



## News Release

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### Indiana Announces Increased Physician Reimbursements and Bonus Payments *The last reimbursement to physicians serving Medicaid patients was in 1994*

INDIANAPOLIS (October 4, 2007) - Today Secretary Mitch Roob announced that Indiana physicians will receive a long-awaited fee increase and bonus payments (subject to the Federal Centers for Medicare and Medicaid Services (CMS) approval). Indiana physicians hadn't received any increase in payments from Medicaid since 1994. The Daniels Administration worked closely with organized medicine, particularly the Indiana State Medical Association (ISMA), Senator Patricia Miller (Chairman of the Health and Provider Services Committee), Representative Charlie Brown (Chairman of the Public Health Committee), Representative Tim Brown (Ranking Minority Member of the Public Health Committee), and other key legislators to make this increase a reality.

"This is the result of unprecedented cooperation between the Administration, the General Assembly, and the Indiana State Medical Association," commented Secretary Roob. "This is part of Governor Daniels' commitment to providing quality healthcare to all Hoosiers. Ask any Physician in Indiana who serves Medicaid patients and they will tell you that this is a long-awaited announcement."

Jon Marhenke, M.D., president of the Indiana State Medical Association had this to add: "Physicians are appreciative of this increase; Indiana doctors really want to continue caring for their Medicaid patients. Though this funding might appear to be bonus money for doctors, our medical offices have faced increases in overhead expenses of up to 12 percent, while we have not seen even an inflationary boost to Medicaid reimbursement since 1989. Physician practices across our state, which are actually small businesses, cannot operate at a net loss and keep their doors open to care for patients."

\$58.4 million in State and Federal dollars will be spent over the next two years to fund this increase in fees and bonus payments. In 2007, physicians will see a bonus payment of \$26.7 million statewide and in 2008 Indiana physicians will see bonus payments totaling \$12.4 as well as a fee increase totaling \$19.3 million. The goal of this increase is to improve physician (MD) participation in Medicaid. Nationally physician participation in Medicaid has decreased and Indiana has suffered greater defection due to its historically low rates.

Details about today's announced increases are as follows:

#### **State Fiscal Year (SFY) 2007 Physician Bonus**

- Uses \$10 million in available state Medicaid funding carried over from SFY 2007

- Prioritized increases in payments based on primary and preventative care services provided by family practitioners, general practitioners, obstetricians/gynecologists, general internists, and general pediatricians
- Divided between managed care and fee-for-service (70% managed care / 30% fee-for-service)

<b>Managed Care</b>	<b>Fee-for-service (FFS)</b>	
<i>Payments</i>	\$18.7 M (State and Federal Medicaid Funds)	<b>Subject to CMS Approval</b> \$8 M (State and Federal Medicaid Funds)
<i>Affected Physicians</i>	Approximately 3,800 physicians 1. . Average increase \$4,929 2. . Median increase \$1,907	Approximately 5,500 physicians 1. . Average increase \$1,467 2. . Median increase \$723
<i>Approach</i>	Additional capitation payments will be made to managed care organizations (MCOs) for member months between January 1, 2007 and June 30, 2007. MCOs will make payments to their network providers.	Payments will be made directly to physicians based on procedures from January 1, 2006 through March 31, 2007.
<i>Basis of Payments to Physicians</i>	MCOs' Distribution Plan: 1. . 80% - total membership for Primary Medical Providers 2. . 10% - Evaluation & Management and Preventative Medicine procedure utilization 3. . 10% - deliveries	FFS Distribution Plan: 1. . Services provided in office, hospital, ambulatory surgical center, emergency department, or urgent care facility 2. . 75 procedures including Evaluation & Management, Preventative Medicine, and certain delivery procedures
<i>Other Requirements</i>	CMS approval of contract amendments to MCOs	<b>State Plan Amendment submitted for CMS approval</b>
<i>Timing of Payments to Physicians</i>	December 2007	As soon as possible after receiving CMS approval of State Plan Amendment (SPA submitted 6/20/07).

#### SFY 2008 Physician Bonus

- Uses approximately \$4.6 million (State funds) of Medicaid appropriation from HEA 1678
- Similar distribution process as the SFY 2007 physician bonus, including 70% of additional funds to managed care and 30% to fee-for-service
  - Prioritized increases in payments based on primary and preventative care services provided by family practitioners, general practitioners, obstetricians/gynecologists, general internists, and general pediatricians

- Approximately \$12.4 million in State and Federal Medicaid funding divided between managed care (\$8.7 million) and fee-for-service (\$3.7 million)
- Details of the payments, such as the number of affected physicians and the detailed fiscal impact, are being prepared and will be presented at a later date.
- It is anticipated that the MCO portion of the bonus will be paid to physicians in the first quarter of the next calendar year and that the FFS portion will be paid to physicians at the conclusion of SFY 2008.
- FFS payments can only be made upon CMS approval of the State Plan Amendment.

#### Permanent Physician Fee Increase

- Uses approximately \$4.6 million (State funds) of Medicaid appropriation from HEA 1678 and approximately \$2.6 million (State funds) from Hospital Care for the Indigent (HCI) tax levy
- Under managed care, capitation payments to MCOs will be adjusted by approximately \$13.5 million in State and Federal Medicaid funding to reflect additional funding to physicians
- Under fee-for-service, provides for a Medicaid reimbursement fee increase of approximately \$5.8 million in State and Federal Medicaid funding for primary and preventative care services
  - Includes Evaluation & Management and Preventative Medicine procedure codes
  - Will impact all physicians or practitioners that bill Evaluation & Management and Preventative Medicine procedure codes
  - Will impact services provided at any place of service
  - Details regarding the fee increase, including the procedures, affected providers, and fiscal impact not yet complete
  - Implementation anticipated in January 2008 and new fees will continue through SFY 2009
  - Continuance beyond SFY 2009 requires further appropriations from the General Assembly

#### Dental Fee Increase

- Uses \$4.6 million (State funds) of Medicaid appropriation from HB 1678
- Fees for selected dental procedures will be adjusted by approximately \$12.4 million in State and Federal Medicaid funding to reflect additional funding to dentists
- Working with the Indiana Dental Association regarding their September 19, 2007 recommendations for fee adjustments
- Details regarding the fee increase, including the procedures, affected providers, and fiscal impact not yet complete
- Implementation anticipated in January 2008 and new fees will continue through SFY 2009
- Continuance beyond SFY 2009 requires further appropriation from the General Assembly

#### Transportation Fee Increase

- Uses approximately \$0.4 million (State funds) from Hospital Care for the Indigent (HCI) tax levy

- Fees for selected transportation procedures will be adjusted by approximately \$1 million in State and Federal Medicaid funding to reflect additional funding to transportation providers
- Details regarding the fee increase, including the procedures, affected providers, and fiscal impact not yet complete
- Implementation anticipated in January 2008 and new fees will continue through SFY 2009

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