



Nueces County Hospital District

Administrative Offices

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BOARD OF MANAGERS ORDER **OCTOBER 27, 2026**

ORDER SETTING THE FISCAL YEAR 2027 MANDATORY PAYMENT RATE FOR THE NUECES COUNTY HOSPITAL DISTRICT HEALTH CARE PROVIDER PARTICIPATION PROGRAM

WHEREAS, the 86th (2019) Texas Legislature enacted S.B. 2315 creating Texas Health and Safety Code, Chapter 298C ("Health Code") enabling the Nueces County Hospital District's ("District") Board of Managers ("Board") to authorize a local Health Care Provider Participation Program ("Program") and in the 87th (2021) Texas Legislature H.B. 1456 amended Chapter 298C;

WHEREAS, the purpose of the Program is to assess and collect mandatory payments from institutional health care providers within the District ("Provider") to fund the nonfederal share of Medicaid supplemental payments and managed care rate enhancements to provide additional federal Medicaid funding to the Texas Health and Human Services Commission ("HHSC") via intergovernmental transfers to support federal matching for local hospital services; and a Provider is defined as a hospital that provides inpatient services and is not owned or operated by the federal or state government;

WHEREAS, pursuant to Health Code, §298C.003 the Board has consecutively authorized the District to participate in the Program for Fiscal Years: 2021, 2022, 2023, 2024, 2025, 2026, and 2027 according to meetings held on September 29, 2020; August 3, 2021; September 20, 2022; July 24, 2023; July 23, 2024; August 26, 2025; and October 27, 2026, respectively;

WHEREAS, the Board desires to continue support of the Program and again exercise its authority to establish the amount of the Program's mandatory payments for the period October 1, 2026 – September 30, 2027 ("FY 2027") and to satisfy the requirements of Health Code;

WHEREAS, pursuant to Health Code, §298C.101(a) in each fiscal year that the Board authorizes the Program, the Board is required to hold a public hearing on the amounts of any mandatory payments that the Board intends to require during the applicable fiscal year and how the revenue derived from those mandatory payments is to be spent, and the District held said public hearing on October 27, 2026 in advance of this Order;

WHEREAS, pursuant to Health Code, §298C.101(b), not later than the fifth day before the date of the public hearing, the Board is required to publish notice of the public hearing in a newspaper of general circulation in the District and the District published said notice in the *Corpus Christi Caller-Times* newspaper on October 20, 2026;

(THIS SPACE INTENTIONALLY LEFT BLANK)

WHEREAS, pursuant to Health Code, §298C.101(b) not later than the fifth day before the date of the public hearing, the Board is required to provide written notice of the hearing to each Provider located in the District, and the District provided said notice via electronic mail on October 20, 2026;

WHEREAS, on September 22, 2026, the Board approved a September 22, 2026 Order Setting the Fiscal Year 2027 Mandatory Payment Rate for the Nueces County Hospital District Health Care Provider Participation Program (the "September 22, 2026 Order");

WHEREAS, the Texas Health and Human Services Commission ("HHSC"), by notice dated September 17, 2026 and through subsequent implementing guidance, announced revised requirements, effective October 1, 2026, governing the acceptance and administration of intergovernmental transfers used to finance Medicaid payments, pursuant to which HHSC will accept intergovernmental transfers supported by mandatory payments applicable to periods beginning on or after October 1, 2026, only if such mandatory payments are imposed exclusively and separately on net patient revenue attributable to inpatient hospital services and on net patient revenue attributable to outpatient hospital services, and the Board desires to modify the Program's mandatory payment methodology to facilitate compliance with those requirements;

