

March 11, 2011

**COMMONWEALTH OF KENTUCKY  
CABINET FOR HEALTH AND FAMILY SERVICES  
DEPARTMENT FOR MEDICAID SERVICES**

**PUBLIC NOTICE**

The Cabinet for Health and Family Services (CHFS), Department for Medicaid Services (DMS), in accordance with 42 CFR 447.205 and 42 USC 1396a(a)(13), hereby provides public notice of its intent to reduce reimbursement for Medicaid services provided for dates effective April 1, 2011 through June 30, 2011 as follows:

- DMS will reduce reimbursement rates for services provided by ambulatory surgical centers as follows:
  - For ambulatory surgical center payment groups 1 through 8 by 35%
  - For procedures which do not belong to a group from 45% of charges to 29.25% of charges
- DMS will reduce the fee for dispensing prescriptions as follows:
  - Generic drugs from \$5.00 per prescription to \$3.25 per prescription
  - Brand name drugs from \$4.50 per prescription to \$2.90 per prescription
- DMS will reduce reimbursement for drug acquisition cost as follows:
  - Generic drugs from average wholesale price (AWP) minus 14% to AWP minus 56%
  - Brand name drugs from AWP minus 15% to AWP minus 57%
- DMS will reduce reimbursement rates for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services as follows:
  - Reimbursement for screenings will be reduced by 35%
  - Reimbursement for diagnosis and treatment services will be reduced by 35%
  - Reimbursement for EPSDT special services:
    - Services similar to those covered in another Medicaid program will be reduced by 35%
    - Services which do not have a reimbursement rate or methodology established elsewhere in the Medicaid program will be reduced from a negotiated fee not to exceed 100% of the usual and customary charge to a negotiated fee not to exceed 65% of the usual and customary charge
- DMS will reduce reimbursement for laboratory services provided by outpatient hospitals, except for critical access hospitals, by 35%
- DMS will reduce reimbursement rates for independent laboratory services by 35%
- DMS will reduce reimbursement for outpatient radiological services from 60% of the upper payment listed for the given service on the Medicare physician fee schedule to 39% of the upper payment limit for the service listed on the Medicare physician fee schedule
- DMS will reduce the reimbursement for home health services by 35%
- DMS will reduce reimbursement for hearing services provided under the audiology program as follows:

- Hearing services performed by an audiologist by 35%
- Hearing instruments by 35%
- Hearing instrument repair by 35%
- Replacement cords by 35%
- DMS will reduce reimbursement for swing bed services (hospital-based skilled nursing facility) from a rate equal to the average rate per patient day paid for routine services to a rate that is 35% lower than the average rate per patient day paid for routine services
- DMS will reduce reimbursement rates for community mental health center services by 35%
- DMS will reduce reimbursement for community mental health substance abuse services by 35%
- DMS will reduce reimbursement for family planning services by 35%
- DMS will reduce encounter rates for primary care centers which are not federally-qualified health centers by 35%
- DMS will reduce ambulance transportation reimbursement base rates, flat rates and mileage allowances by 35%
- DMS will reduce reimbursement for advanced practice registered nurse (APRN) services as follows:
  - Services on the fee schedule by 35%
  - Reimbursement for all other APRN services by 35%
- DMS will reduce the upper payment limit for supports for community living (SCL) waiver services by 35%
- DMS will reduce the intensity payments for SCL waiver services by 35%
- DMS will reduce the upper payment limits for home and community based (HCB) waiver services by 35%
- DMS will reduce reimbursement for adult day health centers as follows:
  - Level I and Level II service rates by 35%
  - The upper payment limit for ancillary therapy services from \$75 per encounter to \$48.75
- DMS will reduce the reimbursement rates for podiatry services by 35%
- DMS will reduce reimbursement for durable medical equipment (DME) by 35%
- DMS will reduce psychiatric residential treatment facility service per diem rates by 35%
- DMS will reduce the per unit reimbursement limit for targeted case management services for adults with chronic mental illness by 35%
- DMS will reduce the per unit reimbursement limit for targeted case management services for children with a severe emotional disability by 35%
- DMS will reduce renal dialysis center service reimbursement to a rate that is 35% lower than the composite rate set by Medicare
- DMS will reduce the fixed fees for Model Waiver II services by 35%
- DMS will reduce reimbursement for services provided under the dental program as follows:
  - Upper payment limits for dental services by 35%
  - Rates for a comprehensive orthodontic procedure, a service for an early phase of moderately severe or severe disabling malocclusion, a service for a moderately

