

DHS Responses to Public Comments Regarding Notice of Specialized Formula and Associated Supplies Rate Change

The following comments were received during the Notice of Rate Changes: 7/28/24 – 8/26/24.

Terrie Davis, Chief Operating Officer, Finnegan Health Services

Comment: I am writing to address the notice of proposed rate changes for Arkansas Medicaid Specialty Formula and Supplies.

The proposed changes appear to be based on the need to ensure that adequate supplies are available for Arkansas citizens. We agree that this issue needs to be addressed as soon as possible.

Over the past few years several national and local DME companies have opted to completely discontinue enteral feeding pumps, essential feeding supplies, and pediatric specialty formulas to Arkansas Medicaid patients. Due to the pandemic, providers have seen continuous increases to cost of goods, labor cost, and freight cost. These rates continue to increase with no end in sight.

There is an ever-decreasing pool of providers remaining to serve this vulnerable community of our fellow Arkansas citizens and we continue to try serving them as best we can, many times at a loss, because we know this service is essential for children and adults with special needs.

We are hearing reports from local hospitals about the challenges they face in locating DME providers within the state who can supply enteral feeding pumps, essential feeding supplies, and pediatric specialty formulas to AR Medicaid patients.

They tell us that the struggle to locate appropriate DME providers who are willing to supply these needed services are causing extended hospital stays for children and special needs adults. We, here at Finnegan Health Services remain committed to serving these patients; however, we are also caught in this ever increasing cost of offering these services.

Providers are not able to provide many of the medically necessary formulas that are needed due to product cost increases that have significantly risen above the Medicaid reimbursement rate. This only leaves the family with an option of trying an alternative product that may not work or paying out of pocket for the needed supplies.

We have communicated the need for an increase in reimbursement rates for formula, feeding pump and feeding supplies. We also proposed the addition of billing codes for bolus/syringe/gravity feeding supplies, specifically B4034 and B4036 that are covered by all other insurances.

In the new proposal from the State, we see that the B4034 and B4036 are being considered for addition. This is appreciated and helpful but decreasing formula to Medicare rates will have a severely negative impact that would cause even less availability of formula. Medicare rates on formula are significantly lower than Medicaid. This is a step in the wrong direction to help children and adults in our state. This would cause less availability and possibly more providers shutting their doors. Providers need to see relief as soon as possible by an increase not a significant decrease to any of the current rates.

We respectfully request that Arkansas Medicaid match the Arkansas Blue Cross Shield rates 100% and add the B4034 and B4036 coding. We feel this is a step in the right direction to address this issue and encourage more providers to service this category. This will not only assist healthcare providers but, more importantly, will foster improved patient outcomes and enhance patient satisfaction.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

David Chandler, Vice President of Payer Relations, American Association for Homecare

Comment: The American Association for Homecare (AAHomecare) is writing to provide comments on the notice of specialized formula and associated supplies rate change. Providers of enteral formulas have experienced significantly increased costs of doing business. Higher raw material and manufacturing costs have resulted in higher prices for formula products, while suppliers are also dealing with limited product availability and rising operational costs. This rising-cost environment threatens our industry's ability to provide life-sustaining nutrition to medically fragile patients.

We applaud the added coverage of bolus syringe and gravity feeding kits. These are critical components required for many patients who are prescribed medically necessary enteral feedings. However, the proposed rate methodology for enteral formula suggests drastic and potentially devastating reductions to the current reimbursement. Some formula reductions cut as much as 64% from the current reimbursement. On behalf of our members who are providing enteral formula and the Medicaid recipients they serve, we are requesting DMS consider increasing reimbursement to accommodate inflation, added shipping costs for these bulky heavy liquid nutrition products, and other supply chain-related cost increases as opposed to these devastating reductions outlined below.

	AR Medicaid		
	Hyperalimentation	Medicare NR	Potential Out
B4149	\$ 1.71	\$ 1.23	28%
B4150	\$ 0.85	\$ 0.46	46%
B4152	\$ 0.75	\$ 0.37	51%
B4153	\$ 2.07	\$ 1.47	29%
B4154	\$ 2.21	\$ 0.80	64%

AAHomecare is the national association representing durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) suppliers, manufacturers, and other stakeholders in the homecare community. Our members are proud to be part of the continuum of care that assures that the families and individuals you cover receive cost-effective, safe, and reliable homecare products and services. Our members supply

home nutrition products (including tube feedings and primary or exclusive sources of nutrition), oxygen therapy, positive airway pressure devices, ventilator services, complex rehabilitation technology (CRT) and many other medically necessary home medical equipment (HME) items and services that allow patients to be discharged from hospitals, nursing homes and other health care facilities to continue their care in the home setting.

Enteral equipment, formula, and supply acquisition costs have risen dramatically due to reduced product availability. In addition, supply chain disruptions now require additional deliveries and shipping to provide patients with a 30-day supply. The cost for personal protective equipment (PPE), vital to protecting patients and employees while providing services in a home-based setting, has also increased significantly. A tight job market has increased staffing costs; many suppliers have had to employ contract staffing and pay retention bonuses to keep existing employees, including Clinical Dietitians and Technicians who may provide direct patient care in the home.

Increased costs are impacting access to these products due to limited availability for raw materials and ingredients that manufacturers require to produce these formulas, along with product containers. Unfortunately, many other industries use the same ingredients to manufacture their products. While other industries can pass along those added costs to the end user/consumer, enteral nutrition suppliers are limited to receiving fixed payment rates set by insurance companies. A disruption in access could lead to adverse health outcomes and increase overall costs of care.

AAHomecare and our HME supplier members share your goal of providing quality and timely products and services to the individuals you cover and improving patient outcomes while lowering overall health care expenses. Our members are happy to work with you to help determine optimal solutions for patients and HME providers alike. Please let us know if you would like further information about the current HME market situation. We are available to discuss and provide additional details as needed.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

Dave Davis, Patient Services Manager, Finnegan Health Services

Comment: I am writing to offer my opinion on the proposed rate changes for Arkansas Medicaid Specialty Formula and Supplies.

The stated reason for these changes is to provide better access to the nutritional formulas necessary to sustain the health and well-being of Arkansas' most vulnerable citizens.

As a healthcare provider who speaks to Medicaid families daily and tries to find formulas that meet their prescribed needs, I can tell you that decreasing reimbursement rates will not open more doors but slam them closed.

Arkansas is already losing formula providers on a regular basis and that trend will only increase if the current proposed reductions are implemented. The cost of many of these medically necessary formulas has already risen significantly above the Medicaid reimbursement rate and I am confounded that your answer to this crisis is to reduce rates.

Sadly, I already say "no" more often than I should when conversing with parents of vulnerable children and they ask if Medicaid will pay for the formula that their doctor has prescribed.

Knowing the current costs of groceries, housing, and other necessities, it is heart breaking to tell Medicaid families that they must purchase the prescribed formula themselves or accept a less effective version, simply because of their state-funded insurance's refusal to cover the cost.

Surely, we can find a better way...

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Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

Sheena Olson, JD, MPA, MPS, Vice President for Government Relations, Arkansas Children's

Comment: Arkansas Children's serves a small group of medically complex children that are dependent on nutritional formulas, supplies and pumps. Though Arkansas Children's provides the medical care for these families, we are not a supplier of the formulas, pumps, or other equipment. It has been a long-standing issue that many of our patients are facing challenges receiving their medically necessary formulas and supplies to ensure that their nutritional needs are met. Many of these children require these services as their sole source of nutrition. Without access to these services, these children are at risk for hospital admission, referral to child protective services for failure to thrive, or in worst case, death.

Arkansas Children's has long-advocated for timely access to these services and products for our patients and families. As an advocate for our patients and families and for overall child health, we encourage DHS to implement policy changes to address rates, utilization management, and administrative barriers for these services. Though we do not have insight into what constitutes an adequate rate for these products; it is our hope that this policy change will ensure access to care for these vulnerable children and will resolve the issues our patients are facing due to a nearly non-existent provider network for children with special nutritional needs.

