Date: November 7, 2025

To: Assisted Living Facilities (ALF),
Community Attendant Services (CAS),
Community First Choice (CFC),
Community Living Assistance and Support Services-Direct Service Agency (CLASS-DSA) waiver program providers,
Day Activity and Health Services (DAHS),
Deaf Blind with Multiple Disabilities (DBMD) waiver program providers,
Family Care (FC),
Home and Community-based Services (HCS) waiver program providers,
Home and Community-Based Services – Adult Mental Health Program (HCBS-AMH) providers,
Intermediate Care Facilities for Individuals with an Intellectual Disability or Related Conditions (ICF/IID) providers,
Financial Management Services Agencies (FMSAs),
Local Intellectual and Developmental Disability Authorities (LIDDAs),
Primary Home Care (PHC),
Residential Care (RC);
Texas Home Living (TxHmL) providers;
STAR Kids and STAR Health Medically Dependent Children's Program (MDCP) provider,
STAR Kids and STAR Health state plan services providers, and
STAR+PLUS Home and Community-Based Services (HCBS) and Non-HCBS Providers

Subject: Information Letter No. 2025-25
Rider 23: Texas Administrative Code Rule Amendments, Personal Attendant Base Wage Discontinuation, Rate Enhancement Discontinuation, Established Average Hourly Wage Assumed in Methodology, and Established Direct Care Wage and Benefits Expense Ratio, effective September 1, 2025.

The Texas Health and Human Services Commission (HHSC) is publishing information regarding the recent adoption of amendments, repeals, and new rules

to Title 1 of the Texas Administrative Code (1 TAC) that was necessary to implement the 2026-27 General Appropriations Act, Senate Bill (S.B.) 1, 89th Legislature, Regular Session, 2025 (Article II, Health and Human Services Commission, Riders 23). For a full list of TAC amendments, please view the preamble here.

Below is additional information regarding the establishment of the average hourly wage for personal attendants, the discontinuation of the personal attendant base wage, the discontinuation of the Attendant Compensation Rate Enhancement program (ACRE), the establishment of the reimbursement methodology for the attendant cost component, the establishment of the direct care wage and benefits expense ratio, and changes to the cost report collection and training requirements.

Establishment of Average Hourly Wage and End Date of Personal Attendant Base Wage

Rider 23(a) directed HHSC to implement rates for personal attendant services that support an average wage of $13.00 per attendant hour assumed in the billing unit with either a 14 or 15 percent increase for payroll taxes and Medicare/Federal Insurance Contributions Act (FICA) taxes and benefits. In addition, there was a $0.24 per hour assumed in the billing unit increase for the administrative rate component.

HHSC published fee schedules for rates effective September 1, 2025, on the HHSC Provider Finance website. HHSC also published Information Letter (IL) 2025-17, "Payment Rate Actions for Attendant Services in Various Programs, effective September 1, 2025".

The adopted amendment to 1 TAC Section 355.7051, concerning Base Wage for Personal Attendants, updates the rule title to reflect that this rule will end on

August 31, 2025. The requirement to pay a base wage to personal attendants ended on August 31, 2025.

On and after September 1, 2025, providers have the flexibility to pay attendant staff through any type of compensation, subject to payroll taxes, including regular wages, overtime, and non-hourly compensation such as bonuses. Providers also have the flexibility to pay their attendant staff, similar to any other staff type, at a hourly pay rate that meets their business need, as long as the wage is equal to or higher than the federally mandated minimum wage. Providers must also continue to ensure adequate care for the individuals they serve. Providers delivering attendant services will be subject to the reporting requirements as outlined below.

HHSC will utilize biennial cost reports to calculate the direct care staff wage and benefits expense ratio for each provider and publish a report that includes a list of providers whose calculated direct care staff wage and benefits expense ratio is less than 0.90.

Information regarding the reporting requirements for the direct care staff wage and benefits expense ratio and the establishment of the reimbursement methodology for the attendant cost rate component is provided below.

