Proposed Inpatient Hospital Reimbursement Changes
Effective September 1, 2011

Information posted August 16, 2011

Effective for dates of admission on or after September 1, 2011, the reimbursement for inpatient hospital providers will change. Proposed new rules for hospital Medicaid reimbursements were published in the Texas Register on July 8, 2011, and will be adopted effective September 1, 2011.

The change to reimbursement for inpatient hospital providers updates the 2011 Texas Medicaid Provider Procedures Manual, Hospital Services Handbook, subsection 2.6.4.1, “Prospective Payment Methodology.”

DRG Hospitals

Effective for dates of admission on or after September 1, 2011, inpatient hospital providers that are currently reimbursed under a diagnosis-related group (DRG) prospective payment system (other than the rural hospitals described in the following section) are proposed to receive a statewide base standard dollar amount (SDA).

Hospitals may receive increases to the base SDA associated with a geographic wage index factor for each Core Based Statistical Area (CBSA) in Texas.

Teaching hospitals and trauma-designated hospitals are also eligible for increases to the statewide base SDA in recognition of the high-cost functions of those groups of providers.

Note: A hospital that becomes eligible for one or more add-ons during fiscal year 2012 will not receive an increased base SDA in 2012; however, the hospital may become eligible for add-on adjustments in subsequent fiscal years.

Rural Hospitals

For fee-for-service and Primary Care Case Management (PCCM) inpatient hospital admissions on or after September 1, 2011, the following hospital providers will be reimbursed according to the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 reimbursement methodology using an interim rate:

- Hospital providers that are located in counties with 50,000 or fewer persons, based on the 2000 decennial census
- Hospital providers that are designated by Medicare as Rural Referral Centers (RRCs)
- Hospital providers that are designated by Medicare as Sole Community Hospitals
- Hospital providers that are designated by Medicare as Medicare-designated Critical Access Hospitals (CAHs)

These hospital providers will no longer be reimbursed using the DRG prospective payment system methodology.

The provisions that are outlined in the current Texas Administrative Code (TAC) rule §355.8052(i) concerning rural hospitals and certain other hospitals will be relocated to the proposed new TAC rule §355.8055.
Where to Find Additional Information

The SDA rates that are proposed to be adopted for inpatient hospital admissions on or after September 1, 2011, are published in the rate hearing packet at www.hhsc.state.tx.us/rad/rate-packets.shtml in the “Inpatient Hospitals Attachment.” The attachment also includes the following:

- The list of rural and other providers proposed to be reimbursed using TEFRA methodology beginning September 1, 2011.
- The new universal mean and the DRG statistics proposed to be adopted on September 1, 2011.

Hospital providers will be notified in a future article when rates change and are available on the website.

For more information, call the TMHP Contact Center at 1-800-925-9126.