LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6483 **NOTE PREPARED:** Jan 5, 2011
BILL NUMBER: HB 1171 **BILL AMENDED:**

SUBJECT: Diagnostic Codes and Forms for Medicaid Claims.

FIRST AUTHOR: Rep. Brown T **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
X **DEDICATED**
X **FEDERAL**

Summary of Legislation: This bill updates claims processing forms under the Medicaid program. The bill requires the Office of Medicaid Policy and Planning (OMPP) to use the most current forms for claims that the OMPP processes within 90 days after the effective date of the new form.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Reimbursement Code Updates:* The impact of the bill is reported by OMPP to be an opportunity cost related to projects that would need to be suspended in order to free OMPP resources necessary to meet the 90-day time limit for accomplishing coding updates. The coding changes must be implemented regardless of the required time frame, so funding is not the issue. The specific opportunity cost of the update requirement would be based on what projects might be delayed as a result of the coding changes.

The bill requires the most current version of the following reimbursement codes to be used within 90 days of their effective date by OMPP. The codes covered by the update requirement are: (1) the Current Procedural Terminology (CPT); the International Classification of Diseases Codes (ICD); (2) the American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders (DSM); (3) the Current Dental Terminology (CDT); (4) the Health Care Financing Administration's Common Procedure Coding System (HCPCS); and (5) the Third-Party Administrator (TPA) codes. These codes are utilized in the billing of claims between health care providers and payors.

OMPP previously reported that new reimbursement codes effective January 1 are received by about the end of November of the prior year. These codes go through a review process to determine coverage of the code,

prior authorization policy, and rates for the codes. They report that it is very difficult to complete the review process in time to put the new codes in place within the current statutory 90-day time limit. Under this process, the code updates and changes are not finalized within the time limit, and reportedly this results in some processed claims being incorrectly denied resulting in an increased number of provider appeals until the coding updates are completed.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 34% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 66%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues:

Explanation of Local Expenditures: Local government-owned entities and school corporations that bill Medicaid may experience decreased claims processing expense due to decreased appeals for improperly denied claims. Any associated delay in the receipt of Medicaid reimbursements would also be expected to be resolved.

Explanation of Local Revenues: See *Explanation of Local Expenditures*.

State Agencies Affected: OMPP; state entities that bill Medicaid directly.

Local Agencies Affected: Local government-owned hospitals and health facilities; Local school corporations.

Information Sources: OMPP.

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