

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6678

BILL NUMBER: HB 1130

DATE PREPARED: Dec 13, 1999

BILL AMENDED:

SUBJECT: Medicaid Physician Reimbursement Rates.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
X **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that payments to providers participating in a fee for service program or the Medicaid Primary Care Case Management (PCCM) program for physician services: (1) may not be less than payments to providers as of July 1, 2000; and (2) must be at least equal to the average of rates paid to a provider for a similar service under similar programs in Illinois, Michigan, Ohio, and Wisconsin. (The introduced version of this bill was prepared by the Select Joint Committee on Medicaid Oversight.)

Effective Date: July 1, 2000.

Explanation of State Expenditures: *Summary:* This bill is expected to increase state expenditures under the Medicaid program by about \$1.8 M beginning in FY2001. Total additional Medicaid costs are estimated to increase by \$4.8 M with a federal reimbursement of about \$3 M. This assumes that the requirement that Indiana's rates "be at least equal" to the average of the four surrounding states is implemented such that those reimbursement rates below the four-state average are made equal to the average while making no changes to those rates that are above the average.

Background: Medicaid reimbursement rates for 117 procedure codes were used to compare reimbursement rates for IL, MI, OH, and WI with those of Indiana. According to the Office of Medicaid Policy and Planning (OMPP), there are some 14,000 procedure codes reimbursed through the Medicaid Program. The reimbursement rates for the 117 procedure codes were obtained from a survey conducted by the American Academy of Pediatrics (1999) and does not represent a random sample of all physician procedure codes. However, the 117 codes accounted for \$84.2 M of the total physician expenditures of \$123.2 M for FY99. This represents about 68.3% of FY99 expenditures for physician services in the FFS and PCCM programs.

The following assumes that the requirements of the bill are met by increasing those reimbursement rates that are below the four-state average while making no changes to those rates that are above the average. By

weighting the rate differences by the number of claims filed for each procedure, the increase in expenditures is calculated to be 3.94% for the procedure codes in this sample. Applying the increase of 3.94% to all physician expenditures in the FFS and PCCM programs results in an estimated *increase* of \$4.8 M in total physician costs. Indiana's share of the increase would be about \$1.8 M with the federal share being about \$3.0 M. The federal share of Medicaid expenditures is projected to be about 62% and the state share about 38%.

For a further description of the relationship between the reimbursement rates of the states in this region, out of the 117 procedure codes in the sample, 75 of the reimbursement rates for Indiana were greater than the average of the rates for corresponding procedure codes in the four surrounding states, while 42 of Indiana's rates were below the average. Indiana's rate was ranked highest of the five states 44 times, 2nd highest 33 times, 3rd highest 29 times, 4th highest eight times, and lowest of the five states three times.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal reimbursement.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.

"Medicaid Reimbursement Survey: Regional Report 1998/1999", American Academy of Pediatrics, May 1999.