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**State/Territory Name: IN**

**State Plan Amendment (SPA) #: 13-007**

This file contains the following documents in the order listed:

- 1) Approval Letter
  - 2) CMS 179 Form/Summary Form (with 179-like data)
  - 3) Approved SPA Pages
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March 21, 2014

Joseph Moser, Director of Medicaid  
Indiana Office of Medicaid Policy and Planning  
402 West Washington Street, Room W461  
Indianapolis, Indiana 46204

ATTN: Amber Swartzell

Dear Mr. Moser:

Enclosed for your records is an approved copy of the following State Plan Amendment (SPA).

Transmittal #13-007      -Extension of the 5% rate reduction for services provided in outpatient hospital settings and end-stage renal disease clinics through December 31, 2013;  
-Effective January 1, 2014 through June 30, 2015, the rate reduction for outpatient hospitals will be decreased to 3%;  
-Effective January 1, 2014, the rate reduction for end-stage renal disease clinics will be eliminated; and  
-Modifies the Hospital Assessment Fee Methodology, Effective Date: July 1, 2013

With the approval of this SPA, CMS also approves the State Fiscal Year 2014 Outpatient Hospital Upper-Payment Limit demonstration.

If you have any questions, please have a member of your staff contact Elizabeth Lewis at (312) 353-1756 or by email at [elizabeth.lewis@cms.hhs.gov](mailto:elizabeth.lewis@cms.hhs.gov).

Sincerely,

s/  
Verlon Johnson  
Associate Regional Administrator  
Division of Medicaid and Children's Health Operations

Enclosure

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>	1. TRANSMITTAL NUMBER: 13-007	2. STATE Indiana
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2013	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 441.40 42 CFR 447.321	7. FEDERAL BUDGET IMPACT: <i>Ed per state email from 9/17/13</i> a. FFY 2013 <del>(\$15,636 Thousands)</del> b. FFY 2014 <del>(\$19,292 Thousands)</del> <i>FFY 2014: \$3023 Thous</i> <i>FFY 2015: \$3921 Thous</i>
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  <i>Attachment 3.1-A, page 1 and 1.0</i> <i>Attachment 4.19-B Page 2</i> <i>Attachment 4.19-B Page 2.0</i>	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  <i>Attachment 4.19-B Page 2</i> <i>Attachment 4.19-B Page 2.0</i>

10. SUBJECT OF AMENDMENT:

1) Extension of the five percent (5%) reduction in Medicaid reimbursement for services provided in outpatient hospital settings and end stage renal disease clinics for the period July 1, 2013 through December 31, 2013. Effective January 1, 2014 through June 30, 2015, the rate reduction for outpatient hospitals will be decreased to three (3%). Effective January 1, 2014, the rate reduction for end stage renal disease clinics will be eliminated. 2) Modifies Hospital Assessment Fee Reimbursement methodology.

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

**Indiana's Medicaid State Plan does not require the Governor's review. See Section 7.4 of the State Plan**

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Patricia Casanova Director of Medicaid Indiana Office of Medicaid Policy and Planning 402 West Washington Street, Room W382 Indianapolis, IN 46204 ATTN: Audie Gilmer, State Plan Coordinator
13. TYPED NAME: Patricia Casanova	
14. TITLE: Director of Medicaid	
15. DATE SUBMITTED: <i>6-28-13</i>	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED <i>June 28, 2013</i>	18. DATE APPROVED <i>3/27/14</i>
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL <i>JUN 1 2013</i>	20. SIGNATURE OF REGIONAL OFFICIAL <i>BJ</i>
21. TYPED NAME: Vernon Johnson	22. TITLE: Associate Regional Administrator
23. REMARKS	

1. Inpatient Hospital services

Inpatient hospital services are covered when provided or prescribed by a physician and when the services are medically necessary for the diagnosis or treatment of the recipient's condition. Reimbursement shall not be made for any hospital services not covered under the Medicaid program.

