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

LSA Document #03-164

Under IC 4-22-2-23, the Office of the Secretary of Family and Social Services intends to adopt a rule concerning the following:

**OVERVIEW:** Amends 405 IAC 1-8-3 to eliminate outpatient reimbursement for outpatient hospital and ambulatory surgical center services occurring within three (3) calendar days of an inpatient admission for the same or related diagnosis. Also clarifies that rates are paid based on the most current fee schedule and eliminates references to bases for initial rate setting in 1994. Also makes nonsubstantive changes and clarifications to reflect current operant policies. Amends 405 IAC 1-10.5-2 and 405 IAC 1-10.5-3 to define marginal cost factor; clarify the definition of a Medicaid day; modify inpatient reimbursement to pay the lower of provider charges or Diagnosis Related Grouping (DRG) and Level of Care (LOC) inpatient rates; include the costs of outpatient hospital and ambulatory surgical center services that lead to an inpatient admission when determining DRG relative weights; indicate that readmissions for the same or related diagnoses within three (3) calendar days after discharge will be treated as the same admission for payment purposes; eliminate DRG payments for Medicaid recipients subsequent to their return from a transferee hospital; and changes the reimbursement methodology for inpatient hospital stays less than one-day to the outpatient methodology. Also removes outdated references to initial rate setting methodologies. The amendments include conforming changes and other nonsubstantive changes to reflect current operant policies. Statutory authority: IC 12-8-6-5; IC 12-15-1-10; IC 12-15-21-2; IC 12-15-21-3.