Response: DHS has reviewed this comment and agrees that provision of medically necessary formula, supplies and pumps has been and is challenging. The changes in rate structure will not eliminate all challenges, but they will align rates to national and state standards and increase coverage for two critical supplies identified by providers. It is our intent to ensure continued coverage for these services while balancing DHS' fiduciary responsibilities to the beneficiaries of Arkansas Medicaid within the financial constraints of the Medicaid Budget.

Amy Dickerson, Office and Billing Manager, American Medical Rentals

Comment: American Medical Rentals is one of the very few providers remaining in Arkansas who have a staffed enteral nutrition department and still currently accept Arkansas Medicaid patients. Our comments regarding the proposed rate changes are attached [shown below]. We also mailed the letter to ensure it was received.

This letter is to address the proposed rate changes for Arkansas Medicaid Specialty formulas and supplies for Enteral Nutrition. We agree this issue needs to be addressed as soon as possible. Without an increase to the fee schedule for most enteral nutrition products, it will be essentially impossible for Arkansas Medicaid patients to find an Arkansas provider to supply these products. Most Arkansas DME providers have opted to cease providing enteral feeding pumps, essential feeding supplies, and nutritional formulas. DME providers have seen continuous increases in the cost of goods, shipping/freight costs, and the cost of labor. These rates will continue to increase as they have over the last 4 years.

As the number of Arkansas DME providers accepting enteral nutrition orders continues to decrease, American Medical Rentals has remained dedicated to serving as many Arkansas Medicaid patients as possible. Unfortunately, we have to deny a substantial number of patients due to the cost of the formula they require, or other supplies they need. Many of the items in the Enteral Nutrition category currently have a reimbursement rate that is significantly lower than the cost of the products at wholesale prices. We have still continued to supply as many Medicaid patients as possible with no profit, and in many cases at a loss after all actual expenses are calculated. We simply cannot continue to do that at the current

reimbursement rates. Like most other DME providers in Arkansas, we too will have to cease providing these products to all Arkansas Medicaid patients if there is not a substantial increase in the fee schedule.

We currently accept less than 1/2 of the orders we receive because the cost of the product is higher than the fee schedule. This is essentially the same for the pump and supplies. The cost of the pump is \$485.00. The reimbursement is \$553.28 over 304 days. The pump has a total profit of \$68 paid out over a 10 month period. That "profit" does not take into account the labor cost for the employee we send to the hospital when the patient is discharging to teach how to use the pump, the phone calls with patients or parents who need assistance, or trips to the patients home should there be any issue with the pump over that 10 month period. The Mic-Key low profile gastronomy tube has a cost of \$119.13. Billed under code B4087 for a gastronomy/jejunostomy tube- any style, and type, any material the reimbursement amount is \$38.22. Billing under the miscellaneous code B9998, the reimbursement is \$104.50. That is the issue that currently exists in this category and is the reason most DME providers have stopped offering the service for Arkansas Medicaid Patients. HCPC code B4035- supply kit for pump fed patients reimburses \$122.70 per month. All monthly supplies are to be bundled under that code. The cheapest bags for these feeding pumps alone cost us \$99.00 for 30, plus \$6.99 for shipping. The patient still needs tape, syringes, etc. For that reason, we have had to turn many Arkansas Medicaid patients away. In result, they end up back in the hospital because they cannot find a provider who is willing to supply the products they need. It costs Medicaid far more money for the patient to be hospitalized than it would to just cover the enteral nutrition products at a fair rate so DME providers can accept the patient without a loss.

Providers MUST be reimbursed a higher amount than the products cost in order to cover the cost of products, the shipping/freight charges, and to pay the employees who facilitate every order. This is impossible with the current reimbursement rate. To provide an example, we recently had to turn a young child away who was on a feeding pump and needed a specialty formula. The patient had already tried several other alternatives but is unable to tolerate any comparable formulas. The parent contacted Arkansas Children's Hospital, who contacted Medicaid. The hospital employee sent in her own prior authorization request and obtained approval because she did not understand that the issue was not with obtaining an authorization, but with the reimbursement rate on the formula's assigned HCPC code. Each month, the formula cost is \$160.00 above the reimbursement amount. Arkansas Medicaid called and offered to pay the cost of the formula plus 10%. The cost of the formula plus 10% does not cover the shipping rates and labor that goes into facilitating that order. Understandably, people do not work for free. Providers cannot accept 10% above cost and cover the expenses that it takes to facilitate the orders in this category. To further specify, I have listed an example below.

If we pay \$100.00 per case for 4 cases of formula, and Medicaid's fee schedule reimburses \$105.00 per case, we are still upside down. We pay \$6.99 per case to ship the product. Our overall cost on the product with shipping is \$427.96. Medicaid reimburses us \$420.00 at \$105.00 a case. So, even though the Medicaid fee schedule appears to be above cost, we still have a loss of \$7.96 per month to supply this order without including our employee's labor expense.

On other items, the fee schedule is significantly lower than the cost of the product before shipping. We are not able to provide many medically necessary specialty formulas due to product cost increases that are significantly higher than the Medicaid reimbursement rate. We have communicated the need for an increase in reimbursement rates for formula, feeding pump and feeding supplies. In the new proposal from the State, 84034 and 84036 are being considered for addition. This is helpful but decreasing formula to Medicare

rates will have a significantly negative impact that would cause even less availability of formula. Medicare rates on formula are drastically lower than Medicaid. This is a step in the wrong direction to help children and adults in our state. This would cause less availability and possibly more providers shutting their doors.

Providers need to see relief as soon as possible by an increase, not a significant decrease to any of the current rates. Providers simply cannot continue to accept Arkansas Medicaid patients at the current rates, and most certainly couldn't continue supplying the patients we have already accepted if there were any decrease in reimbursement. We encourage the State of Arkansas to investigate further before decreasing any amounts. Call the manufacturers of these products and ask for the prices. Add in the cost of shipping, and then consider adding in even a fraction of the cost of doing business, labor rates, etc.

This service is essential for children and adults with special needs. These patients need these products to survive. This is not an optional therapy. It is their sole source of nutrition, and they are told by DME providers all over the state that they cannot or will not provide service to them because Arkansas Medicaid is not willing to pay what the items cost. There are serious issues within the rates in this category. I hope some of the examples we provided will help give a better understanding of this issue. I have also included a 4 page spreadsheet* lists the nutritional formulas that we do not accept, as well as the amount it costs our company above the fee schedule to purchase/ship per can or case.

We respectfully request that Arkansas Medicaid match the Arkansas Blue Cross Shield rates 100% and add the 84034 and 84036 coding. We feel this is a step in the right direction to address this issue and encourage more providers to service this category. This will not only assist healthcare providers but, more importantly, will foster improved patient health and enhance patient satisfaction.