The following require prior authorization:

- (1) any procedure ordinarily rendered on an outpatient basis when rendered on an inpatient basis
- (2) psychiatric inpatient admissions
- (3) rehabilitation, including substance abuse, inpatient admissions
- (4) burn inpatient admissions
- (5) out of state hospitalization
- (6) nonemergent inpatient admissions

The following are exempt from the prior authorization requirements:

- (1) Inpatient hospital admissions when covered by Medicare.
- (2) Routine vaginal and cesarean section deliveries.

If an inpatient procedure requires prior authorization and prior authorization is either not obtained or denied, reimbursement for the inpatient procedure and any associated services, including inpatient days, shall be denied.

2.a. Outpatient Hospital services

Outpatient hospital services are covered when provided or prescribed by a physician and when the services are medically necessary for the diagnosis or treatment of the recipient's condition. Medically necessary and reasonable service is defined as a covered service required for the care or well being of the patient and is provided in accordance with generally accepted standards of medical or professional practice. Reimbursement shall not be made for any hospital services not covered under the Medicaid program. For general anesthesia services, documentation in the patient's record must include specific reasons why such services are needed, if such services are to be provided on an outpatient basis.

2.b. Rural Health Clinic services

Medically necessary and reasonable service is defined as a covered service required for the care or well being of the patient and is provided in accordance with generally accepted standards of medical or professional practice. Reimbursement is available to rural health clinics for medically necessary services provided by a physician, nurse practitioner, or appropriately licensed, certified or registered therapist employed by the rural health clinic. Reimbursement shall not be made for any services not covered under the Medicaid program.

2.c. Federally Qualified Health  
Center services

Medically necessary and reasonable service is defined as a covered service required for the care or well being of the patient and is provided in accordance with generally accepted standards of medical or professional practice. Reimbursement is available to FQHCs for medically necessary services provided by a physician, as defined in 42 C.F.R. 405.2401, physician assistant, nurse practitioner, clinical psychologist, clinical social worker, or dental hygienist. Reimbursement is also available for services and supplies incident to such services as would otherwise be covered if furnished by a physician or as an incident to a physician's services. Services to a homebound individual are only available in the case of those FQHCs that are located in an area that has a shortage of home health agencies as defined by 42 C.F.R. 405.2417. Any other ambulatory service included in the Medicaid state plan is considered a covered FQHC service if the FQHC offers such a service.

3. Other Laboratory and  
X-ray services

All laboratory and x-ray services must be ordered by a physician or other practitioner licensed to do so under state law. Covered when necessitated by a condition-related diagnosis.

Only one (1) charge per day for each patient is allowed for venipuncture.

Fee Schedule Rates for Free Standing Clinic Services, Ambulatory Surgical Centers, and Outpatient Hospital Services are the same for governmental and private providers except as otherwise noted in the Plan. The agency's fee schedule rates were set on various dates and are in effect for services provided on or after April 1, 2010. All rates and effective dates are published on the agency's website at [www.indianamedicaid.com](http://www.indianamedicaid.com).

#### CLINIC SERVICES

##### FREE STANDING CLINIC SERVICES

The Office of Medicaid Policy and Planning (OMPP), in accordance with 42 CFR 447.325, will not pay more than the prevailing charges in the locality for comparable services under comparable circumstances. Freestanding clinic services are reimbursed on a fee for service basis according to the Indiana Medicaid fee schedule rates.

The rates paid to freestanding renal dialysis clinics for services provided on or after July 1, 2011 are subject to a 5% reduction. The 5% rate reduction will remain in effect through December 31, 2013.

##### AMBULATORY SURGICAL CENTERS

As applicable, services provided by free-standing Ambulatory Surgical Centers (ASC) are reimbursed in accordance with outpatient hospital services as described below.

#### OUTPATIENT HOSPITAL SERVICES

The reimbursement methodology for all covered outpatient hospital services shall be subject to the lower of the submitted charges for the procedure or the established fee schedule allowance for the procedure as provided in this section. Services shall be billed in accordance with provider manuals and update bulletins.

