

By: Gonzales of Hidalgo, Schwertner, Coleman,
et al.

H.B. No. 3744

Substitute the following for H.B. No. 3744:

By: Kolkhorst

C.S.H.B. No. 3744

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the reimbursements for certain services provided to
3 Medicaid recipients and reimbursement adjustments relating to
4 those services.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 531.001, Government Code, is amended by
7 adding Subdivisions (4-a) and (4-b) to read as follows:

8 (4-a) "Potentially preventable complication" means a
9 harmful event or negative outcome with respect to a person,
10 including an infection or surgical complication, that:

11 (A) occurs after the person's admission to a
12 hospital or long-term care facility;

13 (B) results from the care, lack of care, or
14 treatment provided during the hospital or long-term care facility
15 stay, as applicable, rather than from a natural progression of an
16 underlying disease; and

17 (C) could reasonably have been prevented if care
18 and treatment had been provided in accordance with accepted
19 standards of care.

20 (4-b) "Potentially preventable readmission" means a
21 return hospitalization of a person within a period specified by the
22 commission that results from deficiencies in the care or treatment
23 provided to the person during a previous hospital stay or from
24 deficiencies in post-hospital discharge follow-up. The term does

1 not include a hospital readmission necessitated by the occurrence
2 of unrelated events after the discharge. The term includes the
3 readmission of a person to a hospital for:

4 (A) the same condition or procedure for which the
5 person was previously admitted;

6 (B) an infection or other complication resulting
7 from care previously provided;

8 (C) a condition or procedure that indicates that
9 a surgical intervention performed during a previous admission was
10 unsuccessful in achieving the anticipated outcome; or

11 (D) another condition or procedure of a similar
12 nature, as determined by the executive commissioner.

13 SECTION 2. Subchapter B, Chapter 531, Government Code, is
14 amended by adding Sections 531.02115 and 531.02117 to read as
15 follows:

16 Sec. 531.02115. REIMBURSEMENT METHODOLOGY FOR MEDICAID
17 INPATIENT HOSPITAL SERVICES. (a) To incentivize controlling costs
18 and improving efficiency, the commission shall, subject to
19 adjustments required by this section:

20 (1) convert the reimbursement methodology used under
21 the Medicaid program to reimburse inpatient hospital services to an
22 all patient refined diagnosis-related groups (DRG) methodology;
23 and

24 (2) establish a statewide standard dollar amount (SDA)
25 rate that is based on the average of all hospital costs associated
26 with providing services under the Medicaid program during the
27 preceding fiscal year.

1 (b) In converting to the reimbursement methodology under
2 Subsection (a)(1), the commission shall, to the extent possible,
3 examine reimbursement methodologies, including nationally
4 implemented reimbursement methodologies, that address historical
5 disparities in the provision of health care services to women,
6 children, and persons with mental illnesses.

7 (c) The commission may adjust rates determined using the
8 factors under Subsection (a) to ensure the equitable reimbursement
9 of hospitals for inpatient services by adjusting the rates as
10 necessary to take into account different markets and provider
11 responsibilities, including by making rate adjustments to account
12 for:

13 (1) whether a hospital is a teaching institution;

14 (2) market wage indexes; and

15 (3) whether the hospital is a state-designated trauma
16 facility or a burn center.

17 (d) The commission shall adjust rates determined using the
18 factors under Subsection (a) to provide incentives for hospitals to
19 provide higher quality of care. To provide the incentives, the
20 commission shall establish a hospital value-based purchasing
21 program that includes quality standards established by the
22 executive commissioner by rule, other than quality standards
23 relating to potentially preventable readmissions and potentially
24 preventable complications. Incentives provided under the program
25 must be based on whether a hospital meets, or improves the
26 hospital's performance with respect to meeting, those quality
27 standards. Under the program, the commission may:

1 (1) reduce a hospital's reimbursement rates by two
2 percent each fiscal year the hospital fails to meet, or to make
3 progress toward meeting, the quality standards; and

4 (2) use 50 percent of the money saved as a result of
5 the reimbursement rate reductions to award hospitals that meet, or
6 make progress toward meeting, the quality standards.