**Spreadsheet is displayed beginning on next page.*

PRODUCT	UNIT PACKAGING	HCPC	KCAL/ CONTAINER	WHOLESALE COST	MEDICAID REIMBURSEMENT	SHIPPING COST	TOTAL LOSS AFTER SHIPPING	QUANTITY CALCULATED
ALAMINO JUNIOR UNFLAVORED	400 g canisters	B4161	1,840.00	\$36.08	\$34.59	\$6.99	-\$8.48	per can
ALFAMINO INFANT	400 g canisters	B4161	1,976.00	\$36.08	\$37.14	\$6.99	-\$5.93	per can
ALFAMINO JUNIOR	400 g canisters	B4161	1,920.00	\$36.08	\$36.10	\$6.99	-\$6.97	per can
BOOST HIGH PROTEIN	8 fl oz carton	B4150	240.00	\$47.52	\$44.35	\$6.99	-\$10.16	per case
COMPLEAT ORGANIC BLENDS PLANT BASED	300 ML POUCH	B4149	360.00	\$124.30	\$66.53	\$6.99	-\$64.76	per case
COMPLEAT PEDIATRIC REDUCED CAL	250 ML CARTON	B4149	150.00	\$43.47	\$27.72	\$6.99	-\$22.74	per case
ENFAGROW NEUROPRO TODDLER	8 FLOZ CARTON	B4158	160.00	\$61.50	\$29.56	\$6.99	-\$38.93	per case
ENFAGROW PREMIUM GENTLEASE	29.1 02 TUB	64159	4,172.00	\$41.63	\$32.12	\$6.99	-\$16.50	per can
ENFAMILAR	12.9 oz CANISTER	64158	1,820.00	\$23.32	\$14.09	\$6.99	-\$16.22	per can
ENFAMIL ENFACARE	12.8 02 CANISTER	64160	1,800.00	\$33.54	\$13.86	\$6.99	-\$26.67	per can
ENFAMIL ENSPIRE GETLEASE	12.4 oz CANISTER	B4158	1,820.00	\$24.80	\$14.01	\$6.99	-\$17.78	per can
ENFAMIL ENSPIRE OPTIMUM	20.5 02 TUB	64158	2,920.00	\$54.28	\$22.48	\$6.99	-\$38.79	per can
ENFAMIL GENTLEASE	12.4 oz CANISTER	64158	1,800.00	\$24.80	\$13.86	\$6.99	-\$17.93	per can
ENFAMIL INFANT	12.5 oz CANISTER	64158	1,800.00	\$24.09	\$13.86	\$6.99	-\$17.22	per can
ENFAMIL INFANT NEUROPRO WITH FIBER	20.7 02 CANISTER	64158	3,180.00	\$44.73	\$24.49	\$6.99	-\$17.23	per can
ENFAMIL NEUROPRO INFANT	20.7 OZ TUB	B4158	2,961.00	\$44.73	\$22.80	\$6.99	-\$28.92	per can

ENFAMIL NEUROPRO SENSITIVE	19.5 OZ TUB	B4158	2,760.00	\$48.06	\$21.25	\$6.99	-\$33.80	per can
ENFAMIL PROSOBEE	12.9OZCAN	B4159	1,840.00	\$26.35	\$14.60	\$6.99	-\$33.34	per can
ENFAMIL REGULINE	12.4 oz CANISTER	B4158	1,790.00	\$27.78	\$13.78	\$6.99	-\$20.99	per can
ENFAMIL SENSITIVE	19.5 OZ TUB	B4158	2,760.00	\$48.06	\$21.25	\$6.99	-\$33.80	per can
ENFAPORT	8 FLOZ CARTON	B4160	240.00	\$73.05	\$44.35	\$6.99	-\$35.69	per case
IMPACT ADVANCED RECOVERY	250 ML CARTON	B4152	280.00	\$41.51	\$19.04	\$6.99	-\$29.46	per case
IMPACT PEPTIDE 1.5 SPIKE RIGHT	1000 ML BAGS	B4153	1,500.00	\$177.40	\$162.20	\$6.99	-\$22.19	per case
IMPACT PEPTIDE 1.5 UNFLAVORED	250 ML CARTON	B4153	375.00	\$171.14	\$162.20	\$6.99	-\$15.93	per case
KATE FARMS PEDIATRIC PEPTIDE 1.5	8.45FLOZ CARTON	B4161	250.00	\$150.11	\$56.40	\$6.99	-\$100.70	per case
KATE FARMS PEDIATRIC STANDARD 1.2	8.45 FL OZ CARTON	B4160	300.00	\$35.48	\$27.72	\$6.99	-\$14.75	per case
KATE FARMS PEDIATRIC BLENDED MEALS	8.4 OZ POUCH	B4149	250.00	\$72.14	\$47.40	\$6.99	\$31.73	per case
KATE FARMS PEDIATRIC PEPTIDE 1.0	11 FL OZ CARTON	B4161	250.00	\$105.47	\$56.40	\$6.99	-\$56.06	per case
KATE FARMS PEPTIDE 1.0	8.45 FL OZ CARTON	B4153	325.00	\$128.82	\$78.96	\$6.99	-\$56.85	per case
KATE FARMS PEPTIDE 1.5	11 oz CARTON	B4153	325.00	\$150.11	\$78.96	\$6.99	-\$78.14	per case
KATE FARMS STANDARD 1.4	11 FLOZ CARTON	B4150	325.00	\$38.52	\$32.34	\$6.99	-\$13.17	per case
NEOCATE INFANT	14.1 OZ CAN	B4161	1,932.00	\$46.74	\$36.32	\$6.99	-\$17.41	per can
NEOCATEJR CHOCOLATE	14.1 oz CANISTER	B4161	1,840.00	\$49.47	\$34.59	\$6.99	-\$21.87	per can

NEOCATEJR	14.1 oz canister	B4161	1,888.00	\$50.68	\$35.49	\$6.99	-\$22.18	per can
NEOCATE JUNIOR	14.1 OZ CAN	B4161/B4153	1,916.00	\$50.68	\$36.02	\$6.99	-\$21.65	per can
NEOCATE NUTRA	14.1 oz CANISTER	B4161	1,888.00	\$54.87	\$35.49	\$6.99	-\$26.37	per can
NEOCATE SPLASH	8FLOZ CARTON	B4161/B4153	237.00	\$181.69	\$120.30	\$6.99	-\$68.38	per case
NEOCATE SYNEO INFANT	14.1 OZ CAN	B4161	1,900.00	\$44.70	\$35.72	\$6.99	-\$15.97	per can
NUTRAMAGEN W/ PROBIOTIC	12.6OZCAN	B4160	1,740.00	\$44.65	\$32.71	\$6.99	-\$18.93	per can
NUTRAMAGEN WITH ENFLORA	16OZCAN	B4161	2,270.00	\$45.36	\$42.67	\$6.99	-\$9.68	per can
NUTRAMAGEN WITH PROBIOTICS	12.6OZCAN	B4161	1,740.00	\$44.65	\$32.71	\$6.99	-\$18.93	per can
PEPTAMEN 1.5 WITH PREBIO SPIKERIGHT	1000 ml bags	B4153	1,500.00	\$170.75	\$169.20	\$6.99	-\$8.54	per case
PEPTAMEN AF SPIKERIGHT	1000 ML BAG	B4153	1,200.00	\$143.05	\$135.36	\$6.99	-\$14.68	per case
PEPTAMENAF UNFLAVORED	250 ML CARTON	B4153	300.00	\$149.11	\$135.36	\$6.99	-\$20.74	per case
PEPTAMEN INTENSEVHP SPIKERIGHT	1000 ml bags	B4153	1,000.00	\$164.02	\$112.80	\$6.99	-\$58.21	per case
PEPTAMEN INTENSEVHP UNFLAVORED	250 ml carton	B4153	250.00	\$157.34	\$112.80	\$6.99	-\$51.53	per case
PEPTAMEN JR 1.5 SPIKERIGHT	1000 ml bags	B4161	1,500.00	\$171.53	\$169.20	\$6.99	-\$9.32	per case
PEPTAMEN JUNIOR® FIBER	250 ml carton	B4161	250.00	\$121.25	\$112.80	\$6.99	-\$15.44	per case
PEPTAMEN JUNIOR®HP	250 ml carton	B4161	300.00	\$135.80	\$135.36	\$6.99	-\$7.43	per case
PEPTAMEN JUNIOR®, SpikeRight® PLUS	1000 ml bags	B4161	1,000.00	\$119.41	\$112.80	\$6.99	-\$13.60	per case
PEPTAMEN JUNIOR®	250 ml carton	B4161	250.00	\$115.97	\$112.80	\$6.99	-\$10.16	per case