- severe disabling malocclusion, a service for a severe disabling malocclusion, and oral surgeon services by 35%
- DMS will reduce reimbursement for services provided under the vision program as follows:
  - Upper payment limits for services and materials provided by optometrists and ophthalmic dispensers by 35%
  - Eyeglass frames and lenses by 35%
- DMS will reduce the reimbursement for Kentucky Early Intervention Program, also known as First Steps, services, from the amount of each fee listed on the fee schedule (established in 911 KAR 2:160) to an amount equal to 35% of each fee listed on the fee schedule
- DMS will reduce reimbursement for physician services as follows:
  - For services on the fee schedule reduce rates by 35%
  - The dollar conversion factor by 35%
    - Reimbursement for physician injectable drugs at 65% of average wholesale price (AWP) minus 10%
- DMS will reduce the reimbursement for IMPACT Plus services by 35%
- DMS will reduce the upper payment limits for acquired brain injury services by 35%
- DMS will reduce reimbursement for chiropractic services by 35%
- DMS will reduce the upper payment limits for long term acquired brain injury services by 35%
- DMS will reduce payments for outpatient hospital services as follows:
  - Services derived from the calculation of outpatient hospital cost-to-charge ratios by 35%, except for critical access hospitals
  - Services paid using a set rate will be reduced by 35%
- DMS will reduce:
  - Reimbursement for non-ancillary services provided in privately-owned intermediate care facilities for individuals with mental retardation or a developmental disability (ICF MR DD) by 35%
  - The payment derived from the calculation of cost-to-charge ratios for ancillary services provided in privately-owned ICF MR DDs by 35%
- DMS will establish a final reimbursement for state fiscal year 2011 which reflects a 35% reduction in reimbursement for the following:
  - Non-ancillary services provided in privately-owned ICF MR DDs that are reimbursed on a cost basis
  - Ancillary services provided in privately-owned ICF MR DDs
- DMS will reduce the fixed per diem rate paid to nursing facilities with a Medicaid-certified brain injury unit by 35%
- DMS will reduce the fixed per diem rate paid to nursing facilities (hospital-based and freestanding) with a distinct part ventilator unit by 35%
- DMS will reduce the per diem reimbursement for dually-licensed pediatric facility services by 35%
- DMS will reduce the standard price reimbursement paid to each price-based nursing facility by 35%
- DMS will reduce the per diem reimbursement rate paid:

- To inpatient services provided in long-term acute care hospitals, freestanding psychiatric hospitals, and freestanding rehabilitation hospitals, except for critical access hospitals, by 35%
- To acute care hospitals that have a Medicare-designated rehabilitation or psychiatric distinct part unit by 35%
- For rehabilitation or psychiatric care provided in a hospital that does not have a Medicare-designated distinct part unit by 35%
- DMS will reduce the base rate reimbursement to inpatient hospitals that utilize diagnosis related groups (DRGs) for purposes of reimbursement, except for critical access hospitals, by 35%
- Nothing in the above shall be construed to revise the manner in which disproportionate share payments are calculated and reimbursed.

DMS estimates that the reimbursement reductions will reduce expenditures in aggregate by \$438 million.

The public notice is being published in newspapers of general circulation and is available on the Department of Medicaid Services webpage at <http://chfs.ky.gov/dms> to give interested parties a reasonable opportunity to learn of the proposed rates and to comment on them. Comments or inquiries may be submitted by e-mail within fifteen (15) days to: [medicaidrates@ky.gov](mailto:medicaidrates@ky.gov) or by mailing written correspondence within fifteen (15) days to:

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