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June 24, 1991Region I
800 Bank Tower, 16th Floor
Philadelphia, PA 19103HCFA REGIONAL MEDICAID LETTER NO. 13-91SUBJECT: Reimbursement Methodologies for Payment for
EPSDT Services

This is a follow-up to our letter of April 3, 1991 (HCFA Regional Medicaid Letter No. 07-91). That letter clarified our policy with respect to Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) coverage and instructed the State to submit its assurance of compliance with the coverage requirements. In addition, the State was directed to submit an amendment to the State plan describing its reimbursement methodologies for payment for services furnished under the EPSDT program. Presented below are some additional instructions that should prove helpful in developing reimbursement methodologies.

In revising Attachment 4.19-B to the plan, the State should assure that the reimbursement methodologies cover all the additional Title XIX services not otherwise covered under the State plan, which are required to be provided to EPSDT recipients if medically necessary. It is unacceptable to merely indicate that payment for these services will be based on existing Medicare and Medicaid reimbursement methodologies. The State must identify the particular service by name and indicate the specific reimbursement methodology to be used. If the State chooses to use a reimbursement methodology that is employed for some other service, specific identification of the service and the location in the State plan of its reimbursement methodology must be provided. If the State chooses to follow Medicare payment methodologies, the specific service and the specific Medicare payment methodology to be utilized must also be provided.

Regulations at 42 CFR 447.201(b) require that the State plan describe the policy and methods to be used in setting payment rates for each type of service included in the State's plan. The State should provide a full discussion of its charge structure and how it is related to payment for the services. For payment/reimbursement purposes, the State will need to ascertain the type of services, site of services, and type of providers. The State also needs to provide assurances that if there are providers involved whose payment is based on reasonable costs, the State must provide the appropriate cost reimbursement methodology.

In **addition** to the above, the State should evaluate the amount, duration, and scope of services currently provided in its approved plan. For example, a State may have a limit on the number of inpatient hospital days or a fixed cap on the amount of services. States may not place arbitrary limits on services furnished to EPSDT recipients. Section 1905(r)(5) of the Social Security Act is clear that ~~all~~ services or treatments which are "medically necessary" to correct or lessen health problems detected ~~er~~ suspected by the screening services must be provided to individuals under age 21. Therefore, the State should indicate in the plan that any limits on services or treatments are not applicable to EPSDT recipients.

Finally, because the State will now have to provide any medically necessary organ transplants to children under age 21, the State, should amend page 27 to include the appropriate citations as provided under the Omnibus Budget Reconciliation Act of 1989. In addition, Attachment 3.1-E should be revised to include standards for the coverage of organ transplant services not currently covered by the plan but now available under EPSDT if medically necessary. Organ transplants should also be added to the list of 1905(a) services under Item 4.b of Attachments 3.1-A and 3.1-B if a particular organ transplant service is currently not covered for other recipients.

we are hopeful that the additional information provided above assists you in developing reimbursement methodologies for payment for EPSDT services. If you have any questions concerning the above information or require further assistance in developing the required reimbursement methodologies, we will be pleased to assist you further. Questions may be directed to the State Representative or Betty Wheeler at (215) 596-0634.

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