PEPTAMEN WITH PREBIO SPIKERIGHT	1000 ml bags	B4153	1,000.00	\$119.92	\$112.80	\$6.99	-\$14.11	per case
PEPTAMEN WITH PREBIO VANILLA	250 ml carton	B4153	250.00	\$113.76	\$112.80	\$6.99	-\$7.95	per case
PURAMINO DHA/ARA&JR	14.1 oz CANISTER	B4161	1,960.00	\$65.95	\$36.85	\$6.99	-\$36.09	per can
PURAMINOJR VANILLA	14.1 oz CANISTER	B4161	1,960.00	\$69.13	\$36.85	\$6.99	-\$39.27	per can
SIMILAC360 TOTAL CARE	30.8 oz CANISTER	B4158	4,466.00	\$55.38	\$34.38	\$6.99	-\$27.99	per can
SIMILAC ADVANCE	12.4 oz CANISTER	B4158	1,822.00	\$19.57	\$14.02	\$6.99	-\$12.54	per can
SIMILAC ALIMENTUM	12.1 oz CANISTER	B4161	1,800.00	\$38.53	\$33.84	\$6.99	-\$11.68	per can
SIMILAC NEOSURE	13.1 OZ CAN	B4160	1,929.00	\$27.66	\$14.85	\$6.99	-\$19.80	per can
SIMILACPRO TOTAL COMFORT	12.6 oz CANISTER	B4158	1,608.00	\$20.15	\$12.38	\$6.99	-\$14.76	per can
SIMILAC SENSITIVE	12.5 oz CANISTER	B4158	1,770.00	\$22.95	\$13.62	\$6.99	-\$16.32	per can
SIMILACSOY ISOMIL	12.4 oz CANISTER	B4159	1,822.00	\$21.16	\$14.03	\$6.99	-\$14.12	per can
VIVONEX® PEDIATRIC	1.7 oz packets	B4161	200.00	\$176.70	\$135.36	\$6.99	-\$48.33	per case
VIVONEX® RTF, SpikeRight® PLUS	1000 ml bags	B4153	1,000.00	\$143.38	\$120.60	\$6.99	-\$29.77	per case
VIVONEX® RTF	250 ml carton	B4153	250.00	\$136.44	\$120.60	\$6.99	-\$22.83	per case
VIVONEX® T.E.N.	2.84 oz packets	B4153	300.00	\$422.46	\$217.08	\$6.99	-\$212.37	per case

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

It should also be noted that many of the codes in the spreadsheet provided will see rate increases.

Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

Megan Greenwood

Comment: Two of my children have medical issues that require feeding tubes. One is on a specialized formula and has finally experienced good health and growth with that formula. Please do not cut Medicaid reimbursement rates for formula. Such a change would be detrimental to many individuals who are dependent on tube feeding.

Response: DHS has reviewed this comment. The intent of this rule change is to maximize the provision of formula for Medicaid beneficiaries that are reliant on specialized formula covered by Medicaid.

It should be noted that many of the reimbursement rates paid by Arkansas Medicaid were significantly higher than those paid by Medicare and Blue Cross and Blue Shield for the same formulas prior to the planned changes. These rate changes will bring Arkansas Medicaid rates into closer alignment with national standards. While some rates will be lowered, other rates will be raised, and new codes are being turned on to create more flexibility in coverage. The net impact of these changes is that providers will receive increased funding for formulas of approximately \$1.9 million dollars overall.

Ashley Beaty, NIC

Comment: We are already running on the bare minimum for our son's food supplies needed to sustain his life. Some may think "feed your kid, if he wasn't tube fed, you'd be paying for his food." It takes so much extra time to tube feed my child. I have to monitor him for safe consumption. Make sure he doesn't vomit and aspirate. If we use the blended meals, his weight stays stable and we often don't need to worry quite as much. My son is 7 now and needs to have better nutrients to sustain his energy! He is full of life and color because he is able to consume a partially blended diet.

On the cheaper formula, we almost lost our son. Before we met him he was failure to thrive and spent 21 days in the hospital due to malnutrition. We got him on a high calorie formula regimen. He vomited multiple times a day. We fought, hard, to try and get him on a blended diet. We started blending foods - we still do add in blended foods here and now - but he still failed to thrive. The moment our nutritionist got Real Food Blends covered my son perked up. Had color. His hair was softer, his skin was more supple.

My son needs his foods and it is fair they be covered, fully and fairly by insurance. We buy him meals just like our other children. He never consumes it all, but he is 7. He knows when he doesn't have his own plate. So not only do we spend time carrying his supplies around, making his tube feeds, monitoring him for safety, hooking him up, unhooking him. We also spend time taking him to the ED when it comes out and convincing him to allow us to hook him up. But we treat him as a "normal child".

Please do not impede the access that is already limited to my child's life sustaining nutritional needs.

Thank you, please allow us to maintain our health as our medical team feels best.

Response: DHS has reviewed this comment. The intent of this rule change is to maximize the provision of formula for Medicaid beneficiaries that are reliant on specialized formula covered by Medicaid.

It should be noted that many of the reimbursement rates paid by Arkansas Medicaid were significantly higher than those paid by Medicare and Blue Cross and Blue Shield for the same formulas prior to the planned changes. These rate changes will bring Arkansas Medicaid rates into closer alignment with national standards. While some rates will be lowered, other rates will be raised, and new codes are being turned on to create more flexibility in coverage. The net impact of these changes is that providers will receive increased funding for formulas of approximately \$1.9 million dollars overall.

Brandi Melton, President, Baker HealthCare

Comment: Please see the attached documents regarding my response as a provider of Specialized Formula and Supplies. Companies I own and have worked for have provided the services for Arkansas Medicaid recipients for over 30 years. There has not been a fee schedule increase for B codes since 2007, maybe longer. That is a documented 17 years with no increase, does Medicaid think costs have gone down in that time? This coupled with the close to impossible to navigate Authorization process

has led to there only being 3-4 providers in the state. There needs to be a fee schedule and authorization process review done immediately or there will no one left to provide these services for the children and adults of Arkansas.

Attached documents:

I am writing to address the notice of proposed rate changes for Arkansas Medicaid Specialty Formula and Supplies. The companies I have managed and currently own have been providing Enteral Nutrition services for children and adults throughout the state of Arkansas since 1991. In all of that time I have never seen the problems providers are facing today regarding reimbursement and “prior” authorizations for Enteral Nutrition and Supplies.

The proposed changes appear to be based on the need to ensure that adequate supplies are available for Arkansas citizens. We agree that this issue needs to be addressed as soon as possible.

Over the past few years several national and local DME companies have opted to completely discontinue enteral feeding pumps, essential feeding supplies, and pediatric specialty formulas to Arkansas Medicaid patients. The authorization process with Arkansas Medicaid is extremely tedious and there are months that providers supply to patients without being able to receive approval or payment for these services. Furthermore, Arkansas Medicaid has not increased Prosthetics or Hyperal fee schedule for enteral codes in more than 17 years. Our company is reimbursed less than cost for 28% of our Medicaid Enteral patients under Hyperalimentation and Prosthetics.

Due to the pandemic, providers have seen continuous increases to cost of goods, labor cost, and freight cost. These rates continue to increase with no end in sight. Our average increase in cost for Enteral Formula is 14% since 2020. In 2020 it cost less than \$10 to ship 5 cases of formula to a patient today that cost averages \$35. The Medicaid reimbursement rate for B9998 (all modifiers) is 25% less than the product cost without shipping. The cost of an enteral pump bag has increased 7%, gravity bags are 45% higher than they were just 6 months ago.

There is an ever-decreasing number of providers remaining to serve this vulnerable community of our fellow Arkansas citizens and we continue to try serving them the best we can, many times at a loss, because we know this service is essential for children and adults with special needs. Approximately 7 enteral providers have discontinued services to Arkansas Medicaid recipients in the past 2 years. There are only 2 or 3 providers left in the state to service these patients. We as an organization have always felt drawn to provide services to this population because we are a locally owned company and feel these adults and most importantly children deserve the best care we can provide.

I speak to hospital Case Managers daily who can not find providers for these patients. We accept all of them that we can, however you can only accept so many patients at a loss.

The struggle to locate appropriate DME providers who are willing to supply these needed services are causing extended hospital stays for children and special needs adults. We, here at Baker HealthCare remain committed to serving these patients; however, we are also facing rising costs of offering these services. The rising cost in formula, supplies and freight coupled with rising labor costs in order to meet the demands of the authorization process make it almost impossible to continue to offer these services.