7 (e) Notwithstanding Subsection (d)(1), the commission may
8 reduce reimbursement rates as provided by that subsection only by
9 the following percentages:

10 (1) one percent for the state fiscal year beginning
11 September 1, 2012;

12 (2) 1.25 percent for the state fiscal year beginning
13 September 1, 2013;

14 (3) 1.5 percent for the state fiscal year beginning
15 September 1, 2014; and

16 (4) 1.75 percent for the state fiscal year beginning
17 September 1, 2015.

18 (f) Except as provided by Subsection (g), this section does
19 not apply to a hospital:

20 (1) located in a county with a population of less than
21 50,000 according to the 2000 federal decennial census;

22 (2) owned or operated by this state;

23 (3) whose inpatients are predominately individuals
24 under 18 years of age as described under Section
25 1886(d)(1)(B)(iii), Social Security Act (42 U.S.C. Section
26 1395ww(d)(1)(B)(iii));

27 (4) classified as a rural referral center under

1 Section 1886(d)(1)(C)(i), Social Security Act (42 U.S.C. Section
2 1395ww(d)(1)(C)(i));

3 (5) that is a sole community hospital as defined under
4 Section 1886(d)(1)(D)(iii), Social Security Act (42 U.S.C. Section
5 1395ww(d)(1)(D)(iii)), that is not located in a metropolitan
6 statistical area as defined by the United States Office of
7 Management and Budget; or

8 (6) that is a critical access hospital as defined
9 under Section 1861(mm)(1), Social Security Act (42 U.S.C. Section
10 1395x(mm)(1)).

11 (g) The commission shall reimburse hospitals described
12 under Subsection (f) for inpatient care services in a manner that is
13 consistent with provision of payments for inpatient care services
14 under Title XVIII, Social Security Act (42 U.S.C. Section 1395 et
15 seq.).

16 (h) This subsection and Subsection (e) expire September 1,
17 2017.

18 Sec. 531.02117. REIMBURSEMENT ADJUSTMENTS. (a) Subject to
19 Subsection (b), using the data collected under Section 531.02116
20 and the all patient refined diagnosis-related groups (DRG)
21 methodology implemented under Section 531.02115, the commission
22 shall to the extent feasible adjust Medicaid reimbursements to
23 hospitals, including payments made under the disproportionate
24 share hospitals and upper payment limit supplemental payment
25 programs, in a manner that penalizes a hospital based on the
26 hospital's failure to reduce potentially preventable readmissions
27 and potentially preventable complications.

1 (b) The commission must provide the report required under
2 Section 531.02116(b) to a hospital at least one year before the
3 commission adjusts Medicaid reimbursements to the hospital under
4 this section.

5 (c) This section does not apply to a hospital described
6 under Section 531.02115(f).

7 SECTION 3. Section 531.913, Government Code, is transferred
8 to Subchapter B, Chapter 531, Government Code, redesignated as
9 Section 531.02116, Government Code, and amended to read as follows:

10 Sec. 531.02116 [~~531.913~~]. COLLECTION AND REPORTING OF
11 CERTAIN [~~HOSPITAL HEALTH~~] INFORMATION [~~EXCHANGE~~]. (a) [~~In this~~
12 ~~section, "potentially preventable readmission" means a return~~
13 ~~hospitalization of a person within a period specified by the~~
14 ~~commission that results from deficiencies in the care or treatment~~
15 ~~provided to the person during a previous hospital stay or from~~
16 ~~deficiencies in post-hospital discharge follow-up. The term does~~
17 ~~not include a hospital readmission necessitated by the occurrence~~
18 ~~of unrelated events after the discharge. The term includes the~~
19 ~~readmission of a person to a hospital for:~~

20 [~~(1) the same condition or procedure for which the~~
21 ~~person was previously admitted,~~

22 [~~(2) an infection or other complication resulting from~~
23 ~~care previously provided,~~

