

DEPARTMENT OF HUMAN SERVICES, DIVISION OF MEDICAL SERVICES

SUBJECT: SPA 2020-0023 Physicians' Evaluation & Management Code Rate Increase

DESCRIPTION:

Statement of Necessity

Effective for dates of service occurring on or after January 1, 2021, the Arkansas Department of Human Services (DHS), Division of Medical Services (DMS) will adjust the Medicaid maximum unit reimbursement rate for physicians' evaluation and management codes by three percent (3.0%) subject to the routine rate study performed by DHS in the Fall of 2019.

Rule Summary

Effective January 1, 2021:

The Director of the Division of Medical Services (DMS) will adjust the Medicaid maximum reimbursement rate for physician evaluation and management codes by three percent (3.0%) subject to the routine rate study performed by DMS in the Fall of 2019. All rates are published on the agency's website: <https://medicaid.mmis.arkansas.gov>. The financial impact will be \$411,876 for State Fiscal Year (SFY) 2021 and \$823,752 for SFY 2022.

PUBLIC COMMENT: A public hearing was held on this rule on October 29, 2020. The public comment period expired on November 9, 2020. The agency indicated that it received no public comments.

Lacey Johnson, an attorney with the Bureau of Legislative Research, asked the following questions and received the following responses:

1. What is the status on CMS approval? **RESPONSE:** We are working with CMS to answer all outstanding questions and get approval as quickly as possible. We are on track for an effective date of 1/1/21.
2. The financial impact statement for these rules states that Physicians' Evaluation & Management rates have not been increased in over 14 years. How do these rules relate to the Physicians' Evaluation & Management Code Rate Increase promulgated back in June?

RESPONSE: Effective July 1, 2020, the most commonly used physicians codes were increased 5.0%. Based on the same rate review, DMS has determined that rates for the same set of codes should be increased an additional 3.0%, for a total rate increase this year of 8.0%.

The proposed effective date is January 1, 2021.

FINANCIAL IMPACT: The agency indicated that this rule has a financial impact.

Per the agency, the additional cost to implement this rule is \$1,448,738 for the current fiscal year (\$411,876 in general revenue and \$1,036,862 in federal funds) and \$2,897,475 for the next fiscal year (\$823,752 in general revenue and \$2,073,723 in federal funds). The total estimated cost by fiscal year to state, county, and municipal government to implement this rule is \$411,876 for the current fiscal year and \$823,752 for the next fiscal year.

The agency indicated that there is a new or increased cost or obligation of at least \$100,000 per year to a private individual, private entity, private business, state government, county government, municipal government, or to two or more of those entities combined. Accordingly, the agency provided the following written findings:

(1) a statement of the rule's basis and purpose;

A revision of the Arkansas Medicaid State Plan is necessary to increase rates for physicians' evaluation and management services.

(2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;

Physicians' Evaluation and Management rates have not been increased in over 14 years; additionally, the new minimum wage increases have caused expenses for providers to increase.

(3) a description of the factual evidence that:

(a) justifies the agency's need for the proposed rule; and

(b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;

The rate increase is based on a rate review conducted by DHS and its actuaries in the Fall of 2019.

(4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

There are no less costly alternatives.

(5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;

None at this time.

(6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and

None.

(7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:

(a) the rule is achieving the statutory objectives;

(b) the benefits of the rule continue to justify its costs; and

(c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

Rates for physicians' services will be reviewed periodically.

LEGAL AUTHORIZATION: The Department of Human Services has the authority to administer assigned forms of public assistance and to make rules as necessary to carry out its duties. Ark. Code Ann. § 20-76-201(1), (12). The Department is specifically tasked with establishing and maintaining an indigent medical care program. Ark. Code Ann. § 20-77-107(a)(1). This includes promulgating rules to ensure compliance with federal law and receive federal funding. Ark. Code Ann. § 25-10-129(b).