Table of Contents

State Plan Amendment (SPA) #: 17-0006

This file contains the following documents in order listed:

1. CMS Approval Letter
2. CMS Form 179
3. Superseding Page Listing (Attachment to Blocks 8 & 9 of CMS Form 179)
4. Approved SPA Page
May 1, 2017

Our Reference: SPA TX 17-0006

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

Dear Ms. Snyder:

We have reviewed the State's proposed amendment to the Texas State Plan submitted under Transmittal Number 17-0006, dated March 27, 2017. This state plan amendment updates the durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) fee schedule.

Based on the information submitted, we have approved the amendment for incorporation into the official Texas State Plan with the effective date of January 1, 2017. A copy of the CMS-179 and the approved plan pages are enclosed with this letter.

If you have any questions please contact Ford Blunt of my staff. Mr. Blunt may be reached at (214) 767-6381 or by Email at Ford.Blunt@cms.hhs.gov.

Sincerely,

Bill Brooks
Associate Regional Administrator

Cc: Dana Williamson, Policy Development Support
TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES

<table>
<thead>
<tr>
<th>1. TRANSMITTAL NUMBER:</th>
<th>2. STATE:</th>
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</thead>
<tbody>
<tr>
<td>17-0006</td>
<td>TEXAS</td>
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</table>

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

4. PROPOSED EFFECTIVE DATE: January 01, 2017

5. TYPE OF PLAN MATERIAL (Circle One):
   - NEW STATE PLAN
   - AMENDMENT TO BE CONSIDERED AS NEW PLAN
   - AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

   Social Security Act §1902 (a)(30); 42 CFR 447.201(b).

7. FEDERAL BUDGET IMPACT:

   a. FFY 2017: $(9,407)
   b. FFY 2018: $(12,054)
   c. FFY 2019: $(12,074)

SEE ATTACHMENT TO BLOCKS 8 & 9

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

SEE ATTACHMENT TO BLOCKS 8 & 9

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

SEE ATTACHMENT TO BLOCKS 8 & 9

10. SUBJECT OF AMENDMENT:

   The proposed amendment updates the durable medical equipment, prosthetics, orthotics, and supplies fee schedule.

11. 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.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
    Jami Snyder

14. TITLE:
    State Medicaid Director

15. DATE SUBMITTED:
    March 27, 2017

FOR REGIONAL OFFICE USE ONLY

16. RETURN TO:
    Jami Snyder
    State Medicaid Director
    Post Office Box 13247, MC: H-100
    Austin, Texas 78711

17. DATE RECEIVED:
    March 27, 2017

18. DATE APPROVED:
    May 8, 2017

19. EFFECTIVE DATE OF APPROVED MATERIAL:
    January 1, 2017

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
    Bill Brooks

22. TITLE:
    Associate Regional Administrator
    Division of Medicaid and Children's Health

23. REMARKS:

RECEIVED

MAY 01 2017

OFFICE OF THE STATE MEDICAID DIRECTOR
<table>
<thead>
<tr>
<th>Number of the Plan Section or Attachment</th>
<th>Number of the Superseded Plan Section or Attachment</th>
</tr>
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<tbody>
<tr>
<td>Attachment 4.19-B</td>
<td>Attachment 4.19-B</td>
</tr>
<tr>
<td>Page 3a</td>
<td>Page 3a (TN 16-0025)</td>
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</table>

State: Texas
Date Received: 03-27-2017
Date Approved: 05-01-2017
Date Effective 01-01-2017
Transmittal Number: TX 17-0006
8. Home Health Services (continued)

(b) Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)

(1) If the item of DMEPOS is covered by Medicare, the Medicaid fee will be equal to or a percentage of the Medicare fee schedule specific to Texas that is available at the time of the fee review, unless there is documentation that the Medicare fee is insufficient for the items covered under the procedure code and required by the Medicaid population.

(2) For items of DMEPOS not paid at the Medicare fee, the provider will either be reimbursed a fee determined by HHSC or through manual pricing. The fee determined by HHSC will be determined from cost information from providers, manufacturers, surveys of the Medicaid fees for other states, survey information from national fee analyzers, or other relevant fee-related information.

(3) Manual pricing is reasonable when one procedure code covers a broad range of items with a broad range of costs, since a single fee may not be a reasonable fee for all items covered under the procedure code, resulting in access-to-care issues. Examples include 1) procedure codes with a description of “not otherwise covered,” “unclassified,” or “other miscellaneous;” and 2) procedure codes covering customized items. If manual pricing is used, the provider is reimbursed either the documented Manufacturer’s Suggested Retail Price (MSRP) less 18 percent, or the documented Average Wholesale Price (AWP) less 10.5 percent, whichever one is applicable. If one of these is not available, the provider’s documented invoice cost is used as the basis for manual pricing. AWP pricing is used primarily for nutritional products and DMEPOS items sold in pharmacies.

(4) The Medicaid fees for oxygen equipment, oxygen, and oxygen-related supplies will not exceed the Medicare fee for the same procedure code.

(5) All fee schedules are available through the agency’s website as outlined on Attachment 4.19-B, page 1.

(6) The agency’s fee schedule was revised with new fees for durable medical equipment, prosthetics, orthotics, and supplies effective January 1, 2017, and was posted on the agency’s website on April 15, 2017.