services, all or a subset of outpatient services, or all or a subset of both, based on the service or services that will best advance the goals and objectives of HHSC's quality strategy.

(f)Determination of percentage of rate increase.

(1)In determining the percentage of rate increase applicable to one or more classes of hospital, HHSC will consider the following factors:

(A)information from the sponsoring governmental entities on one or both of the following:

(i)the amount of IGT the sponsoring governmental entities propose to transfer to HHSC to support the non-federal share of the increased rates for the first six months of a program period; and

(ii)the percentage rate increase the sponsoring governmental entities propose for one or more classes of hospital for the first six months of a program period;

(B)the class or classes of hospital determined in subsection (d)(2) of this section;

(C)the type of service or services determined in subsection (e) of this section;

(D)actuarial soundness of the capitation payment needed to support the rate increase;

(E)available budget neutrality room under any applicable federal waiver programs; and

(F)other HHSC goals and priorities.

(2)After determining the percentage of rate increase as described in paragraph (1) of this subsection, HHSC will modify its contracts with the MCOs in the service delivery area to direct the percentage rate increases.

(g)Timing and amount of transfer of non-federal share.

(1)Sponsoring governmental entities must complete the IGT for the first six months of the program period no later than May 1 of the calendar year that also contains the first month of the program period, unless otherwise instructed by HHSC.

(2)Following the transfer of funds described in paragraph (1) of this subsection, sponsoring governmental entities must transfer additional IGT at such times and in such amounts as determined by HHSC to be necessary to ensure the availability of funding of the non-federal share of the state's

expenditures under this section and HHSC's compliance with the terms of its contracts with MCOs in the service delivery area.

(3)HHSC will instruct sponsoring governmental entities as to the required IGT amounts. Required IGT amounts will include all costs associated with the uniform rate increase, including costs associated with premium taxes, risk margins, and administration, plus ten percent.

(h)Effective date of rate increases. HHSC will direct MCOs to increase rates under this section beginning the first day of the program period that includes the increased capitation rates paid by HHSC to each MCO pursuant to the contract between them.

(i)Reconciliation. HHSC will reconcile the amount of the non-federal funds actually expended under this section during the program period with the amount of funds transferred to HHSC by the sponsoring governmental entities for that same period using the methodology described in §353.1301 (g) of this subchapter.

(j)Recoupment. Payments under this section may be subject to recoupment as described in §353.1301 (k) of this subchapter.

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on January 9, 2017

**TRD-201700105**

Karen Ray

Chief Counsel

Texas Health and Human Services Commission

Earliest possible date of adoption: February 19, 2017

For further information, please call: (512) 424-6900

[Next Page](#)

[Previous Page](#)

[Re-Query Register](#)

[Back to List of Records](#)

[HOME](#)

[TEXAS REGISTER](#)

[TEXAS ADMINISTRATIVE CODE](#)

[OPEN MEETINGS](#)