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State Plan Amendment (SPA) #: 16-0002

This file contains the following documents in order listed:

1. CMS Approval Letter
2. CMS 179 Form
3. Superseding Page Listing
4. Approved SPA Pages
February 25, 2016

Our Reference: SPA TX 16-0002

Mr. Gary Jessee
State Medicaid/CHIP Director
Health and Human Services Commission
Post Office Box 13247
Mail Code H100
Austin, Texas 78711

Dear Mr. Jessee:

We have reviewed the State’s proposed amendment to the Texas State Plan submitted under Transmittal Number 16-0002 dated January 22, 2016. This state plan amendment updates the state plan language for the reimbursement methodology for Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs).

Based on the information submitted, we have approved the amendment for incorporation into the official Texas State Plan with an effective date change of January 1, 2016. A copy of the CMS-179 and approved plan pages are enclosed with this letter.

If you have questions, please contact Cheryl Rupley at (214) 767-6278.

Sincerely,

[Redacted]
Bill Brooks
Associate Regional Administrator

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

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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(bb)

7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT
   - a. FFY 2016
   - b. FFY 2017
   - c. FFY 2018

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
   - SEE ATTACHMENT TO BLOCKS 8 & 9

10. SUBJECT OF AMENDMENT:
The proposed amendment confirms existing reimbursement methodology for Federally Qualified Health Centers and Rural Health Clinics

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

15. DATE SUBMITTED:
   - January 22, 2016

17. DATE RECEIVED:
   - 22 January, 2016

19. EFFECTIVE DATE OF APPROVED MATERIAL:
   - 1 January, 2016

21. TYPED NAME:
   - BILL BROOKS

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

23. REMARKS:

FORM CMS – 179 (07-92)

OFFICE OF THE STATE MEDICAID DIRECTOR
## Attachment to Blocks 8 & 9 of CMS Form 179

Transmittal Number 16-0002

<table>
<thead>
<tr>
<th>Number of the Plan Section or Attachment</th>
<th>Number of the Superseded Plan Section or Attachment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment 4.19-B</td>
<td>Attachment 4.19-B</td>
</tr>
<tr>
<td>Page 5e</td>
<td>Page 5e (TN 01-01)</td>
</tr>
<tr>
<td>Page 5k</td>
<td>Page 5k (TN 01-01)</td>
</tr>
<tr>
<td>Page 24g</td>
<td>Page 24g (TN 10-61)</td>
</tr>
</tbody>
</table>

State: Texas
Date Approved: 25 February, 2016
Date received: 22 January, 2016
Date Effective: 1 January, 2016
Transmittal Number: TX 16-0002
13. Rural Health Clinics (RHCs): (continued)

trace properly to the RHC's total facility costs on line 32, column 7 on M-1 worksheet.

(G) Hospital's overhead worksheet expenses allocated to each of the hospital-based RHC cost centers on worksheet B, Part I (column 27 minus column 0) trace properly to line 15, column 5 on M-2 worksheet for each hospital-based RHC.

(2) For a freestanding RHC, a complete HCFA 222 Form and HCFA 339 form with Certification by an Officer of Administrator.

(n) Once the base rate for an RHC has been calculated, the RHC shall be paid its effective rate without the need to file a cost report. Except as specified in subsection (o), a cost report shall only be required if the RHC is seeking to adjust its effective rate.

(o) New RHCs shall file a projected cost report within 90 days of their designation to establish an initial payment rate. The cost report will contain the RHC's reasonable costs anticipated to be incurred during the RHC's initial fiscal year. The RHC shall file a cost report within five (5) months of the end of the RHC's initial fiscal year. The cost settlement must be completed within six (6) months of receipt of a cost report. The cost per visit rate established by the cost settlement process shall be the base rate. Any subsequent increases shall be calculated as provided herein. A new RHC location established by an existing RHC participating in the Medicaid program shall receive the same effective rate as the RHC establishing the new location. An RHC establishing a new location may request an adjustment to its effective rate as provided herein if its costs have increased as a result of establishing a new location.

(p) An RHC is paid its full per-visit rate by a state-contracted managed care organization when the RHC renders service.

(q) Submission of Audited Medicare Cost Reports. An RHC shall submit a copy of its audited Medicare cost report to the state within 15 days of receipt.
13. Rural Health Clinics (RHCs) (continued)

(C) M-3 (Calculation of reimbursement settlement for RHC services).

(D) M-5 (Analysis of payments to hospital-based RHC services rendered to program beneficiaries).

(E) S-8 (Statistical Data/Information Purposes).

(F) RHC net expenses for allocation of costs for services rendered on or after January 1, 1998, reported on the hospital's worksheet A, column 7 trace properly to the RHC’s total facility costs on line 32, column 7 on M-1 worksheet.

(G) Hospital's overhead worksheet expenses allocated to each of the hospital-based RHC cost centers on worksheet B, Part I (column 27 minus column 0) trace properly to line 15, column 5 on M-2 worksheet for each hospital-based RHC.

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(p) An RHC is paid its full per-visit rate by a state-contracted managed care organization when the RHC renders service.
(31) **Federally Qualified Health Centers (FQHC) (continued)**

(b) **Alternate Prospective Payment System (APPS) Methodology (continued)**

(iv) HHSC will not increase the effective rate for an FQHC based on the outcome of a state-initiated cost report audit. It is the responsibility of the FQHC to request HHSC to adjust the effective rate.

(v) For PPS, the state-initiated review is not applicable.

(D) Final base rate notification letter. HHSC will provide to an FQHC written notification of any determined final base rate.

(E) Request for review of final base rate. The FQHC may submit a written request for a review of the final base rate if:

(i) The FQHC believes that HHSC made a mathematical error or data entry error in calculating the FQHC’s reasonable cost. If HHSC determines the request for review merits a change in the final base rate, HHSC will adjust the final base rate to the effective date of the final base rate notification letter.

(ii) The FQHC believes that the FQHC made an error in reporting its cost or data in the final audited Medicare cost report or the Texas Medicaid Supplemental Worksheets that would result in a different calculation of the FQHC’s reasonable cost. If HHSC determines the request for review merits a change in the final base rate, HHSC may adjust the final base rate to the effective date of the final base rate notification letter.

(iii) If the FQHC disagrees with the results of the review, the FQHC may request a formal appeal.

(9) FQHCs are paid their full per-visit rate by state-contracted managed care organizations when the service is rendered.