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**TITLE 405 OFFICE OF THE SECRETARY OF
FAMILY AND SOCIAL SERVICES**

Proposed Rule
LSA Document #01-301

DIGEST

Amends 405 IAC 5-19-1 to clarify the definition of medical and surgical supplies. The amendments provide restrictions and limitations for coverage, and provide that reimbursement shall be equal to the lower of the provider's submitted charges or the Medicaid allowable amount for each item. The amendments require that all medical supplies be billed using health care financing administration common procedure coding system in accordance with the instructions set forth in the Indiana health coverage programs manual or update bulletins. Effective 30 days after filing with the secretary of state.

405 IAC 5-19-1

SECTION 1. 405 IAC 5-19-1 IS AMENDED TO READ AS FOLLOWS:

405 IAC 5-19-1 Medical supplies

Authority: IC 12-8-6-5; IC 12-15-1-10; IC 12-15-21-2; IC 12-15-21-3

Affected: IC 12-13-7-3; IC 12-15

Sec. 1. (a) ~~Medicaid~~ **Medical and surgical supplies (medical supplies) are disposable items that are not reusable and must be replaced on a frequent basis. Medical supplies are used primarily and customarily to serve a medical purpose, are generally not useful to a person in the absence of an illness or injury, and are covered only for the treatment of a medical condition.** Reimbursement is available for medical supplies subject to the restrictions listed in this section.

(b) Medical supplies include, but are not limited to, the following items:

- (1) Antiseptics and solutions.**
- (2) Bandages and dressing supplies.**
- (3) Gauze pads.**
- (4) Catheters.**
- (5) Incontinence supplies.**
- (6) Irrigation supplies.**
- (7) Diabetic supplies.**
- (8) Ostomy supplies.**
- (9) Respiratory and tracheotomy supplies.**

(c) Covered medical supplies do not include the following items:

- (1) Drug products, either legend or nonlegend.**
- (2) Sanitary napkins.**
- (3) Cosmetics.**
- (4) Dentifrice items.**
- (5) Tissue.**
- (6) Nonostomy deodorizing products, soap, disposable wipes, shampoo, or other items generally used for personal hygiene.**

(d) Providers shall bill in accordance with the instructions set forth in the Indiana health coverage programs manual or update bulletins.

~~(b) Incontinency~~ **(e) Incontinence** supplies, including underpads, incontinent briefs and liners, diapers, and disposable diapers are covered subject to prior authorization and the following limitations:

- (1) The supplies in this subsection are covered only in cases of documented necessity, at a rate determined by the ~~contractor~~ **office**.
- (2) The supplies in this subsection are covered only for recipients three (3) years of age or older.

~~(e)~~ **(f)** All medical supplies must be ordered in writing by a physician **or dentist**.

~~(d) (g) Medical and nonmedical supplies used in the usual care and treatment of a recipient in a long term care facility are included in the approved per diem rate for the facility and may not be billed separately by the facility or through a pharmacy or other provider. that are included in facility reimbursement, or that are otherwise included as part of reimbursement for a medical or surgical procedure, are not separately reimbursable to any party. All covered medical supplies, whether for routine or nonroutine use, are included in the per diem for nursing facilities, even if the facility does not include the cost of medical supplies in their facility cost reports.~~

(h) Reimbursement is not available for medical supplies dispensed in quantities greater than a one (1) month supply for each calendar month, except when packaged by the manufacturer only in larger quantities.

(i) Medical supplies shall be for a specific medical purpose, not incidental or general-purpose usage.

