



# STATE OF IOWA

CHESTER J. CULVER, GOVERNOR  
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES  
CHARLES J. KROGMEIER, DIRECTOR

## INFORMATIONAL LETTER NO. 868

**DATE:** November 16, 2009

**TO:** Iowa Medicaid Durable Medical Equipment (DME) Dealers

**ISSUED BY:** Iowa Department of Human Services, Iowa Medicaid Enterprise

**RE:** Medicaid DME Program Changes

**EFFECTIVE:** December 1, 2009

On October 8, 2009 Governor Culver issued Executive Order 19 which mandated a 10 percent across-the-board cut in state government spending. As a result, the Department of Human Services enacted rule changes as part of the effort to achieve the savings required in the executive order. Some of those changes affect Medicaid reimbursement.

By rule, payment for covered Medicaid services rendered by dealers of medical equipment and supplies shall be reduced by 5 percent from the rates in effect November 30, 2009.

In addition, the rental allowance for durable medical equipment will be reduced from 150 percent of the purchase price to 100 percent of the Medicaid purchase allowance.

An excerpt of the current draft rule changes pertaining to these services follows at the end of this Informational Letter. The complete rule changes are posted on the IME provider homepage (<http://www.ime.state.ia.us/Providers/>). Official rules are projected to be published on December 2, 2009 in the Iowa Administrative Bulletin. It is especially important that providers paid based on a rate determined by financial and statistical data review the rules for complete details.

The IME appreciates your partnership as we work together to serve the needs of Iowa Medicaid members. If you have any questions, please contact IME Provider Services at 1-800-338-7909, locally at 515-725-1004 or by e-mail at: [imeproviderservices@dhs.state.ia.us](mailto:imeproviderservices@dhs.state.ia.us).

“Amend subparagraph **441—78.10(1)“f”(1)** as follows:

(1) The provider shall monitor rental payments up to ~~150~~ 100 percent of the purchase price. At the point that total rent paid equals ~~150~~ 100 percent of the purchase allowance, the ~~recipient~~ member will be considered to own the item and no further rental payments will be made to the provider.”

“Adopt the following new rule **441—79.16(249A)**:

**441—79.16(249A) Payment reductions pursuant to executive order.** The following payment provisions shall apply to services rendered during the period from December 1, 2009, to June 30, 2010, notwithstanding any contrary provision in this chapter.

**79.16(1)** Notwithstanding any provision of subrule 79.1(2), payment for covered services rendered by the following providers shall be reduced by 5 percent from the rates in effect November 30, 2009:

- a. Ambulance services.
  - b. Ambulatory surgical centers.
  - c. Advanced registered nurse practitioners, including certified nurse-midwives.
  - d. Audiologists and hearing aid dealers.
  - e. Behavioral health providers
  - f. Birth centers.
  - g. Chiropractors.
  - h. Clinics.
  - i. Durable equipment, medical supply, orthopedic shoe, and prosthetic device dealers.
  - j. Family planning clinics.
  - k. Hospitals, not to include services rendered by critical access hospitals or services billed under the IowaCare program, but including:
    - (1) Inpatient hospital care, including Medicaid-certified psychiatric and rehabilitation units.
    - (2) Outpatient hospital care.
    - (3) Indirect medical education payments.
    - (4) Direct medical education payments.
    - (5) Disproportionate-share payments (except for payments to the Iowa state-owned teaching hospital).
  - l. Independent laboratories and X-ray providers.
  - m. Independently practicing occupational therapists, physical therapists, and psychologists.
  - n. Lead inspection agencies.
  - o. Maternal health centers.
  - p. Optometrists and opticians.
  - q. Physicians, excluding services billed to the IowaCare program except for preventative examinations.
  - r. Podiatrists.
  - s. Rehabilitation agencies.
  - t. Screening centers.
- 79.16(2)** Notwithstanding any provision of subrule 79.1(2), the basis of reimbursement for skilled nursing, physical therapy, occupational therapy, home health aide, medical social services, and home health care for maternity patients and children provided by home health agencies shall be retrospective cost-related with cost settlement based on the lesser of the following:

- a. The maximum Medicare rate in effect November 30, 2009, less 5 percent,
- b. The maximum Medicaid rate in effect November 30, 2009, less 5 percent, or
- c. 95 percent of the reasonable and allowable Medicaid cost.

**79.16(3)** Notwithstanding any provision of subrule 79.1(2), the basis of reimbursement for private duty nursing and personal care for persons aged 20 or under provided by home health agencies shall be retrospective cost-related with cost settlement based on the lesser of the following:

- a. The maximum Medicaid rate in effect November 30, 2009 less 5 percent, or
- b. 95 percent of reasonable and allowable Medicaid cost.

**79.16(4)** Notwithstanding any provision in subrule 79.1(2) or 79.1(23), the basis of reimbursement for remedial services providers shall be consistent with the methodology described in subrule 79.1(23) except that reasonable and proper cost of operation is equal to actual and allowable cost less 5 percent subject to the established rate maximum less 5 percent.

**79.16(5)** Notwithstanding any provision of subrule 79.1(2) or rule 441—81.6(249A), the patient-day weighted medians used in rate setting for nursing facilities shall be calculated and the rates adjusted to provide a 5 percent decrease in nursing facility rates.

**79.16(6)** Notwithstanding any provision of subrule 79.1(2) or rule 441-85.25(249A), the basis of reimbursement for non-state owned psychiatric medical institutions for children shall be consistent with the methodology described in 441-subrule 85.25(1) except that the per diem rate shall be based on the facility's cost for the service less 5 percent, not to exceed the upper limit less 5 percent as provided in 441-subrule 79.1(2).

**79.16(7)** Notwithstanding any provision of subrule 79.1(2), payment for covered services rendered by dentists shall be reduced by 2.5 percent from the rates in effect November 30, 2009.

**79.16(8)** Notwithstanding any provision of subrule 79.1(2) or 79.1(25), the basis of reimbursement for community mental health centers shall be retrospective and cost-related with cost settlement limited to 97.5 percent of the provider's reasonable and allowable Medicaid cost.

**79.16(9)** Notwithstanding any provision of subrule 79.1(2), the basis of reimbursement for targeted case management shall be fee for service with cost settlement limited to 97.5 percent of the provider's reasonable and allowable Medicaid cost.

**79.16(10)** Notwithstanding any provision of subrule 79.1(2), payment for covered services rendered by home- and community-based waiver service providers shall be reduced by 2.5 percent from the rates in effect November 30, 2009.

- a. Rates based on a submitted financial and statistical report shall consistent with the methodology described in subparagraph 79.1(15)“d”(1) except that the inflation adjustment applied to actual, historical costs and the prior period base cost shall be reduced by 2.5 percent.
- b. The retrospective adjustment of prospective rates shall be made based on revenues exceeding 100 percent of adjusted actual costs. Adjusted actual costs shall not exceed the upper limits as specified in subrule 79.1(2)”