WHEREAS, in response to HHSC's revised requirements, the Board finds it necessary and appropriate to establish separate mandatory payment calculations based on each institutional health care provider's inpatient net patient revenue and outpatient net patient revenue, as separately calculated, utilizing financial information reported in the provider's Medicare Hospital Cost Report (CMS Form 2552-10) maintained in the Centers for Medicare & Medicaid Services' ("CMS") Healthcare Cost Report Information System ("HCRIS"), in accordance with the methodology set forth in Attachment A "Calculation of Inpatient and Outpatient Net Revenue" incorporated herein by reference, and to deposit such mandatory payments in a separate Health Care Provider Participation Program bank account, to promote compliance with applicable federal and state Medicaid financing requirements;

WHEREAS, in accordance with the foregoing, the Board desires to rescind the September 22, 2026 Order and replace it with this Order; and

WHEREAS, in consideration of the foregoing, the Board now desires to establish the amount of the mandatory payments under the Program for FY 2027 and to direct that the mandatory payments be used for one or more of the authorized uses as set forth in the Health Code, §298C.103.

NOW THEREFORE, BE IT ORDERED:

1. The Board hereby rescinds the September 22, 2026 Order and replaces it with this Order. This Order shall govern mandatory payments assessed under the Program for Fiscal Year 2027. Any lawful administrative actions previously undertaken pursuant to the September 22, 2026 Order shall remain valid, subject to reconciliation or adjustment as necessary to comply with this Order and applicable law; provided, however, that any mandatory assessments assessed or collected for Fiscal Year 2027 shall be assessed, collected, and deposited only as provided in this Order.

2. Pursuant to Health Code, §298C.003, the Board hereby authorizes the Nueces County Hospital District to participate in the Health Care Provider Participation Program for Fiscal Year 2027, beginning October 1, 2026, and ending September 30, 2027.

3. For Fiscal Year 2027, the Board hereby establishes mandatory payments under the Program at a rate of six percent (6%) of each institutional health care provider's net patient revenue attributable to inpatient hospital services and six percent (6%) of each institutional health care provider's net patient revenue attributable to outpatient hospital services. The inpatient and outpatient components shall be calculated separately and combined to determine each provider's total mandatory payment obligation. The aggregate mandatory payments assessed under the Program shall not exceed the limitation prescribed by Health Code, §298C.151(c). Mandatory payments collected shall be used exclusively for purposes authorized under Health Code, §298C.103. The Administrator is authorized to set the due date or dates for mandatory payments owed by institutional health care providers.

4. The District shall determine each institutional health care provider's net patient revenue attributable to inpatient services and net patient revenue attributable to outpatient services using financial information reported in the provider's most recent available Medicare Hospital Cost Report (CMS Form 2552-10), as maintained in the Centers for Medicare & Medicaid Services' Healthcare Cost Report Information System ("HCRIS"). The District shall use the provider-specific cost report designated as "As Submitted" in HCRIS, from the data release identified by CMS as updated September 30, or such other cost report as HHSC or the Board designates as the most recent Medicare Cost Report for this purpose.

5. If an institutional health care provider does not have a Medicare Hospital Cost Report available in the Centers for Medicare & Medicaid Services' Healthcare Cost Report Information System for the period designated under Paragraph 4, the District shall determine the provider's net patient revenue attributable to inpatient hospital services and net patient revenue attributable to outpatient hospital services using the provider's Medicare Hospital Cost Report submitted for the closest preceding fiscal year or, if none, the closest subsequent fiscal year for which the provider submitted a Medicare Hospital Cost Report. If no Medicare Hospital Cost Report is available for any such fiscal year, the District shall use such alternative source of inpatient and outpatient net patient revenue data as HHSC determines to be acceptable. In all cases, the resulting mandatory payments shall be imposed exclusively and separately on net patient revenue attributable to inpatient hospital services and on net patient revenue attributable to outpatient hospital services.

6. The District shall calculate each institutional health care provider's net patient revenue attributable to inpatient hospital services and net patient revenue attributable to outpatient hospital services in accordance with the methodology set forth in Attachment A "Calculation of Inpatient and Outpatient Net Patient Revenue" incorporated herein by reference. The methodology shall be applied consistently to all institutional health care providers subject to mandatory payments under the Program, except where differences are required by applicable federal or state law or reporting requirements.