(j) Reimbursement for medical supplies is equal to the lower of the following:

- (1) The provider's submitted charges, not to exceed the provider's usual and customary charges.**
- (2) The Medicaid allowable fee schedule amount as determined under this section.**

(k) The Medicaid allowable fee schedule amount is the base statewide fee schedule amount adjusted by a multiplier. The base statewide fee schedule amount is equal to the lower of the Medicaid fee schedule amount in effect during SFY 2001 or the amount determined as follows:

- (1) The average acquisition cost of the item, if available. If this amount is not available, then subdivision (2).**
- (2) The Indiana Medicare fee schedule amount, if available. If this amount is not available, then subdivision (3).**
- (3) The weighted median of providers' usual and customary charges, if available. If this amount is not available, then subdivision (4).**
- (4) The Medicaid fee schedule amount in effect during state fiscal year 2001, if available. If this amount is not available, then subdivision (5).**
- (5) The average Indiana Medicaid payment amount per item during state fiscal year 2001.**

The base statewide fee schedule amount shall be adjusted by a multiplier of no less than seven-tenths (.7) and no greater than one and two-tenths (1.2). The purpose of the multiplier is to ensure that the fee schedule amount is consistent with other public health programs and to ensure that medical supply items are available to Indiana Medicaid providers at or below the statewide fee schedule amount. The office may review annually the statewide fee schedule and adjust the fee schedule as necessary using the Medicare fee schedule, the provider's usual and customary charges, and the providers' acquisition cost information.

(l) Providers must bill for medical supplies using health care financing administration common procedure coding system in accordance with the instructions set forth in the Indiana health coverage programs manual or update bulletins.

(m) Providers must include their usual and customary charge for each medical supply item when submitting claims for reimbursement. Providers shall not use the Medicaid calculated allowable fee schedule amount for their billed charge unless it is less than or equal to the amount charged by the provider to the general public.
(Office of the Secretary of Family and Social Services; 405 IAC 5-19-1; filed Jul 25, 1997, 4:00 p.m.: 20 IR 3328; filed Sep 27, 1999, 8:55 a.m.: 23 IR 313; readopted filed Jun 27, 2001, 9:40 a.m.: 24 IR 3822)

Notice of Public Hearing

Under IC 4-22-2-24, notice is hereby given that on September 3, 2002 at 10:00 a.m., at the Indiana Government Center-South, 402 West Washington Street, Conference Center Room A, Indianapolis, Indiana the Office of the Secretary of Family and Social Services will hold a public hearing on proposed amendments to the Indiana health coverage program's (Indiana Medicaid) definition, coverage, and reimbursement of medical and surgical supplies.

In accordance with the public notice requirements of 447.205 of Title 42, Code of Federal Regulations, the Indiana Family and Social Services Administration publishes this notice of proposed amendments to the Medicaid definition, coverage, and reimbursement of medical and surgical supplies.

The proposed amendments define medical and surgical supplies, provide restrictions and limitations for their coverage, and provide that reimbursement shall be equal to the lower of the provider's submitted charges or the Medicaid allowable amount for each item. Providers must bill for medical supplies using health care financing administration common procedure coding system in accordance with the instructions set forth in the Indiana health coverage programs manual or update bulletins.

The amendments are required to provide reimbursement for medical supply items that are consistent with other private and public payors, to clarify the definition of medical and surgical supplies, including a specific enumeration of items that are covered, and to provide for a review and adjustment of fee schedule amounts as necessary to reflect changes in market conditions and product availability. The proposed amendments are expected to result in reduced payments to Medicaid providers of \$3.1 million annually.

The amendments will be effective upon approval from the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) of the state plan amendments and the completion of changes to the Indiana Administrative Code.

Copies of these rules are now on file at the Office of Medicaid Policy and Planning, Indiana Government Center-South, 402 West Washington Street, Room W382 and Legislative Services Agency, One North Capitol, Suite 325, Indianapolis, Indiana and are open for public inspection. Also, copies of this notice and the proposed rule will be available for public review by contacting the director of the local office of the division of family and children, except in Marion County. The inspection material will be available for public viewing in Marion County at the Office of Medicaid Policy and Planning, 402 West Washington Street, Room W382, and will be available from 8:30 a.m. to 4:30 p.m., Monday through Friday. Written comments concerning these proposed amendments should be directed to: Marc Shirley, Pharmacy Program Director, Office of Medicaid Policy and Planning, MS07, 402 West Washington Street, Indianapolis, Indiana 46204. Written comments may be viewed by contacting Marc Shirley at (317) 232-4343.

John Hamilton
Secretary
Office of the Secretary of Family and Social Services