Discontinuation of the Attendant Compensation Rate Enhancement Program

Rider 23(b) discontinued the ACRE program on August 31, 2025. HHSC implemented this requirement by repealing 1 TAC 355.112.

HHSC published IL 2025-11, "Discontinuation of the Attendant Compensation Rate Enhancement Program and Rate Increase for Attendant Services, Effective September 1, 2025".

Note: Managed care organizations have the flexibility to continue an attendant rate enhancement program for services they are responsible for providing.

Reimbursement Methodology for Attendant Cost Rate Component

1 TAC Section 355.7052 establishes the reimbursement methodology for the attendant cost rate component of the long-term services and supports (LTSS) state plan and 1915(c), 1915(i), and 1115 waiver programs with personal attendant and attendant-like services. 1 TAC Section 355.7052(d) delineates specific staff types and services in each state plan and waiver program that constitute attendant care.

According to 1 TAC Section 355.7052(b), an attendant is defined as "an unlicensed caregiver providing direct assistance to individuals with Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL)." This category includes direct care workers such as drivers, medication aides, direct care trainers, job coaches, employment assistance direct care workers, attendant supervisors, direct care worker supervisors, direct care trainer supervisors, job coach supervisors, and supported employment direct care workers.

Attendant and Clinical Supervision

HHSC intends to align the definition of the attendant cost component with the Centers for Medicare and Medicaid Services (CMS) Final Rule, relating to Ensuring Access to Medicaid Services. CMS revised 42 Code of Federal Regulation (CFR) Section 441.302(k)(1)(ii) and noted that clinical supervisors, including:

> "Nurses or other staff who provide clinical oversight and training for direct care workers participate in activities directly related to beneficiary care (such as completing or reviewing documentation of care), are qualified to provide services directly to beneficiaries, and periodically interact with beneficiaries should be included in the definition of direct care workers." 89 Federal Register 40542, 40628 (May 10, 2024).

CMS also modified its definition of direct care worker at 42 CFR Section 441.302(k)(1)(ii)(F) to clarify that it includes nurses and other staff providing clinical supervision.

Before HHSC is required to comply with reporting for the CMS Medicaid Access rule, HHSC will ensure that revenue for clinical supervision is shifted to the attendant component from the other direct care component or support services component, as applicable.

Direct Care Staff Wage and Benefits Expense Ratio

Rider 23(c) requires HHSC to continue to collect biennial cost reports and calculate the following for each provider:

- The total amount paid to the provider is attributable to the direct care wages, payroll costs, taxes, and benefits;
- The amount expended by the provider for that purpose; and
- The provider’s ratio of direct care expenses to revenue.

HHSC is required to submit an annual report to the Legislative Budget Board, the Lieutenant Governor, the Speaker of the House of Representatives, and the Office of the Governor, which includes a list of providers whose calculated direct care staff wage and benefits expense ratio is less than 0.90. There is not a recoupment for providers whose direct care staff wage and benefits expense ratio is less than 0.90.

Additional information is provided below on which cost reports are currently required and when, how the attendant care expenses and attendant revenue are calculated, and how providers will be notified of HHSC's calculation of the provider’s direct care staff wage and benefits expense ratio.

Attendant Care Expenses

Allowable attendant care expenses include all salaries and/or wages, payroll taxes, workers' compensation, and employee benefits paid to attendant care staff as specified on the cost report. Costs related to field or clinical supervisors will also be included as outlined above.

The following costs are also excluded from the calculation of attendant care expenses:

- Costs of required training for direct care or personal attendant workers;
- Travel costs for direct care or personal attendant workers, including mileage reimbursement or public transportation subsidies; and
- Costs of personal protective equipment for direct care or personal attendant workers.

Attendant Care Revenue

Revenue attributable to attendant care services will be specified on the cost report. HHSC will be publishing additional information and tools, including worksheets specific to individual programs, that providers can utilize to estimate their attendant care revenue and the estimated direct care wage and benefits expense ratio (similar to worksheets that were previously developed for the ACRE program).