24 [~~(3) a condition or procedure that indicates that a~~
25 ~~surgical intervention performed during a previous admission was~~
26 ~~unsuccessful in achieving the anticipated outcome, or~~

27 [~~(4) another condition or procedure of a similar~~

1 ~~nature, as determined by the executive commissioner.~~

2 ~~[(b)]~~ The executive commissioner shall adopt rules for
3 identifying potentially preventable readmissions of Medicaid
4 recipients and potentially preventable complications experienced
5 by those recipients. The ~~[and the]~~ commission shall collect
6 ~~[exchange]~~ data from ~~[with]~~ hospitals on present-on-admission
7 indicators for purposes of this section.

8 (b) ~~[(c)]~~ The commission shall establish a ~~[health~~
9 ~~information exchange]~~ program to provide a ~~[exchange]~~ confidential
10 report to ~~[information with]~~ each hospital in this state that
11 participates in the Medicaid program regarding the hospital's
12 performance with respect to potentially preventable readmissions
13 and potentially preventable complications. To the extent possible,
14 a report provided under this section should include potentially
15 preventable readmissions and potentially preventable complications
16 information across all payment systems. A hospital shall
17 distribute the information contained in the report ~~[received from~~
18 ~~the commission]~~ to health care providers providing services at the
19 hospital.

20 (c) A report provided to a hospital under this section is
21 confidential and is not subject to Chapter 552.

22 (d) This section does not apply to a hospital described
23 under Section 531.02115(f).

24 SECTION 4. (a) As soon as possible after the effective date
25 of this Act, but not later than September 1, 2012:

26 (1) the Health and Human Services Commission shall
27 convert the Medicaid hospital services reimbursement methodology

1 to an all patient refined diagnosis-related groups (DRG)
2 methodology as required by Section 531.02115(a), Government Code,
3 as added by this Act, under which hospitals are reimbursed for the
4 provision of services under the Medicaid program at a rate that is
5 based on the statewide standard dollar amount (SDA) rate also
6 required under that section; and

7 (2) the executive commissioner of the Health and Human
8 Services Commission shall adopt the quality standards for use in
9 the hospital value-based purchasing program as required by Section
10 531.02115(d), Government Code, as added by this Act.

11 (b) The Health and Human Services Commission shall provide
12 reimbursements to hospitals for the provision of services under the
13 Medicaid program using the reimbursement rates in effect on August
14 31, 2011, until the commission meets the requirements of Subsection
15 (a)(1) of this section. After the commission implements that
16 methodology and notwithstanding any other law, the commission may
17 not use appropriated money to provide reimbursements under any
18 other methodology.

19 (c) Notwithstanding Sections 531.02115(d) and (e) and
20 531.02117, Government Code, as added by this Act, the Health and
21 Human Services Commission may only implement the hospital
22 value-based purchasing program as required by Section
23 531.02115(d), Government Code, as added by this Act, or otherwise
24 adjust reimbursement rates as provided by this Act after the Health
25 and Human Services Commission converts the Medicaid hospital
26 services reimbursement methodology and establishes the statewide
27 standard dollar amount (SDA) rate under Section 531.02115(a),

1 Government Code, as added by this Act.

2 (d) Not later than September 1, 2012, the Health and Human
3 Services Commission shall begin providing performance reports to
4 hospitals regarding the hospitals' performances with respect to
5 potentially preventable complications as required by Section
6 531.02116, Government Code, as transferred, redesignated, and
7 amended by this Act.

8 SECTION 5. If before implementing any provision of this Act
9 a state agency determines that a waiver or authorization from a
10 federal agency is necessary for implementation of that provision,
11 the agency affected by the provision shall request the waiver or
12 authorization and may delay implementing that provision until the
13 waiver or authorization is granted.

14 SECTION 6. This Act takes effect immediately if it receives
15 a vote of two-thirds of all the members elected to each house, as
16 provided by Section 39, Article III, Texas Constitution. If this
17 Act does not receive the vote necessary for immediate effect, this
18 Act takes effect September 1, 2011.