



*"People
helping people
help
themselves"*

Mitchell E. Daniels, Jr., Governor
State of Indiana

Office of General Counsel

MS27, 402 W. WASHINGTON STREET, ROOM W451
INDIANAPOLIS, IN 46204-2744

To: FSSA Advisory Committee

From: Mason W. Pike, Staff Attorney

Re: LSA Document #09-192 State-Owned Psychiatric Hospitals
Rule Amendment to 405 IAC 1-17-1 and 405 IAC 1-17-2

Date: April 30, 2010

The attached rule amendment adds state-owned psychiatric hospitals to 405 IAC 1-17, which calls for a cost-based reimbursement methodology utilizing cost report information submitted by the providers. The amendment is necessary to more appropriately reimburse state-owned psychiatric hospitals in accordance with their costs. Since January 1, 2006, state-owned psychiatric hospitals have been reimbursed at a standard psychiatric level of care per diem rate of \$408.50 plus \$64.50 for capital cost reimbursement. By including state-owned psychiatric hospitals to 405 IAC 1-17 these facilities will receive Medicaid reimbursement that more closely approximates their costs of providing care to patients.

Currently, there are six state-owned psychiatric hospital providers. To calculate the fiscal impact, Myers and Stauffer compared current estimated Medicaid payments with estimated annual costs obtained from submitted cost reports. By implementing the attached rule amendment effective July 1, 2008, overall Medicaid reimbursement to state-owned psychiatric hospital providers will increase from approximately \$23.7 Million to approximately \$27.1 Million. This is an estimated increase of 14.3%. As a result, the fiscal impact to the State is an estimated increase in annual Medicaid expenditures of \$1.2 Million (Federal share is approximately \$2.2 Million).

The proposed rule was presented to the Medicaid Advisory Committee on August 11, 2009. A public hearing was held on March 11, 2010. No one attended the hearing and the agency has not received any written comments during the promulgation process. The proposed rule was presented to the FSSA Advisory Committee on June 9, 2009. The rule is scheduled for final review by the FSSA committee on Monday, May 24, 2010.

No substantive changes to the proposed rule as published were made. I recommend that you approve it.