Providers are not able to provide many of the medically necessary formulas that are needed due to product cost increases that have significantly risen above the Medicaid reimbursement rate. As previously stated formula cost have increased more than 15% for our company over the past 4 years. There are currently 13 specialty enteral products we are providing for children at loss, cost is less than

reimbursement. This represents product cost alone, not factoring in shipping and labor costs. Patients are consistently being placed on formulas that may not be the best option for them or they purchase these items out of pocket.

We have communicated the need for an increase in reimbursement rates for formula, feeding pump and feeding supplies. We also proposed the addition of billing codes for bolus/syringe/gravity feeding supplies, specifically B4034 and B4036 that are covered by all other insurances. There is also a need for the authorization process to be reevaluated. It is much easier for a provider to care for a Medicare patient at a lower reimbursement rate because there is not a lengthy authorization process that can delay payments for months on end.

In the new proposal from the State, we see that the B4034 and B4036 are being considered for addition. This is appreciated and helpful but decreasing formula to Medicare rates will have a significantly negative impact that would cause even less availability of formula. Medicare rates on formula are drastically lower than Medicaid. This is a step in the wrong direction to help children and adults in our state. This would cause less availability and possibly more providers shutting their doors. Providers need to see relief as soon as possible by an increase not a significant decrease to any of the current rates. The chronically ill children will be most affected by this change because they are more often than not the patients who require the specialty formulas.

We respectfully request that Arkansas Medicaid match the Arkansas Blue Cross Shield rates 100% and add the B4034 and B4036 coding, and evaluate the current Authorization process in order for payment to not be so delayed. We feel this is a step in the right direction to address this issue and encourage more providers to service this category. This will not only assist healthcare providers but, more importantly, will foster improved patient outcomes and enhance patient satisfaction.

Please see next page for additional attachment to this comment.

COST INCREASES AFFECTING ENTERAL NUTRITION & SUPPLIES

Current reimbursement rates for life sustaining enteral nutrition & related supplies* fail to factor the increased costs and *must be addressed to preserve access to care*

REPORTED IMPACT ON SUPPLIERS:

- 11-30%+ Increased cost of goods
- 11-20%+ Increased shipping costs
- 11-20%+ Increased labor costs

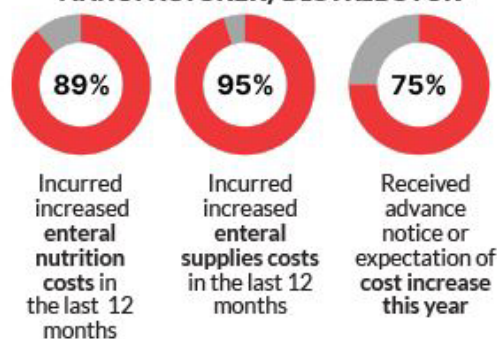
88% REPORT NO PAYER RATE INCREASES
Excluding Medicare CPI-U Adjustment

Percent of Increased Costs Incurred¹



Increase in food commodities used in EN formula in the last year²

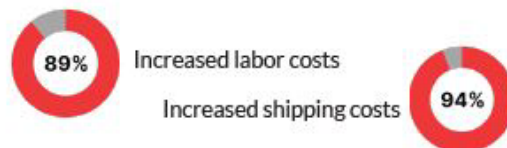
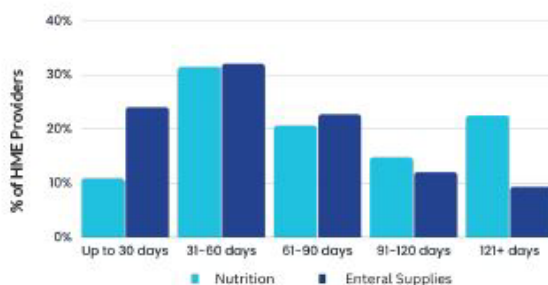
HME PROVIDERS' COST INCREASES FROM MANUFACTURER/DISTRIBUTOR¹



CONTINUED MARKET CHALLENGES WITH SUPPLY CHAIN DISRUPTION & INCREASE SHIPPING COSTS¹

Respondents report supply chain, inflation, labor market, and challenges managing operational costs as issues negatively impacting their ability to provide disposable supplies

Supply Chain Interruption - Delayed TimeFrame for Order Fulfillment¹



100% experienced supply chain disruption in the last 12 mo.

84% ship enteral nutrition & supplies at least 80% of the time to end users

6.9% Minimum additional increase in shipping costs by major carriers to take effect in 2023⁴

1 in 4 are considering or actively planning to **stop providing enteral nutrition/supplies** due to cost pressures¹

37% fewer HME Providers nationwide since 2013³

1) National AAH supplier survey on enteral nutrition and supplies, March-April '23.
2) www.bls.gov. 3) AAH analysis of Medicare DMEPOS supplier, July '23.
4) www.partnership.com/blog/post/fedex-ups-general-rate-increase

UNSUSTAINABLE REIMBURSEMENT CAN JEOPARDIZE PATIENT ACCESS TO CARE

*Supplies includes tubes, pumps, & other supplies required for provision of enteral nutrition
Note: Home Medical Equipment (HME) Providers are also referred to as suppliers

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

Jenna Siebenmorgen Clark, MS, RD, LD, CPT, CDCES, Dietician & Diabetes Educator, Mercy Diabetes & Nutrition Clinic

Comment: I hope this email finds you doing well. My name is Jenna Clark and I am an outpatient registered dietitian and certified diabetes care and education specialist. I was made aware of the proposed nutrition changes in regards to decreased coverage of enteral formula to Medicare beneficiaries. I urge you to highly reconsider this as patient's receiving both enteral and parenteral formula are amongst those in most need of medical assistance. In the majority of cases, patients receiving enteral or parenteral support are medically unsafe or unable to eat and drink by mouth resulting in this formula being their sole source of not only nutrition, but hydration and often route for medicine. In the past 3 years, multiple durable medical equipment suppliers have gone out of business and lack of funding/coverage could be to blame for this. This has led providers, patients and family/caregivers struggling to meet the demanding need to find formula and supplies for these patients, who remember, can not eat normally like me and you.

I speak for myself, my team and colleagues, in asking you to support coverage for nutrition and nutrition related resources for Medicare and Medicaid beneficiaries.

Response: DHS has reviewed this comment and acknowledges the multiple factors that create challenges to provide formula within the rate structure. The statement that Arkansas Medicaid is decreasing coverage of the enteral formula is not accurate.

While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

Shawn Irving, RD, Sales Representative, Finnegan Health Services

Comment: I am writing in reference to the notice of proposed rate changes for Arkansas Medicaid Specialty Formula and Supplies.

The proposed changes appear to be based on the need to ensure that adequate supplies are available for Arkansas citizens. We agree that this issue needs to be addressed.

We have seen over the past few years several national and local DME companies have opted to completely discontinue enteral feeding pumps, essential feeding supplies, and pediatric specialty formulas to Arkansas Medicaid patients. Due to the pandemic, providers have experienced continuous increases to cost of goods, labor cost, and freight cost.

In the new proposal from the State, we see that the B4034 and B4036 are being considered for addition. This is helpful but decreasing formula to Medicare rates will have a severely negative impact that would cause even less availability of formula. Medicare rates on formula are significantly lower than Medicaid. This is a step in the wrong direction to help children and adults in our state. This would cause less availability and possibly more providers not able to supply the needed formulas.

We respectfully request that Arkansas Medicaid match the Arkansas Blue Cross Shield rates 100% and add the B4034 and B4036 coding. Thank you for your consideration.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is

currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

Cristin Rogers, Outside Sales Rep, Finnegan Health Services

Comment: I have been made aware of the proposed changes for nutrition. In the new proposal from the State, decreasing formula to Medicare rates will have a severely negative impact that would cause even less availability of formula. Medicare rates on formula are significantly lower than Medicaid. This is a step in the wrong direction to help children and adults in our state. This would cause less availability and possibly more providers shutting their doors. Providers need to see relief as soon as possible by an increase not a significant decrease to any of the current rates.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

Sydni Arnone, Manager, Government Relations, Healthcare Nutrition Council

Comment: I am writing to submit comments on behalf of the Healthcare Nutrition Council (HNC) regarding the proposed Notice of Rate Change for Specialized Formula and Associated Supplies. Attached are HNC's comments, in PDF format. Please let me know if you would prefer to receive comments in another format or have any questions.

