

Illinois Rule Restricting Medicaid Reimbursement for Hospital Off-Site Outpatient Department Services May Be Relaxed

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The Illinois Medicaid Agency (IMA) recently published a proposed rule in the Illinois Register that would amend and relax the Illinois rule prohibiting Medicaid outpatient department payments to offsite hospital departments that are not adjacent to, or located on the premises of, the main hospital. If the proposed rule is implemented, Illinois will soon allow payments at the hospital outpatient rate for offsite hospital departments that are licensed under the Hospital Licensing Act (HLA) and have provider-based status under Medicare pursuant to 42 CFR § 413.65. This would be a significant victory for hospitals and should substantially increase the Medicaid reimbursement for these services.

The rule that a hospital outpatient department or clinic must be located adjacent to or on the premises of the hospital has often been cited as the reason for denying Medicaid claims for hospital outpatient services provided at an offsite hospital-based department. Many Illinois hospitals have traditionally sent their patients to the main hospital, which was often many miles away, in order to receive the outpatient reimbursement rate for the services. Those hospitals that did not send their patients to the main hospital for the services would provide the services, not bill Medicaid for them, and write off the claims/receivables. Additionally, some hospitals and physicians negotiated with the IMA for a special billing arrangement that would have allowed the physician to bill on behalf of the hospital for these services and then reimburse the hospital from the proceeds received from Medicaid. Once the proposed rule is implemented, these special billing arrangements will no longer be necessary.

Under the proposed rule, offsite hospital outpatient departments will be treated as offsite hospital clinics under a revised 89 Ill. Admin. Code § 140.461, provided that the departments are adjacent to or on the premises of the hospital and licensed under the HLA or have provider-based status under Medicare pursuant to 42 CFR § 413.65. If the offsite department does not have provider-based status from the Centers for Medicare and Medicaid Services (CMS), it can still be recognized as an offsite outpatient department, provided that it is clinically, financially and administratively integrated with the main hospital. The integration rules are essentially the same as those

delineated in the Medicare hospital-based regulation.

For further information, please contact your regular Hinshaw attorney.

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