

# EXHIBIT I

## DEPARTMENT OF HUMAN SERVICES, MEDICAL SERVICES

**SUBJECT:** EPISODE 4-14

**DESCRIPTION:** Effective October 1, 2014, Arkansas Medicaid proposes to adjust the thresholds for incentive payments for Acute Exacerbation of Chronic Obstructive Pulmonary Disease (COPD) episodes. The acceptable threshold for the COPD episodes will now be \$1,876 while the commendable threshold for the COPD episodes will now be \$1,339.

**PUBLIC COMMENT:** A public hearing was not held on this rule. The public comment period expired July 22, 2014. The Department received no public comments.

The proposed effective date for the final rule is October 1, 2014.

**CONTROVERSY:** This is expected to be controversial. While the episode based payment improvement initiative does not change current reimbursement, there is risk that providers could incur a negative incentive adjustment that would require them to remit money back to Medicaid.

**FINANCIAL IMPACT:** The Medicaid Program projects program costs resulting from adjusting of thresholds in the COPD episodes in the following amounts: in the current fiscal year, there will be a \$16,257 savings (\$4,827 in general revenue and \$11,430 in federal funds) and there will be an additional cost of \$12,844 in the next fiscal year (\$3,813 in general revenue and \$9,031 in federal funds).

**LEGAL AUTHORIZATION:** Ark. Code Ann. § 20-76-201 authorizes the Department of Human Services to administer programs for the indigent and to "make rules and regulations" pertaining to the administration of those programs. Ark. Code Ann. § 20-77-107 specifically authorizes the Department to "establish and maintain an indigent medical care program."

Ark. Code Ann. § 25-10-129 directs the Department to promulgate rules to conform to federal law that affects "programs administered or funded by or through the department" as necessary to receive available federal funds.