Cost Reports and Notice of the Direct Care Staff Wage and Benefits Expense Ratio Calculation

Providers must submit cost reports in accordance with 1 TAC Section 355.102 (relating to General Principles of Allowable and Unallowable Costs) and 1 TAC Section 355.103 (relating to Specifications for Allowable and Unallowable Costs). HHSC will examine the cost report in accordance with 1 TAC Section 355.106 (relating to Basic Objectives and Criteria for Audit and Desk Review of Cost Reports).

In accordance with Rider 23(c), HHSC will then calculate the total amount paid to each provider that is attributable to the attendant care wages, payroll costs, taxes, and benefits; the amount expended by the provider for that purpose; and the ratio of expenses to revenue to determine the direct care wage and benefits expense ratio.

Providers will be notified via email from the web-based cost reporting application with a summary of any adjustments that were made during the financial examination process for the applicable cost report and the estimated calculation of the direct care wage and benefits expense ratio. Once notified, providers can agree or disagree with adjustments made during the financial examination in accordance with 1 TAC Section 355.110 (relating to Informal Reviews and Formal Appeals). If providers disagree, the provider can file an informal review and then a formal appeal, in accordance with the 1 TAC Section 355.110.

Revised Cost Reporting Requirements

HHSC adopted an amendment to 1 TAC Sections 355.102, 355.105, and 355.305, which all have provisions related to cost reporting and upcoming cost reports.

In addition, the State of Texas Automated Information Reporting System (STAIRS) is transitioning to the State of Texas Electronic Provider System (STEPS) beginning with cost reports collected in 2026. STEPS is a web-based software application that will be used to collect information from providers. Specific information is collected as required by legislative direction, cost reports, directed payment program and supplemental payment program enrollment applications, and other relevant details. More information about the transition to STEPS is available on the HHSC Provider Finance website, here.

HHSC requests cost reports from providers contracted to provide identified services through either HHSC or a Managed Care Organization (MCO).

HHSC collects non-Medicaid and Medicaid cost reports on a varying frequency, with some reports collected quarterly, annually, or biennially. For cost reports collected biennially, some cost reports are collected for even years, while other cost reports are collected for odd years. Provided below is a summary of the state fiscal year 2025 – 2027 cost reports that will be collected in 2026 – 2028 respectively. The state fiscal year 2026 reports, collected in 2027, will be the first cost reports that will be utilized for the direct care wage and benefits expense ratio.

State Fiscal Year 2025 Cost Reports

The adopted amendment to 1 TAC Section 355.105 requires providers to report their costs using the state fiscal year. Beginning with the 2025 cost report, HHSC will require attendant care providers to report costs using the state fiscal year reporting period (September 1–August 31). The state fiscal year 2025 cost reports will not be utilized to calculate the direct care wage and benefits expense ratio because the direct care wage and benefits expense ratio was established on and after September 1, 2025 (i.e. state fiscal year 2026).

Figure 1. State Fiscal Year 2025 Non-Medicaid and Medicaid LTSS Cost Reports, Collected in 2026.

Report Type	Reports Collected	Frequency of Reports
Non-Medicaid LTSS Cost Report	24-Hour Residential Child Care (24RCC)	Annual
Non-Medicaid LTSS Cost Report	Single Source Continuum Contractors (SSCC)	Quarterly

Report Type	Reports Collected	Frequency of Reports
Medicaid LTSS Cost Report	CPC: Community Living Assistance and Support Services – Case Management Agency (CLASS-CMA); Community Living Assistance and Support Services – Direct Service Agency (CLASS-DSA); Primary Home Care (PHC), Community Attendant Services, Family Care, STAR+PLUS Home and Community-Based Services (HCBS) waiver and Non-HCBS	Biennial
Medicaid LTSS Cost Report	Day Activity Health Services (DAHS)	Biennial
Medicaid LTSS Cost Report	State Supported Living Center (SSLC)	Annual

SFY 2026 and 2027 Cost Reports

As outlined above, HHSC will begin utilizing the state fiscal year 2026 cost reports that will be collected in early 2027 to calculate the direct care wage and benefits expense ratio in accordance with Rider 23(c). The reports that are subject to the direct care wage and benefits expense ratio are indicated with a footnote below.