7. All mandatory payments collected under the Program for Fiscal Year 2027 shall be deposited into a separate bank account designated for the District's local provider participation fund established pursuant to Health Code, §298C.103. Such funds shall be maintained, accounted for, and expended exclusively for purposes authorized under Chapter 298C.

**NUECES COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS**

Vishnu V. Reddy
Chairman

Sylvia Tryon Oliver
Vice Chairman

Mariana Garza
Member

Georgia Neblett
Member

Karen O'Connor Urban
Member

Pamela Brower
Member

Sunil Reddy
Member

ATTACHMENT “A”

Attachment A

Calculation of Inpatient and Outpatient Net Patient Revenue

Multiply the Total Charges (i.e., Total Revenue) lines identified in the Medicare Upper Payment Limit (UPL) Guidance documents by the hospitals' overall net patient revenue divided by total patient revenue to calculate the inpatient and outpatient portion of net patient revenue.

Inpatient Net Patient Revenue

Formula

**Total Inpatient Routine
and Ancillary Charges**



*[Net Patient Revenue
Total Patient Revenue]*

Medicare
Cost Report
Lines

**Worksheet C Part 1
Column 6 Lines 30 to 76***



*[Worksheet G – 3
Column 1 Line 3
Worksheet G – 3
Column 1 Line 1]*

Outpatient Net Patient Revenue

Formula

**Total Outpatient Routine
and Ancillary Charges**



*[Net Patient Revenue
Total Patient Revenue]*

Medicare
Cost Report
Lines

**Worksheet C Part 1
Column 7 Lines 50 to 98***



*[Worksheet G – 3
Column 1 Line 3
Worksheet G – 3
Column 1 Line 1]*

*Include all subscripted lines (e.g., Line 31.01, 31.02, etc.).

Medicare UPL Guidance Links:

- [Inpatient Hospital Services UPL Guidance](#)
- [Outpatient Hospital Services UPL Guidance](#)

Attachment A continued

Inpatient Net Patient Revenue Calculation Example

Medicare UPL Lines from Worksheet C Part I		
COMPUTATION OF RATIO OF COSTS TO CHARGES		
COST CENTER DESCRIPTIONS		Column 6
INPATIENT ROUTINE SERVICE COST CENTERS		
30	Adults and Pediatrics (General Routine Care)	100
31	Intensive Care Unit	200
32	Coronary Care Unit	100
33	Burn Intensive Care Unit	100
34	Surgical Intensive Care Unit	500
35	Other Special Care (specify)	100
40	Subprovider IPF	0
41	Subprovider IRF	100
42	Subprovider (Specify)	100
43	Nursery	0
44	Skilled Nursing Facility	100
45	Nursing Facility	100
46	Other Long Term Care	100
ANCILLARY SERVICE COST CENTERS		
50	Operating Room	100
51	Recovery Room	100
52	Labor Room and Delivery Room	0
53	Anesthesiology	0
54	Radiology-Diagnostic	0
55	Radiology-Therapeutic	0
56	Radioisotope	0
57	Computed Tomography (CT) Scan	0
58	Magnetic Resonance Imaging (MRI)	0
59	Cardiac Catheterization	0
60	Laboratory	0
61	PBP Clinical Laboratory Services-Prgm. Only	0
62	Whole Blood & Packed Red Blood Cells	0
63	Blood Storing, Processing, & Trans.	0
64	Intravenous Therapy	0
65	Respiratory Therapy	0
66	Physical Therapy	0
67	Occupational Therapy	0
68	Speech Pathology	0
69	Electrocardiology	0
70	Electroencephalography	0
71	Medical Supplies Charged to Patients	0
72	Implantable Devices Charged to Patients	0
73	Drugs Charged to Patients	0
74	Renal Dialysis	0
75	ASC (Non-Distinct Part)	0
76	Other Ancillary (specify)	0
Total Inpatient Routine and Ancillary Charges = \$1,800		

