

**OFFICE OF THE SECRETARY OF FAMILY AND SOCIAL SERVICES
NOTICE OF SIGNIFICANT CHANGES IN MEDICAID METHODS AND STANDARDS
FOR SETTING PAYMENT RATES FOR SERVICES**

In accordance with public notice requirements of 42 CFR 447.205 and Section 1902(a)(13)(A) of the Social Security Act, the Office of Medicaid Policy and Planning (OMPP) publishes this notice of significant changes in the reimbursement methodology for inpatient and outpatient hospital services provided by acute care facilities, outpatient clinics, ambulatory surgical centers, rehabilitation hospitals, and psychiatric facilities.

Effective September 17, 2001, the Indiana Health Coverage Programs ("Indiana Medicaid") will adjust rates of reimbursement for the aforementioned services to achieve a five percent (5%) aggregate decrease in projected annual expenditures in order to stay within the Medicaid state budget appropriation.

For inpatient hospital services, diagnosis-related group (DRG) and level-of-care base rates have been adjusted using cost report data from State fiscal year 1998. The DRG base rate has been established at 85.6% of the weighted cost per discharge. The level-of-care base rates have been established at 81.2% and 85% of the weighted cost per day for psychiatric and rehabilitation services, respectively. OMPP will no longer distinguish reimbursement, based on hospital setting (i.e., freestanding or provider-based) for inpatient psychiatric level-of-care services and capital reimbursement. OMPP will also implement new DRG relative weights cost-to-charge ratios, medical education rates, capital per diem, and outlier threshold as permitted by 405 IAC-10.5. OMPP will continue to use the 3M All-Patient DRG Grouper, version 14.1.

For outpatient hospital services, rates for ambulatory surgical center services, emergency room services, outpatient clinics, radiology services, and other outpatient services have been adjusted using cost report data from State fiscal year 1998. Reimbursement rates for laboratory services continue to be the Medicare fee schedule amounts. OMPP will no longer distinguish reimbursement, based on diagnosis code, for emergent and non-emergent services provided in an emergency department or outpatient clinic, as required by the Balanced Budget Amendments of 1997.

The adoption of the adjusted rates of reimbursement, as described above, is estimated to decrease payments for inpatient and outpatient hospital services provided by acute care facilities, outpatient clinics, ambulatory surgical centers, rehabilitation hospitals, and psychiatric facilities by approximately \$32 million annually. The OMPP has worked closely with the Indiana Hospital and Health Association in analyzing the rates of reimbursement and their financial impact on health care providers.

The estimated fiscal impact and new rates of reimbursement are open for public inspection. Interested parties may view these documents via Internet at www.msleindy.com/hospital/ or by contacting Jared Duzan of Myers and Stauffer, 8555 North River Road, Suite 360, Indianapolis, Indiana 46240, (317) 846-9521 or (800) 877-6927. Written comments concerning these changes may be sent to Jared Duzan of Myers and Stauffer.

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

**INDIANA MEDICAID DRUG UTILIZATION REVIEW BOARD
OFFICE OF MEDICAID POLICY AND PLANNING
INDIANA MEDICAID'S DUR ANNUAL REPORT TO THE HEALTH CARE FINANCING
ADMINISTRATION--FEDERAL FISCAL YEAR 2000**

Section 1927(g)(3)(D) of the Social Security Act requires each State to submit an annual report on the operation of its Medicaid Drug Utilization Review (DUR) program. This report is to include: a description of the nature and scope of the prospective and retrospective DUR programs; a summary of the interventions used in retrospective DUR and an assessment of the education program; a description of the DUR Board activities; and an assessment of the DUR program's impact on quality of care as well as any cost savings achieved by the program. In addition, Indiana statute at IC 12-15-35-28 requires the publication of the annual report for public comment before issuance to the federal government.

This notice is to advise that copies of the State's DUR annual report for federal fiscal year 2000 are available upon request by writing to:

Indiana Medicaid DUR Board
Room W382
Indiana Government Center-South
402 West Washington Street
Indianapolis, Indiana 46204
ATTN.: Ms. Karen Baer

There will be no formal hearing for this purpose, and the Board has no agency rulemaking authority.