(a) Reimbursement for outpatient surgical procedures performed in a hospital or provider-based ambulatory surgical center will be based on the Indiana Medicaid statewide allowed amounts for that service. Surgical procedures shall be classified into a group corresponding to the Medicare ambulatory surgical center (ASC) methodology and shall be paid a rate established for each ASC payment group. The Office of Medicaid Policy and Planning will classify outpatient surgical procedures not classified into an ASC group by Medicare into one of the nine (9) ASC groups designated by Medicare, or additional payment groups.

(b) Payments for provider-based emergent care that do not include surgery and that are provided in an emergency department, treatment room, observation room, or clinic will be based on the 2003 statewide fee schedule amounts for services provided on or after April 1, 2004.

(c) Payments for provider-based non-emergent care that do not include surgery and that are provided in an emergency department, treatment room, observation room, or clinic will be based on the 2003 statewide fee schedule amounts for services provided on or after April 1, 2004.

(d) The fixed fees for laboratory procedures are based on the Medicare fee schedule amounts and are paid on a per test basis. The fee schedule rate for each laboratory procedure does not exceed the current Medicare fee schedule amount. Reimbursement for the technical component of radiology procedures shall be based on the Indiana Medicaid physician fee schedule amounts for the technical component of radiology services.

(e) Reimbursement allowances for all outpatient hospital procedures not addressed elsewhere in this section, for example, therapies, testing, etc., will be based on the 2003 Indiana Medicaid statewide fee schedule amounts for services provided on or after April 1, 2004.

(f) Payments will not be made for outpatient hospital services occurring within three (3) calendar days preceding an inpatient admission for the same or related diagnosis. The office may exclude certain services or categories of service from this requirement. Such exclusions will be described in provider manuals and update bulletins.

The established rates for hospital outpatient reimbursement shall be reviewed annually by the Office of Medicaid Policy and Planning and adjusted no more frequently than every second year and in accordance with this section to ensure that revisions contain appropriate incentives for provision of primary and preventive care.

TN: 13-007

Supersedes

TN: 11-019

Approval Date: 3/21/14

Effective Date: July 1, 2013

**Outpatient Hospital Services**

The rates paid to outpatient hospital providers for services provided on and after January 1, 2010, and in accordance with methods described in Attachment 4.19-B in the Outpatient Hospital Services section, excluding ambulatory surgical center services, are subject to a 5% reduction. The 5% rate reduction will remain in effect through December 31, 2013. The rates paid to outpatient hospital providers, excluding ambulatory surgical center services, for services provided on and after January 1, 2014 through June 30, 2015 are subject to a 3% reduction.

Notwithstanding the preceding paragraph, for the period beginning July 1, 2011, Indiana outpatient hospital rates are subject to an outpatient hospital adjustment factor. The outpatient hospital adjustment factors will result in aggregate payments that reasonably approximate the upper payment limits but do not result in payments in excess of the upper payment limits.

For the period of July 1, 2011 through June 30, 2013, the outpatient hospital adjustment factor is 3.50, and for the period beginning July 1, 2013, the outpatient hospital adjustment factor is 3.20, for:

- Acute care hospitals licensed under IC 16-21, except for those specified below
- Psychiatric institutions licensed under IC 12-25

For the period of July 1, 2011 through December 31, 2013, the outpatient hospital adjustment factor is 0.95, and for the period of January 1, 2014 through June 30, 2015, the outpatient hospital adjustment factor is 0.97, for:

- Long term care hospitals
- Freestanding rehabilitation hospitals
- Out-of-state hospitals
- Clinical laboratory services

The following sections of the State Plan do not apply for the period beginning July 1, 2011:

- Limitations on payments for an individual claim to the lesser of the amount computed or billed charges.
- Medicaid Outpatient Payments for Safety net Hospitals
- Medicaid Hospital Reimbursement Add-On Payment Methodology to Compensate Hospitals that Deliver Hospital Care for the Indigent Program Service.
- Municipal Hospital Payment Adjustments
- Supplemental Payments to Privately-Owned Hospitals

Except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers of outpatient hospital services. The agency's rates are published at the State's website, [www.indianamedicaid.com](http://www.indianamedicaid.com).

TN: 13-007  
Supersedes  
TN: 11-023

Approval Date: 3/21/14

Effective Date: July 1, 2013