



State of Louisiana
Department of Health and Hospitals
Bureau of Health Services Financing

MEMORANDUM

TO: Louisiana Medicaid Physicians

FROM: Don Gregory
Director 

RE: Professional Services Reimbursement

DATE: August 24, 2010

We are all facing one of the most difficult times in several decades relative to the state economy and available funding for state funded programs such as Medicaid. I am writing to you today regarding the Medicaid reimbursement rate reductions put in place over the last year and the claim adjustments resulting from a delay in implementation of these reductions. You have likely noticed both the adjustments and the recent postponement of these adjustments in your weekly remittance. This memo will explain our methodology up to this point, and provide you with some options as we move forward.

The Louisiana Medicaid Program is tasked with developing payment methodologies within the limits of available state and federal program funding. We are mandated to do so without significantly impacting access to medical care for the Medicaid population. We worked on targeted changes to our payment methodology in order to protect access to care. Refer to the summary accompanying this memo for a detailed outline of the incremental changes made to Medicaid reimbursement for professional services through the budget shortfalls. The targeted changes made to protect services to recipients zero through fifteen (0-15) years of age, in particular, required complex system changes resulting in delayed implementation of the August 4, 2009 and January 22, 2010 rate reductions.

We recognize that Medicaid reimbursement rate reductions and the subsequent claim adjustments have caused accounting and financial challenges for Medicaid providers. When adjustments were initiated for the cuts effective back to August 4, 2009, the decision was made by the Bureau to spread it over an extended period in order to have a limited impact on cash flow to our provider community. Based upon discussions with

providers, the weekly adjustments were postponed effective July 27, 2010 in order for the Department to explore options to further reduce the impact of these adjustments.

The Bureau must realize the savings associated with these adjustments before June 30, 2011. Because we would like to accomplish this goal with the least amount of impact to providers, we have made the following changes to our methodology:

- The adjustments will occur in order by billing provider number over two midweek Remittance Advices (RAs) independent of the normal weekly RA.
- Each provider will see their remaining adjustments on only **one** of the midweek RAs, either September 22, 2010 or October 6, 2010.
- The adjustment balance will not be deducted from either of the midweek RAs. Instead, the balance will be divided and applied in equal amounts to the normal weekly RAs immediately following the midweek adjustment RA & continue through June 7, 2011. Any remaining balance after the June 7, 2011 RA must be paid in full by June 30, 2011.
- Please note that the adjustment balance will equal the total adjustment amount less any adjustments for claims that encounter edits due to system changes since the claim initially paid. It is anticipated that there will be a minimal number of such claims so these will be resolved in each providers' future normal weekly RAs.

Providers may contact Bureau of Health Services Financing to inquire about an alternative payment plan, request an estimated total dollar amount of the adjustment balance, or submit any questions. These inquiries may be submitted via e-mail to medicaidprofessionalservices@la.gov, or written correspondence to:

Bureau of Health Services Financing
Professional Services Program
P.O. Box 91030
Baton Rouge, LA 70821

We would also like to take this opportunity to remind providers of the availability of the electronic remittance advice (835 transaction). This format may already be available to you through your billing agent and could significantly improve your ability to reconcile any claims adjustments with your accounting records. We have also improved the paper remittance in order to better meet your accounting and record keeping needs. Effective August 24, 2010, a change has been made to the LA Medicaid paper RA to display a "NET" amount for Adjustment/Previously Paid claims. This is intended to help address provider's concerns with reconciling adjustments in their RAs.

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Despite these reductions, the fiscal year which just began on July 1, 2010 poses its own set of budgetary challenges. We are appealing to the provider community for ideas in making the Medicaid Program more efficient. Please send any programmatic or policy suggestions to the above-referenced e-mail or post office address. Documented research or published studies that show the efficacy of any recommended policy changes, with regard to improving health outcomes and/or cost savings, would be especially useful in preparing for upcoming rate adjustments.

The Department of Health and Hospitals greatly appreciates the service that you provide to the citizens of Louisiana and thanks you for your attention to this matter.

DG/KV/mj

Enclosure