Figure 2. State Fiscal Year 2026 Non-Medicaid and Medicaid LTSS Cost Reports, Cost Reports, Collected in 2027.

Report Type	Reports Collected	Frequency of Reports
Non-Medicaid LTSS Cost Report	24-Hour Residential Child Care (24RCC)	Annual
Non-Medicaid LTSS Cost Report	Single Source Continuum Contractors (SSCC)	Quarterly

Report Type	Reports Collected	Frequency of Reports
Medicaid LTSS Cost Report	Assisted Living (AL)[1]	Biennial
Medicaid LTSS Cost Report	Home and Community-based Services (HCS); Texas Home Living (TxHmL)[1]	Biennial
Medicaid LTSS Cost Report	Intermediate Care Facilities for Individuals with an Intellectual Disability or Related Conditions (ICF/IID)[1]	Biennial
Medicaid LTSS Cost Report	Nursing Facilities (NF)	Annual
Medicaid LTSS Cost Report	State Supported Living Center (SSLC)	Annual

Figure 3. State Fiscal Year 2027 non-Medicaid and Medicaid LTSS Cost Reports, Collected in 2028.

Report Type	Reports Collected	Frequency of Reports
Non-Medicaid LTSS Cost Report	24-Hour Residential Child Care (24RCC)	Annual
Non-Medicaid LTSS Cost Report	Single Source Continuum Contractors (SSCC)	Quarterly

[1] The state fiscal year 2026 and 2027 cost reports that will be utilized to determine the direct care wage and benefits expense ratio

Report Type	Reports Collected	Frequency of Reports
Medicaid LTSS Cost Report	CPC: Community Living Assistance and Support Services – Case Management Agency (CLASS-CMA); Community Living Assistance and Support Services – Direct Service Agency (CLASS-DSA); Primary Home Care (PHC) Community Attendant Services, Family Care, STAR+PLUS Home and Community-Based Services (HCBS) and Non-HCBS[1]	Biennial
Medicaid LTSS Cost Report	Day Activity Health Services (DAHS)[1]	Biennial
Medicaid LTSS Cost Report	Deaf Blind with Multiple Disabilities (DBMD)[1]	Biennial
Medicaid LTSS Cost Report	Nursing Facilities (NF)	Annual
Medicaid LTSS Cost Report	State Supported Living Center (SSLC)	Annual

Consumer Directed Services

HHSC does not collect costs from consumer-directed services (CDS) employers. Therefore, HHSC will not collect biennial cost reports from CDS employers to calculate the direct care wage and benefits expense ratio.

[1] The state fiscal year 2026 and 2027 cost reports that will be utilized to determine the direct care wage and benefits expense ratio

Cost Report Training Requirement

Beginning with the state fiscal year 2025 cost reports, HHSC has expanded the mandatory cost report training requirement. The primary entity contacts, financial contacts, and the cost report preparers will be required to complete the mandatory cost report training requirement. The required training will transition from scheduled webinars to web-based trainings and assessments that can be accessed at any time within STEPS.

Once the cost report preparer completes the required training and passes the assessments, the preparer can be assigned as a preparer and begin preparing the report. The primary entity and financial contacts can assign a cost report preparer before completing the required training; however, they cannot take any other action until they complete the required training.

After the primary entity, financial contact, and cost report preparers complete the online training and the assessment, they will be able to take an action on the applicable cost report based on their defined role.

Resources

Please contact the HHSC Provider Finance Department (PFD), LTSS Center for Information and Training Team if you have questions regarding this letter at PFD-LTSS@hhs.texas.gov or (737) 867-7817.

Sincerely,

[signature on file]

Brooke Ellison
Director of Cost Reporting and LTSS Finance

Provider Finance Department