

**LSA NUMBER:** #09-910

**TITLE:** Medicaid Providers and Services—Hospital and Ambulatory Surgical Center Reimbursement for Outpatient Services and Inpatient Hospital Services

**DIVISION:** Office of Medicaid Policy and Planning

**PREPARED BY:** Program Staff: Pat Nolting, Kristine Ellerbruch      Legal Staff: Joy Heim

**OVERVIEW OF RULE:** Amends 405 IAC 1-8 and 405 IAC 1-10.5 to change hospital reimbursement formulas by reducing rates currently paid to all hospitals for outpatient and inpatient hospital services by 5%.

**FISCAL IMPACT:** This change in reimbursement is necessary in order to avoid a budgetary shortfall and to remain within the available Medicaid appropriation. It is estimated that the fiscal impact of these changes will be a savings in expenditures of \$5 million state and \$18.9 million federal for a total of approximately \$23.9 million in state fiscal year (SFY) 2010, and \$15 million state and \$44.5 million federal for a total of approximately \$59.5 million in state fiscal year (SFY) 2011.

**ECONOMIC IMPACT:** FSSA believes that this temporary reduction in reimbursement is one option available to avoid a budgetary shortfall and is one that will be applied equitably across a large population of providers. The reimbursement reduction will provide significant savings to the State while minimizing the impact to individual providers.

**OPPONENTS:** Hospital Providers

**PROPOSERS:** OMPP

**RECOMMENDATIONS:** None.

**PUBLIC HEARING COMMENTS:** The public hearing took place on March 31, 2010. Two persons attended and one of them provided testimony/written comments. The comments pertained to a perceived inequity of the freestanding psychiatric hospitals. The concern was that the freestanding psychiatric hospitals would have a greater total revenue reduction than would the acute care hospitals, because the total number of Medicaid days for the freestanding psychiatric hospitals are greater. According to the data that OMPP relied upon, this is not accurate. The comments, along with OMPP's memorandum that provides its response is included for Members' review.