Attachment:

The Healthcare Nutrition Council (HNC) appreciates the opportunity to provide comments on the proposed rate changes for specialized formula and associated supplies as outlined in the memorandum¹ issued by the Arkansas Department of Human Services (DHS) on July 25, 2024. HNC is an association representing manufacturers² of enteral nutrition (EN) formulas and oral nutrition supplements (ONS), including those categorized as medical foods, and parenteral nutrition (PN). Our mission is to improve patient outcomes by advancing nutrition policies and actions that raise awareness and optimize access of essential nutrition support therapies across the continuum of care.

Coverage of Associated Supplies and Rate Changes

HNC supports Arkansas Medicaid's proposal to add coverage for specific feeding supplies for hyperalimentation providers not currently covered (Bolus Syringe and Gravity Bags). However, HNC strongly objects to the new rates for covering specialized formula, hyperalimentation (enteral) formula, and associated supplies to reflect the lesser of one hundred percent (100%) of Medicare non-rural rates for Arkansas or eighty percent (80%) of Blue Cross Blue Shield (BCBS) rates, but with a minimum threshold set at eighty percent (80%) of the Medicare non-rural rate in compliance with the access rule published at CFR 447.203 (C)(1), because it decreases the reimbursement rates which jeopardizes beneficiary access to life-sustaining hyperalimentation with enteral nutrition.

Selecting five common Healthcare Common Procedure Coding System (HCPCS) codes – B4149, B4150, B4142, B4153, and B4154 – used for EN reimbursement, HNC has conducted our own assessment of Arkansas Medicaid's historical fee schedule and the proposed rate changes. Table 1 shows that the rates these codes under both prosthetics and hyperalimentation categories have remained stagnant by Arkansas Medicaid for 17 years and 16 years, respectively.

The recent proposed change in rates to reflect the lesser of 100% of Medicare non-rural rates for Arkansas or eighty percent (80%) of BCBS rates, but with a minimum threshold set at eighty percent (80%) of the Medicare non-rural rate in compliance with the access rule published at CFR 447.203 (C)(1) is of significant concern because rather than addressing rate stagnation it instead will result in a significant reduction in reimbursement; as shown in Table 1 and Table 2.

Table 1

HCPCS	Medicare Non-Rural Rate 08/21/2024 ³	Arkansas Medicaid Rate Prosthetics (includes DME and Orthotics) 06/03/2024	Rate Cut at 100% Medicare Non-Rural Rate	80% Minimum Threshold in compliance with the access rule published at CFR 447.203 (C)(1)	Rate Cut at 80% Minimum Threshold
B4149	\$1.23	\$1.55	-20.65%	\$0.98	-36.52%
B4150	\$0.46	\$0.77	-40.26%	\$0.37	-52.21%
B4152	\$0.37	\$0.68	-45.59%	\$0.30	-56.47%
B4153	\$1.47	\$1.88	-21.81%	\$1.18	-37.45%
B4154	\$0.80	\$2.01	-60.20%	\$0.64	-68.16%

Table 2

HCPCS	Medicare Non-Rural Rate 08/21/2024 ⁴	Arkansas Medicaid Rate Hyperalimentation on 04/09/2024	Rate Cut at 100% Medicare Non-Rural Rate	80% Minimum Threshold in compliance with the access rule published at CFR 447.203 (C)(1)	Rate Cut at 80% Minimum Threshold
B4149	\$1.23	\$1.71	-28.07%	\$0.98	-42.46%
B4150	\$0.46	\$0.85	-45.88%	\$0.37	-56.71%
B4152	\$0.37	\$0.75	-50.67%	\$0.30	-60.53%
B4153	\$1.47	\$2.07	-28.99%	\$1.18	-43.19%
B4154	\$0.80	\$2.21	-63.80%	\$0.64	-71.04%

Reimbursement Challenges

Adequate reimbursement is essential for ensuring that patients have access to and receive the appropriate nutrition care they need to meet their nutrition requirements and manage their health conditions effectively. Specialized EN formulas are often medically necessary for individuals who cannot consume regular diets due to various medical conditions including metabolic disorders, severe allergies, or gastrointestinal disorders.

In 2018, the U.S. Government Accountability Office (GAO) reported that nationwide reduced Medicare payments for durable medical equipment (DME) showed payment rate reductions for the top items in the enteral nutrients product category ranged from 46% to 56%.⁵ A recent survey conducted by the American Society for Parenteral and Enteral Nutrition (ASPEN) indicated that 85% of healthcare providers reported financial barriers due to low reimbursement rates for enteral nutrition therapy, which has resulted in delayed or denied patient access to these life-sustaining products.⁶ If Arkansas implements these lower rates, it will negatively impact beneficiary access.

According to a study by Dobson DaVanzo & Associates, reimbursement rates for specialized enteral formulas are approximately 25% below the actual cost of production and distribution in the current market.⁷ This gap places an undue financial burden on healthcare providers and patients, leading to potential compromise in care quality and health outcomes.

Data Supporting Rate Increases

1. **Cost Inflation:** In 2023, the cost of manufacturing enteral nutrition products increased by 10-40%, driven by rising prices of food commodities used in specialized formulas, as well as significant hikes in shipping and labor costs (each in the range of 11-20%+).⁸
2. **Patient Outcomes:** Adequate nutrition support is directly linked to improved patient outcomes and reduced healthcare costs. A study published in the Journal of Parenteral and Enteral Nutrition found that proper enteral nutrition reduced hospital readmissions by 30% and decreased overall healthcare costs by 21%.⁹
3. **Market Dynamics:** Nationwide, states that have implemented higher reimbursement rates for specialized nutrition have witnessed increased provider participation and improved patient access to necessary nutrition support.¹⁰
4. **Economic Impact:** Increasing reimbursement rates to align with current market standards is estimated to save approximately \$13 million in Medicaid costs over five years by preventing complications related to malnutrition.¹¹

Rate increases would also support healthcare providers in delivering safe, comprehensive care ensuring that all patients have equitable access to essential nutritional support.

Conclusion

HNC asks the Arkansas DHS to seriously consider our comments. Any adjustments to HCPCS codes already covered should seek to include an increase that reflects the current healthcare landscape and rising inflationary costs. By doing so, Arkansas DHS can ensure that patients have access to the nutritional care they need to sustain or improve their health and quality of life.

Finally, HNC recommends that the Arkansas DHS consider establishing a mechanism for periodic review of reimbursement rates to ensure they remain aligned with market dynamics and inflationary pressures. This will help maintain access to specialized nutrition products and prevent potential barriers to care. If you have any questions or would like additional information, please contact Sydni Arnone, Healthcare Nutrition Council, at sarnone@healthcarenutrition.org or (202) 204-8396.

Sincerely,

Carla Saunders
Executive Director

1 Arkansas Department of Human Services. (July 25,2024). Notice of Rate Changes for Specialized Formula and Associated Supplies. <https://humanservices.arkansas.gov/wp-content/uploads/Interested-Persons-Memo-Specialized-Formula-and-Associated-Supplies-rate-change.pdf>

2 HNC members are Abbott Nutrition, Nestle Healthcare Nutrition, and Nutricia North America.

3 Noridian Medicare DME Fee Schedule Look Up. Retrieved from https://www4.palmettogba.com/pdac_dmecls/initFeeScheduleLookup.do

4 Id.

5 United States Government Accountability Office. (2018, July). Medicare fee-for-service: Information on the first year of Nationwide Reduced Payment Rates for Durable Medical Equipment. Retrieved from <https://www.gao.gov/assets/gao-18-534.pdf>.

6 American Society for Parenteral and Enteral Nutrition (ASPEN). (2023). Access to Nutrition Support Services in the United States: Challenges and Opportunities.