Attachment A continued

Inpatient Net Patient Revenue Calculation Example

STATEMENT OF REVENUES AND EXPENSES		PROVIDER CCN:	PERIOD: FROM _____ TO _____	WORKSHEET G-3	
Description					
1	Total patient revenues (from Worksheet G-2, Part I, column 3, line 28)		5,000	1	
2	Less contractual allowances and discounts on patients' accounts		1,000	2	
3	Net patient revenues (line 1 minus line 2)		4,000	3	
4	Less total operating expenses (from Worksheet G-2, Part II, line 43)		1,000	4	
5	Net income from service to patients (line 3 minus line 4)		3,000	5	

**Total Inpatient Routine
and Ancillary Charges**



***[Net Patient Revenue
Total Patient Revenue]***

**Worksheet C Part 1
Column 6 Lines 30 to 76***



***[Worksheet G – 3
Column 1 Line 3
Worksheet G – 3
Column 1 Line 1]***

\$1,800



***[4,000
5,000]***

\$1,800



0.8

Total Net Patient Revenue = \$1,440

CERTIFICATE OF SECRETARY

THE STATE OF TEXAS

§

§

COUNTY OF NUECES

§

THE UNDERSIGNED HEREBY CERTIFIES that:

1. The members of the Board of Managers (the "Board") of the Nueces County Hospital District (the "Hospital District") have been duly appointed pursuant to Texas Health and Safety Code (the "Health Code"), §281.021.

2. Pursuant to Health Code, §281.021(a), the Board has been duly appointed; pursuant to Health Code, §281.048, the Board is the governing body of the Hospital District; and pursuant to the collective authorities of Health Code, §281.047 and §281.048, the Board has, and at the time of adoption of this Order had, full power and authority to manage, control, administer, and to adopt rules governing operation of the Hospital District.

3. On the 27th day of **October, 2026**, the Board convened in a regular meeting at the Hospital District's regular meeting place (the "Meeting"), the duly constituted members and officers of the Board being as follows:

Vishnu V. Reddy, Chairman
Sylvia Tryon Oliver, Vice Chairman
Mariana Garza
Georgia Neblett
Karen O'Connor Urban
Pamela Brower
Sunil Reddy

and all of said persons were present, except the following absentees:
_____, thus, constituting a quorum.

4. Among other business considered at the Meeting, the attached order entitled:

**ORDER SETTING THE FISCAL YEAR 2027 MANDATORY PAYMENT RATE
FOR THE NUECES COUNTY HOSPITAL DISTRICT
HEALTH CARE PROVIDER PARTICIPATION PROGRAM**

is a true copy of an order introduced and submitted to the Board for consideration toward passage and adoption (the "Order"). After presentation and discussion, it was then duly moved and seconded that the Order be passed and adopted. The motion to pass and adopt the Order prevailed and carried by the following voice vote:

YEAS: ()
NAYS: ()
PRESENT NOT VOTING: ()

Nueces County Hospital District
Board of Managers Order
Set FY 2027 HCPPP Payment Rate
October 27, 2026

ABSENT: ()

all as shown in the official Minutes of the Board for the Meeting.

5. The attached Order is a true and correct copy of the original on file in the official records of the Hospital District; the duly qualified and acting members of the Board on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Board was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Order would be considered; and the Meeting and deliberations concerning the aforesaid public business were open to the public and written notice of said meeting, including the subject of the Order, was posted and given in advance thereof in compliance with the provisions of Chapter 551, Texas Government Code, as amended.

6. I am the Secretary of the Board having been duly appointed pursuant to Health Code, §281.023(b).

7. The foregoing Order is in full force and effect and has not been rescinded, nor has it been amended or modified in any way.

IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of the Hospital District on this the 27th day of October, 2026.

Jonny F. Hipp
Secretary, Board of Managers
Nueces County Hospital District

{HOSPITAL DISTRICT SEAL}