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Thomas O. Forslund, Director

Governor Matthew H. Mead

June 17, 2013

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Dear Medicaid Provider:

The purpose of this letter is to inform you of upcoming changes in Wyoming Medicaid. Effective August 1, 2013 physician obstetric procedure codes will transition from a percentage of billed charge based reimbursement to a Resource-Based Relative Value Scale (RBRVS) based reimbursement using 2013 Relative Value Units (RVUs). The procedure codes impacted by this change are: 59000, 59001, 59015, 59025, 59051, 59400, 59409, 59410, 59412, 59414, 59425, 59426, 59430, 59510, 59514, 59515, 59610, 59612, 59614, 59618, 59620, and 59622.

This change is based on research conducted by the Department of Health and includes data from other Medicaid programs in this region and the *Medical Liability Monitor* which provides analysis of malpractice insurance costs for all states and practice specialties. Further, due to ongoing budget reductions, it is increasingly necessary for the department to review all fees for appropriateness.

An enhanced obstetric reimbursement method based on 90% of previous year billed charges had been in place based on separate legislative actions in 2004, 2006, and 2008, expiring in 2010. The enhanced rates were intended to reduce some of the economic pressure on providers of obstetric services during a period of rising malpractice premiums and a non-competitive malpractice insurance market. This previous enhanced methodology differed substantially from the RBRVS that was in place for other Medicaid physician procedure codes, and led to rapid growth in expenditures for obstetric services. From 2004-2012, the increase in reimbursement rates averaged 137% across the 21 obstetric rate procedure codes.

Based on research conducted by the Department of Health, the number of malpractice insurers in the state has grown from one in 2003 to four in 2012, and the average rate for malpractice insurance premiums has declined from a peak of \$89,200 in 2007 to \$78,144 in 2012. The updated methodology will include an increased conversion factor to reflect the higher malpractice insurance costs. While the new methodology will result in lower reimbursement for a select group of codes, payments will still be considerably higher than other state Medicaid programs in this region.

Additional detail and analysis regarding this change is available in a report on the Department of Health Division of Healthcare Financing's website at http://www.health.wyo.gov/healthcarefin/index.html. If you have any questions regarding this update, please contact Lindsey Schilling, Provider Operations Administrator at (307) 777-6032 or email at lindsey.schilling@wyo.gov. Thank you for the important services you provide to Wyoming Medicaid clients.

Best Regards,

Teri Green

State Medicaid Agent, Senior Administrator

Division of Healthcare Financing

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