7 Dobson DaVanzo & Associates. (2022). Economic Analysis of Enteral Nutrition Reimbursement.

8 American Association for Homecare. (2023). Enteral nutrition cost increases and reimbursement challenges. Retrieved from https://aahomecare.org/files/galleries/Enteral_White_Paper_FINAL_12_09_23.pdf.

9 Corkins, M. R., et al. (2021). "Impact of Enteral Nutrition on Hospital Readmissions and Healthcare Costs." Journal of Parenteral and Enteral Nutrition.

10 National Association of Nutrition Professionals. (2023). State Policy Trends in Enteral Nutrition Reimbursement

11 The Malnutrition Quality Improvement Initiative. (2022). Economic Benefits of Addressing Malnutrition in Healthcare Settings.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a

decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

This concludes the comments received during the Notice of Rate Changes: 7/28/24 – 8/26/24.

The following comments were received during the Notice of Rulemaking: 9/14/24 – 10/13/24.

David Chandler, American Association for Home Care

Public hearing held remotely 9/25/2024 at 10:00 a.m.

Comment: My name is David Chandler, and I represent the American Association for Home Care. AA Home Care is the National Association, representing durable medical equipment, suppliers, manufacturers, and other stakeholders in the home care community. We also partner with the Arkansas medical Equipment Providers Association. Our membership provides life-sustaining nutrition and associated medical supplies to medically fragile patients in Arkansas and across the US.

So, I do want to thank you for the opportunity to comment on this important notice. Unfortunately, providers of enteral formulas have experienced significantly increased costs of doing business. Higher raw material and manufacturing costs have resulted in higher prices for formula products, while suppliers are also dealing with limited product availability and rising operational costs. The rising cost environment threatens our industry's ability to provide life-sustaining nutrition to medically fragile patients with this current fixed reimbursement model.

We do applaud the added coverage of the bolus syringe and gravity feeding kits. These are critical components required for many patients who are prescribed medically necessary internal feedings.

Increased costs are impacting access to these products due to limited availability for raw materials and ingredients that manufacturers require to produce these formulas along with the product containers. Unfortunately, many other industries Some formula reductions cut as much as 64% from the current reimbursement. So, on behalf of our members who are providing specialized formula and the Medicaid

recipients they serve we are requesting DMS to consider increasing reimbursement to accommodate inflation and other added costs as opposed to these devastating reductions. Our members who currently supply home nutrition products, including tube feedings for primary or exclusive sources of nutrition, allow patients to be discharged from hospitals, nursing homes and other health care facilities to continue their care in the most cost-effective setting, which is the home.

use the same ingredients to manufacture their products. While other industries can simply pass along those added costs to the end-user, oral nutrition suppliers are limited to receiving the fixed payment rate set by Medicaid. A reduction in those rates would ultimately result in a disruption in access and could lead to adverse health outcomes and increase overall costs of care for the State of Arkansas. We do share the goal of providing quality and timely products to Medicaid recipients and improving patient outcomes while lowering overall healthcare expenses. However, these drastic cuts proposed to life sustaining nutrition could devastate the supplier community and create tremendous access issues for some of Arkansas's most medically fragile citizens and that concludes my comments. I do thank you for your time.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

Enteral nutrition is an important component of health care, and these rule changes are designed to support the provision of specialized formulas for children served by the Arkansas Medicaid program. However, there are many important components of health care supported by Arkansas Medicaid and the program is not able to adjust for the inflationary forces mentioned in the comment for all of these components, as program resources are finite.

Chuck Bari, Woodsprings Pharmacy and Home Medical

Public hearing held remotely 9/25/2024 at 10:00 a.m.

Comment: My name is Chuck Bari. I'm with Woodsprings Pharmacy and Home Medical in Jonesboro and just like our industry representative mentioned before. You know some of those cuts are extremely deep, and while we would not like to see any cuts whatsoever, I question the rationale behind utilizing

the non-rural Medicaid rates when over 85% of the State of Arkansas is a rural environment. Just from that standpoint alone makes it very difficult to get product to a lot of our needed Arkansans and constituents in the State.

I would ask that, you know, if we have to continue forward with some sort of rate cut that we go back and relook at what we're looking at, far as the locality of a lot of these patients.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

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Brandi Melton, Baker Healthcare

Public hearing held remotely 9/25/2024 at 10:00 a.m.

Comment: Hi! I'm Brandi Melton. I am with Baker Healthcare. We have offices in Jonesboro and Little Rock, and I have been involved with providing these services for these patients for over 25 years. The costs are higher than I have ever seen. Shipping costs have increased dramatically. There hasn't been a Medicaid rate increase for these formulas in over 17 years. Five providers have left the Medicaid space for enteral within the past two years. There are very few of us left that are willing to offer these services. The only reason I continue to do so is because the majority of these are extremely sick children, and I feel like somebody should take care of them.

I do feel like there needs to be some changes with the Medicaid reimbursement and most importantly, the Medicaid authorization process which I have now had to outsource to a company that specializes in this, which again is added cost, and I would like to see changes. I would like to see them sooner rather

than later. I think there does need to be, you know, a daily rate paid for gravity and syringe fed. But there needs to be an increase in reimbursement for formula, not a decrease, and that's all.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

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We also appreciate your comments on the prior authorization process and will examine this process as our prior authorization contracts come up for renewal and in future rulemaking processes.

Alexandra Roberts, Registered Dietician, CARTI

Public hearing held remotely 9/25/2024 at 10:00 a.m.

Comment: Hi, I'm a registered dietitian at Carti and we do work a lot with these patients, getting them approved, especially with them Medicaid and the authorization process is already so long, and we do like the prospect of the gravity bags being covered. But just to kind of reiterate what everybody else has said about the reimbursement rates, I can just like foresee this lowered reimbursement rate impacting the health of our patient population. We already struggle with getting them set up finding home infusion companies that will take Medicaid, and this just seems like another barrier to care for our cancer patients who really rely on their enteral nutrition and that's all I have to say. Thank you.

Response: DHS has reviewed the input from this comment. While reviewing the rates for formula, DHS discovered that Arkansas Medicaid's rates for formula varied significantly from Medicare and Blue Cross and Blue Shield rates. For example, the rate for Code B4420 (one of the codes being decreased) is

currently set at 415% of the Medicare rate and 378% of BCBS. Many providers who may experience a decrease in overall Medicaid reimbursement disproportionately bill B4420 when compared to other providers.

We are setting these rates at 80% of BCBS current rate as published on the Arkansas Health Information Network (AHIN). The new rate structure brings rates into alignment with typical Medicaid rate standards and allows for the additional costs of adding coverage codes B4034 and B4036. It should be noted, Arkansas Medicaid has not and will not receive any additional state funding for coverage of formula and associated supplies. We believe these changes are necessary to ensure continued coverage of all formula and hyperalimentation services. However, projections indicate the changes outlined will increase funding to providers in the aggregate by more than \$1.9M annually.

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We also appreciate your comments on the prior authorization process and will examine this process as our prior authorization contracts come up for renewal and in future rulemaking processes.

Sydni Arnone, Manager, Government Relations, Healthcare Nutrition Council

Comment: I am reaching out on behalf of Carla Saunders, Executive Director of the Healthcare Nutrition Council (HNC), regarding the proposed rule for Specialized Formula and Associated Supplies Rate Change. Attached are HNC's written comments. Please let us know if you have any questions.

Attachment:

The Healthcare Nutrition Council (HNC) appreciates the opportunity to provide comments on the proposed rate changes for specialized formula and associated supplies as outlined in the memorandum¹ issued by the Arkansas Department of Human Services (DHS) on September 13, 2024. HNC is an association representing manufacturers² of enteral nutrition (EN) formulas and oral nutrition supplements (ONS), including those categorized as medical foods, and parenteral nutrition (PN). Our mission is to improve patient outcomes by advancing nutrition policies and actions that raise awareness and optimize access of essential nutrition support therapies across the continuum of care.

