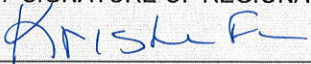


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State Plan Amendment (SPA) #: 18-0007 ICF Cost Report Reform *(Effective March 1, 2018)*

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 Pages

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 18-0007	2. STATE: TEXAS
		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: March 1, 2018	
5. TYPE OF PLAN MATERIAL (Circle One): <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 (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR §§ 440.167, 440.225 Section 1905(a)(24) of the Social Security Act		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2018 \$54,815 b. FFY 2019 \$75,155 c. FFY 2020 \$77,222	
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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): SEE ATTACHMENT TO BLOCKS 8 & 9	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 will modify the reimbursement methodology in the State Plan for non-state operated Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs) by requiring only even-year cost reports beginning with providers' 2018 fiscal year cost reports. Additionally, the amendment will also require providers to submit an Attendant Compensation Report for odd years beginning with the providers' 2017 fiscal year. Lastly, the amendment will repeal the Medicaid Spending Requirement beginning September 1, 2017.			
11. GOVERNOR'S REVIEW (Check One): <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:		16. RETURN TO: Stephanie Muth State Medicaid Director Post Office Box 13247, MC: H-100 Austin, Texas 78711	
13. TYPED NAME: Stephanie Muth			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED: March 26, 2018			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: March 26, 2018		18. DATE APPROVED: MAY 23 2018	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: March 1, 2018		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: KRISTIN FAN		22. TITLE: Director, FMCE	
23. REMARKS:			

Attachment to Blocks 8 & 9 of CMS Form 179

Transmittal Number 18-0007

**Number of the
Plan Section or Attachment**

**Number of the Superseded
Plan Section or Attachment**

Attachment 4.19-D

Page 1
Page 9
Page 12
N/A - Delete Page

Attachment 4.19-D

Page 1 (TN 15-003)
Page 9 (TN 15-003)
Page 12 (TN 15-024)
Page 18 (TN 15-024)

<p>State: Texas Date Received: March 26, 2018 Date Approved: MAY 23 2018 Date Effective: March 1, 2018 Transmittal Number: 18-0007</p>
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Reimbursement Methodology for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID)*

1. Authority. The Texas Health and Human Services Commission (HHSC), the Single State Medicaid Agency, has final approval authority of Medicaid payment rates. HHSC determines ICF/IID Medicaid payment rates after consideration of analysis of financial and statistical information, and the effect of the payment rates on the achievement of program objectives, including economic conditions and budgetary considerations.
2. General. Payment rates are uniform statewide for the same class of service and provider type. Payment rates are determined prospectively with retrospective adjustments as outline in this plan. The unit of service is a day of care provided to a Medicaid client. Payment rates will be determined for a period of two years for non-state operated facilities and for a period of one year to coincide with the state fiscal year for state-operated facilities.
3. Pro Forma Costing. When historical costs are unavailable, such as in the case of changes in program requirements, payment rates may be based on a pro forma approach. This approach involves using historical costs of delivering similar services, where appropriate data are available, and determining the types and costs of products and services necessary to deliver services meeting federal and state requirements.
4. Adjusting Payment Rates. HHSC may adjust payment rates to compensate for anticipated changes in laws, rules, regulations, policies, guidance, economic factors, or implementation of federal or state court orders or settlement agreements. Should HHSC adjust payment rates for these purposes, a state plan amendment will be submitted.
5. Cost Reports. In order to ensure adequate financial and statistical information upon which to base payment rates, each contracted provider is required to submit a cost report every other year and, if necessary, (a) supplemental report(s). It is the responsibility of the provider to submit accurate and complete information in accordance with all pertinent cost report rules and cost report instructions.

* "Intellectual disability" has the same meaning as "mental retardation" as used in other sections of the Texas Medicaid State Plan

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Reimbursement Methodology for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID), continued

- (C) An individual must meet the following criteria to be eligible to receive the add-on rate:
- (i) be assigned a RUG-III 34 classification in Group 1, Group 2, or Group 3;
 - (ii) be a resident of a large state-operated facility for at least six months immediately prior to referral; and
 - (iii) have a level of need which includes a medical level of need increase as described in (4)(B) above, but not be assessed a level of need of pervasive plus.
- (D) The add-on for each Group is determined based on date and costs from the most recent nursing facility cost reports accepted by HHSC.
- (i) For each Group, compute the median direct care staff per diem base rate component for all facilities as specified in the Nursing Facility State Plan Attachment 4.19-D(IV)(B)(3); and
 - (ii) Subtract the average nursing portion of the current recommended modeled rates as specified in 10(b)(3) of this attachment.
- (E) Until such time as HHSC has received, verified and evaluated adequate cost data from participating ICF/IID providers, the add-on rate for each Group will be adjusted each time that HHSC adjusts the Nursing Facility RUG-III rate upon which it is based.
- (F) The add-on rates can be found at <https://ad.hhs.texas.gov/>

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Reimbursement Methodology for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) (continued)

15. Effective September 1, 2015, payment rates for non-state operated facilities, including both private and non-state government owned facilities, will be equal to the rates in effect on August 31, 2015, plus 2.02 percent. This payment rate increase uses the allowable/unallowable costs that are currently defined in the approved plan pages at Attachment 4.19-D, ICF/IID. These rates were posted on the agency's website at <https://rad.hhs.texas.gov/> on September 1, 2015.

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Reimbursement Methodology for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID), continued

18. Medicaid Spending Requirement and Recoupment Process

- (a) Effective for costs and revenues accrued on or after September 1, 2015, all non-state operated ICF/IID facilities (including both private and non-state government owned facilities) that did not opt out of the rate increase as described under section (15) are required to spend at least 90 percent of revenues received through the ICF/IID daily Medicaid payment rates on Medicaid allowable costs under the ICF/IID program.
- (b) Accountability period. Each accountability period begins the first day of September and ends on the last day of August of the following year.
- (c) Providers that fail to meet the 90 percent spending requirement for an accountability period are subject to a recoupment of the difference between 90 percent of the revenues they received through the ICF/IID daily Medicaid payment rate for services provided during the accountability period and their accrued Medicaid allowable ICF/IID costs for the accountability period. At no time will a provider's payments for an accountability period after recoupment be less than the payments the provider would have received if it had opted out of the rate increase.
- (d) Compliance with the spending requirement will be determined on an annual basis through an analysis of the provider's Medicaid revenues and expenditures for the accountability period as gathered through the provider's audited Medicaid cost report.

All submitted cost reports are audited for completeness, accuracy and compliance with cost reporting rules. The review process takes approximately six months to complete. Once a cost report is reviewed, the provider is given an opportunity to request an informal review and, if desired, a formal appeal of any changes made to its cost report by HHSC. Once a cost report is finalized, HHSC will analyze the cost report data to determine if the provider owes a recoupment, and any recoupment will be submitted to the Department of Aging and Disability Services to be entered into the claims management system. Once entered into the claims management system, recoupments are automatically collected through reductions to the provider's outgoing payments, and the federal share of the recoupment is returned to the federal government.

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