

Economic Impact Statement

LSA Document #07-31

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

Indiana Code 4-22-2.1-5 requires an agency to submit to the Legislative Services Agency and the Indiana Economic Development Corporation (IEDC) a statement of economic impact of any proposed rule with an economic impact on small businesses. The IEDC is required to review the rule and submit written comments to the agency not later than seven days before the public hearing.

Small businesses that may be impacted by this rule change would consist of Medicaid providers that render home health services to Medicaid recipients under the traditional Medicaid program. Medicaid home health services consist of the following services subject to Medicaid prior authorization:

- Registered Nurse (RN)
- Licensed Practical Nurse (LPN)
- Home Health Aide (HHA)
- Physical Therapy (PT)
- Occupational Therapy (OT)
- Speech Therapy
- Renal dialysis

This rule amendment will result in a change to [405 IAC 1-4.2](#) to revise the Medicaid reimbursement methodology and annual rate adjustments for home health care services to be adjusted for inflation using the current rates as the basis for the rates for the period beginning upon the later of the effective date of this rule or July 1, 2007, through June 30, 2008, and revises the reimbursement methodology beginning on July 1, 2008, to use 95% of the unweighted median as the basis for the rates, instead of the current weighted median payment formula.

Currently, there are about 178 home health agencies enrolled in the Medicaid program of which 92.5% are small businesses. There are 4,289 individuals receiving Medicaid home health services.

Impact on Small Business

Over 90% of the home health agencies enrolled in the Medicaid program meet the definition of small business according to [IC 4-22-2.1-4](#).

The following section provides responses to the following questions outlined in [IC 4-22-2.1-5](#):

1. An estimate of the number of small businesses, classified by industry section that will be subject to the proposed rule.

There are approximately 165 home health agencies enrolled in the Medicaid program that meet the definition of a small business in that the agencies have gross receipts of \$5,000,000 or less and fewer than 100 employees.

2. An estimate of the average annual reporting, record keeping, and other administrative costs that small business will incur to comply with the proposed rule.

There will be no increase in the above noted costs since home health agencies are already required by federal and state regulations to perform these functions.

3. An estimate of the total annual economic impact that compliance will have on small businesses subject to the rule.

Under this rule, home health agencies will receive an increase in Medicaid payments of approximately \$2,419,036 from July 1, 2007, to June 30, 2007, for home health services. This means that those small businesses will be able to invest revenues in supporting jobs in their local economies that may not have continued absent this amendment.

Additionally, home health agencies will receive approximately \$18,334,494 for the time period of July 1, 2008, through June 30, 2009, with the implementation of the new rate methodology set forth in this rule amendment. This increase in the home health rate will maintain home health services, and it is anticipated to expand available home health services in the state of Indiana. This means that the small businesses will continue to contribute to the local economy by providing ongoing employment and generating revenue in that area.

4. A statement justifying any requirement or cost that is imposed by the rule and not expressly required by law. The statement must reference any data, studies, or analyses relied upon by the agency in determining imposition of the requirement or cost is necessary.

As previously noted, there is no additional cost imposed by this rule. Home health providers will continue to submit prior authorization requests to the Medicaid prior authorization contractor, will continue to submit cost reports to the Medicaid long term care rate-setting contractor, and will still be subject to audit by the Medicaid long term care auditing contractor.

5. Any regulatory flexibility analysis that considers any less intrusive or less costly alternative methods of achieving the same purpose.

There are no less intrusive or less costly alternative methods for achieving the same purpose—a rate increase. Also, there is no regulatory flexibility for the reporting requirements that are established by federal and state law.

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