

LSA NUMBER: #10-791

TITLE: Medicaid Services—Hospital Services

DIVISION: Office of Medicaid Policy and Planning

PREPARED BY: Program Staff: Kristina Moorhead and Joy Heim

OVERVIEW OF RULE: This rule amends 405 IAC 5-17-2 to modify the prior authorization requirements for all non-emergent inpatient hospital admissions that are not covered by Medicare.

The modification of the rates paid to chiropractors and podiatrists began on January 1, 2011 via an emergency rule promulgation.

FISCAL IMPACT:

The estimated decrease in annual Medicaid expenditures for this rule amendment is as follows:

	SFY 2011	SFY 2012	SFY 2013
Total Medicaid	\$3,370,000	\$9,580,000	\$10,800,000
Federal Share	\$2,480,000	\$6,480,000	\$7,320,000
State Share	\$890,000	\$3,100,000	\$3,490,000

The estimated savings represent services provided to the fee-for-service population. The managed care organizations currently require prior authorization for inpatient hospital admissions.

ECONOMIC IMPACT:

The Medicaid managed care organization policies already require prior authorization for non-emergent inpatient hospital admissions. This rule amendment merely aligns the Medicaid fee-for-service prior authorization policy for non-emergent inpatient hospital admissions with other payers, including Medicaid managed care organizations and commercial payers. Implementing prior authorization for inpatient hospital services will assist in conserving state funding since requiring prior authorization adds utilization oversight. The above fiscal information is the economic impact on these providers.

There are 377 hospital providers that are forecasted to provide \$609 million of inpatient hospital services under the Indiana Medicaid program for SFY 2011.

The estimated economic impact on hospital providers is expected to be \$8.1 million annually. The actual impact will vary from provider to provider, depending on the number of non-emergent inpatient hospital admissions for each provider. This assumption is based on an analysis of previous expenditures and enrolled providers by Milliman, Inc.

The proposed rule will require provider to submit prior authorization for inpatient hospital admissions. Most providers currently submit prior authorization for other Medicaid benefits, so this requirement will not be completely new to provider business practices. However, providers will incur administrative expense for completing prior authorizations for members.

FSSA OMPP believes that the proposed rule is currently one of a number of options available and being pursued for FSSA OMPP to meet its budget obligation and maintain services. This proposed rule and other proposed rules being promulgated simultaneously distribute the reduction in Medicaid expenditures across multiple provider types and benefits.

OPPONENTS:

PROPOSERS: OMPP

RECOMMENDATIONS: None.

PUBLIC HEARING COMMENTS: The public hearing will be scheduled once the agency receives authorization to proceed from the Legislative Services Agency, which is estimated to be in early April 2011.