

OFFICE OF THE SECRETARY OF FAMILY AND SOCIAL SERVICES

Office of Medicaid Policy and Planning

Public Notice Regarding LSA 01-301 and Changes in Medicaid Methods and Standards

For Setting Payment Rates for Services

In accordance with the public notice requirements of 447.205 of Title 42, Code of Federal Regulations, the Indiana Family and Social Services Administration, Office of Medicaid Policy and Planning (OMPP) publishes this notice of significant changes in the methods and standards for setting payment rates for medical and surgical supplies. Proposed changes to the medical supplies regulation, 405 IAC 5-19-1, including notice, were published in the *Indiana Register*, Vol. 25, Number 11, beginning at page 3811, on August 1, 2002, as LSA Document #01-301. Following consideration of comments received during the public comment period, revisions have been made to the proposed rule. This notice describes the significant changes in the methods and standards for setting payment rates for medical surgical supplies resulting from those revisions.

The 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. The Medicaid allowable fee schedule amount to be effective on the effective date of the amendment is the base statewide fee schedule amount 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 adjusted by a multiplier of one and two-tenths (1.2), if available; or
- (2) The Indiana Medicare fee schedule amount adjusted by a multiplier of no less than eight tenths (.8), if available; or
- (3) The weighted median of providers' usual and customary charges adjusted by a multiplier of no less than eight tenths (.8), if available; or
- (4) The Medicaid fee schedule amount in effect during state fiscal year 2001, if available; or
- (5) The average Indiana Medicaid payment amount per item during state fiscal year 2001.

OMPP may review the statewide fee schedule and adjust it as necessary using the Medicare fee schedule, the providers' usual and customary charges, and the providers' acquisition cost information.

Notwithstanding the above, to ensure that supply items are available to providers at or below the fee schedule amount to be effective on the effective date of the amendment, OMPP shall establish the fee schedule amount for the following items based on the Medicare fee schedule and the Indiana Medicaid fee schedule amount in effect during SFY 2001: A4253 (glucose testing strips) \$33.88; A4254 (replacement battery, any) \$6.11; A4256 (normal, low no high calib) \$11.20; A4258 (lancet device) \$15.27; A4259 (lancets) \$11.00; A4265 (paraffin) \$3.37; A4323 (sterile saline irrigation) \$8.68; A4351 (intermittent urinary cath) \$1.52; A4554 (disposable underpads, all) \$0.47; A4556 (electrodes, [e.g., apnea]) \$9.67; A4621 (tracheotomy mask or collar) \$1.40; and Y4011 (diapers or incontinence) \$0.19. No multiplier will be applied to the initial fee schedule amount for these items. Twelve (12) months after the effective date of the amendment, OMPP shall re-establish the fee schedule amounts for the items listed in this paragraph based on the methodology described in items 1-5 above.

Providers will be required to bill for medical supplies using the Health Care 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 is consistent with the cost of the item and public payors including Medicare and other State Medicaid programs. The amendments clarify the definition of medical and surgical supplies, including a specific enumeration of items that are not covered, and provides for a review and adjustment of fee schedule amounts 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.

A public hearing on the proposed rule was held on September 3, 2002, at 10 a.m. in Conference Center Room A of the Indiana Government Center South, 402 West Washington Street, Indianapolis, Indiana. All parties interested in the rule were invited to attend that hearing and offer public testimony. Written comments concerning these amendments received at or after the hearing are available for public inspection by contacting Marc Shirley, R.Ph., Pharmacy Program Director, Office of Medicaid Policy and Planning, MS07 402 West Washington Street, Indianapolis, Indiana 46204.

Copies of this notice and the rule are 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 from any source regarding these changes should be sent to the above listed address. Correspondence should be identified by reference to LSA 01-301.

John Hamilton, Secretary

Office of the Secretary of Family and Social Services