Coverage of Associated Supplies and Rate Changes

HNC supports Arkansas Medicaid's proposal to add coverage for specific feeding supplies for hyperalimentation providers not currently covered (Bolus Syringe and Gravity Bags). However, HNC strongly objects to the new rates for covering specialized formula, hyperalimentation (enteral) formula, and associated supplies to reflect the lesser of one hundred percent (100%) of Medicare non-rural rates for Arkansas or eighty percent (80%) of Blue Cross Blue Shield (BCBS) rates, but with a minimum threshold set at eighty percent (80%) of the Medicare non-rural rate in compliance with the access rule published at CFR 447.203 (C)(1), because it decreases the reimbursement rates which jeopardizes beneficiary access to life-sustaining hyperalimentation with enteral nutrition.

Selecting five common Healthcare Common Procedure Coding System (HCPCS) codes – B4149, B4150, B4142, B4153, and B4154 – used for EN reimbursement, HNC has conducted our own assessment of Arkansas Medicaid’s historical fee schedule and the proposed rate changes. Table 1 shows that the rates these codes under both prosthetics and hyperalimentation categories have remained stagnant by Arkansas Medicaid for 17 years and 16 years, respectively.

The recent proposed change in rates to reflect the lesser of 100% of Medicare non-rural rates for Arkansas or eighty percent (80%) of BCBS rates, but with a minimum threshold set at eighty percent (80%) of the Medicare non-rural rate in compliance with the access rule published at

CFR 447.203 (C)(1) is of significant concern because rather than addressing rate stagnation it instead will result in a significant reduction in reimbursement; as shown in Table 1 and Table 2.

Table 1

HCPCS	Medicare Non-Rural Rate 08/21/2024 ³	Arkansas Medicaid Rate Prosthetics (includes DME and Orthotics) 06/03/2024	Rate Cut at 100% Medicare Non-Rural Rate	80% Minimum Threshold in compliance with the access rule published at CFR 447.203 (C)(1)	Rate Cut at 80% Minimum Threshold
B4149	\$1.23	\$1.55	-20.65%	\$0.98	-36.52%
B4150	\$0.46	\$0.77	-40.26%	\$0.37	-52.21%
B4152	\$0.37	\$0.68	-45.59%	\$0.30	-56.47%
B4153	\$1.47	\$1.88	-21.81%	\$1.18	-37.45%
B4154	\$0.80	\$2.01	-60.20%	\$0.64	-68.16%

Table 2

HCPCS	Medicare Non-Rural Rate 08/21/2024 ⁴	Arkansas Medicaid Rate Hyperalimentation on 04/09/2024	Rate Cut at 100% Medicare Non-Rural Rate	80% Minimum Threshold in compliance with the access rule published at CFR 447.203 (C)(1)	Rate Cut at 80% Minimum Threshold
B4149	\$1.23	\$1.71	-28.07%	\$0.98	-42.46%
B4150	\$0.46	\$0.85	-45.88%	\$0.37	-56.71%
B4152	\$0.37	\$0.75	-50.67%	\$0.30	-60.53%
B4153	\$1.47	\$2.07	-28.99%	\$1.18	-43.19%
B4154	\$0.80	\$2.21	-63.80%	\$0.64	-71.04%

Reimbursement Challenges

Adequate reimbursement is essential for ensuring that patients have access to and receive the appropriate nutrition care they need to meet their nutrition requirements and manage their health conditions effectively. Specialized EN formulas are often medically necessary for individuals who cannot consume regular diets due to various medical conditions including metabolic disorders, severe allergies, or gastrointestinal disorders.

In 2018, the U.S. Government Accountability Office (GAO) reported that nationwide reduced Medicare payments for durable medical equipment (DME) showed payment rate reductions for the top items in the enteral nutrients product category ranged from 46% to 56%.⁵ A recent survey conducted by the American Society for Parenteral and Enteral Nutrition (ASPEN)

indicated that 85% of healthcare providers reported financial barriers due to low reimbursement rates for enteral nutrition therapy, which has resulted in delayed or denied patient access to these life-sustaining products.⁶ If Arkansas implements these lower rates, it will negatively impact beneficiary access.

According to a study by Dobson DaVanzo & Associates, reimbursement rates for specialized enteral formulas are approximately 25% *below* the actual cost of production and distribution in the current market.⁷ This gap places an undue financial burden on healthcare providers and patients, leading to potential compromise in care quality and health outcomes.

Data Supporting Rate Increases

1. Cost Inflation: In 2023, the cost of manufacturing enteral nutrition products increased by 10-40%, driven by rising prices of food commodities used in specialized formulas, as well as significant hikes in shipping and labor costs (each in the range of 11-20%+)⁸.
2. Patient Outcomes: Adequate nutrition support is directly linked to improved patient outcomes and reduced healthcare costs. A study published in the *Journal of Parenteral and Enteral Nutrition* found that proper enteral nutrition reduced hospital readmissions by 30% and decreased overall healthcare costs by 21%.⁹
3. Market Dynamics: Nationwide, states that have implemented higher reimbursement rates for specialized nutrition have witnessed increased provider participation and improved patient access to necessary nutrition support.¹⁰
4. Economic Impact: Increasing reimbursement rates to align with current market standards is estimated to save approximately \$13 million in Medicaid costs over five years by preventing complications related to malnutrition.¹¹

Rate increases would also support healthcare providers in delivering safe, comprehensive care ensuring that all patients have equitable access to essential nutritional support.

Conclusion

HNC asks the Arkansas DHS to seriously consider our comments. Any adjustments to HCPCS codes already covered should seek to include an increase that reflects the current healthcare landscape and rising inflationary costs. By doing so, Arkansas DHS can ensure that patients have access to the nutritional care they need to sustain or improve their health and quality of life.

Finally, HNC recommends that the Arkansas DHS consider establishing a mechanism for periodic review of reimbursement rates to ensure they remain aligned with market dynamics and inflationary pressures. This will help maintain access to specialized nutrition products and prevent potential barriers to care. If you have any questions or would like additional information, please contact Sydni Arnone, Healthcare Nutrition Council, at sarnone@healthcarenutrition.org or (202) 204-8396.

Sincerely,



Carla Saunders Executive
Director

¹ Arkansas Department of Human Services. (September 13, 2024). *Specialized Formula and Associated Supplies Rate Change*.

<https://humanservices.arkansas.gov/wp-content/uploads/Specialized-Formula-and-Associated-Supplies-rate-change-9.13.2024.pdf>

² HNC members are Abbott Nutrition, Nestle Healthcare Nutrition, and Nutricia North America.

³ Noridian Medicare DME Fee Schedule Look Up. Retrieved from https://www4.palmettogba.com/pdac_dmecs/initFeeScheduleLookup.do

⁴ Id.

⁵ United States Government Accountability Office. (2018, July). *Medicare fee-for-service: Information on the first year of Nationwide Reduced Payment Rates for Durable Medical Equipment*. Retrieved from <https://www.gao.gov/assets/gao-18-534.pdf>.

⁶ American Society for Parenteral and Enteral Nutrition (ASPEN). (2023). *Access to Nutrition Support Services in the United States: Challenges and Opportunities*.

⁷ Dobson DaVanzo & Associates. (2022). *Economic Analysis of Enteral Nutrition Reimbursement*.

⁸ American Association for Homecare. (2023). *Enteral nutrition cost increases and reimbursement challenges*. Retrieved from https://aahomecare.org/files/galleries/Enteral_White_Paper_FINAL_12_09_23.pdf.

⁹ Corkins, M. R., et al. (2021). "Impact of Enteral Nutrition on Hospital Readmissions and Healthcare Costs." *Journal of Parenteral and Enteral Nutrition*.

¹⁰ National Association of Nutrition Professionals. (2023). *State Policy Trends in Enteral Nutrition Reimbursement*

¹¹ The Malnutrition Quality Improvement Initiative. (2022). *Economic Benefits of Addressing Malnutrition in Healthcare Settings*.

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This concludes the comments received during the Notice of Rulemaking: 9/14/24 – 10/13/24.