Rule Summary and Fiscal Analysis (Part A)

Department of Job and Family Services
Agency Name

Division of Medical Assistance	**Nancy Van Kirk**	
Division	Contact	
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5101:3-1-60	**AMENDMENT**
Rule Number	TYPE of rule filing

Rule Title/Tag Line **Medicaid reimbursement.**

RULE SUMMARY

1. Is the rule being filed consistent with the requirements of the RC 119.032 review? **No**

2. Are you proposing this rule as a result of recent legislation? **Yes**

Bill Number: **HB1** General Assembly: **128** Sponsor: **Sykes**

3. Statute prescribing the procedure in accordance with the agency is required to adopt the rule: **119.03**

4. Statute(s) authorizing agency to adopt the rule: **5111.02, Section 309.30.75 of Am. Sub. H.B. 1, 128th G.A.**

5. Statute(s) the rule, as filed, amplifies or implements: **5111.01, 5111.0112, 5111.02, 5111.021, Section 309.30.75 of Am. Sub. H.B. 1, 128th G.A.**

6. State the reason(s) for proposing (i.e., why are you filing,) this rule:

This rule is being amended to attain cost savings prescribed in section 309.30.75 of Amended Substitute House Bill 1, which requires the Department to reduce the reimbursement rates for specified Medicaid providers to result in an amount that is at least three per cent lower in the aggregate than the rates in effect on December 31, 2009.

In addition, the maximum reimbursement amount for CPT codes for targeted developmental screening billed by providers of physician services has been increased by 10 per cent.

Due to recent Auditor of State findings, the Medicaid maximum reimbursement amounts for two HCPCs codes are also being changed: E0305, for bed side rails, is being decreased from $185.02 to $185.01; E2366, wheelchair battery charger, is being increased from $202.00 to $210.90.

7. If the rule is an AMENDMENT, then summarize the changes and the content of the proposed rule; If the rule type is RESCISSION, NEW or NO CHANGE, then summarize the content of the rule:

Rule 5101:3-1-60, entitled Medicaid Reimbursement, sets forth Medicaid maximum reimbursement amounts for services provided by a wide variety of providers. The proposed payment changes affecting specific provider types reimbursed through this rule are as follows:

The maximum reimbursement amount for each of the Healthcare Common Procedural Coding System (HCPCS) codes billed by ambulance and ambulette providers has been reduced by three percent, resulting in annual savings of approximately $1,098,661, and a biennial savings of approximately $1,647,992.

The maximum reimbursement amount for each of the nine surgical groupings billed by ambulatory surgery centers has been reduced by three percent, resulting in annual savings of approximately $82,260, and a biennial savings of approximately $123,390.

The maximum reimbursement amount for each of the Current Procedural Terminology (CPT) codes billed by chiropractors has been reduced by three percent, resulting in annual savings of approximately $16,339, and a biennial savings of approximately $24,509.

The maximum amount for each of the incontinent garment HCPCS codes billed by durable medical equipment (DME) suppliers has been reduced by 13 percent, resulting in annual savings of approximately $3,362,752, and a biennial savings of approximately $5,044,128.

The maximum reimbursement amount for each of the HCPCS codes billed by DME suppliers for orthotics and prosthetics has been reduced by three percent, resulting in annual savings of approximately $335,717, and a biennial savings of approximately $503,576.

The maximum reimbursement amount for each CPT and HCPCS code billed by freestanding laboratories has been reduced by three percent, resulting in annual

savings of approximately $569,824, and a biennial savings of approximately $854,736.

The maximum reimbursement amount for each of the CPT codes billed by physical, occupational and speech therapists has been reduced by three percent, resulting in annual savings of approximately $388,099, and a biennial savings of approximately $582,149.

The maximum reimbursement amount for each of the CPT vision codes billed by opticians, optometrists and physicians has been reduced by three percent, resulting in annual savings of approximately $228,490, and a biennial savings of approximately $342,735.

The maximum reimbursement amount for any CPT code has been reduced from 100 to 90 percent of the Medicare price. This reduction affects 606 codes and results in annual savings of approximately $5,459,678, and a biennial savings of approximately $8,189,517. Four hundred forty-five of these were surgical codes, 94 were radiology codes, and 67 were medicine codes.

The maximum reimbursement amount for CPT codes for targeted developmental screening billed by providers of physician services has been increased by 10 percent, resulting in an increase in annual expenditures of approximately $21,321, and a biennial savings of approximately $31,982.

Two unrelated changes are being made to the pricing in 5101:3-1-60 at this time to comply with recent findings by the Auditor of State. The Medicaid maximum reimbursement amount for HCPCS code E0305, bed side rails, is being decreased from $185.02 to $185.01. The maximum reimbursement amount for HCPCS code E2366, wheelchair battery charger, is being increased from $202.00 to $210.90. The impact of these changes on annual expenditures will be negligible.

8. If the rule incorporates a text or other material by reference and the agency claims the incorporation by reference is exempt from compliance with sections 121.71 to 121.74 of the Revised Code because the text or other material is **generally available** to persons who reasonably can be expected to be affected by the rule, provide an explanation of how the text or other material is generally available to those persons:

This rule incorporates one or more references to another rule or rules of the Ohio Administrative Code. This question is not applicable to any incorporation by reference to another OAC rule because such reference is exempt from compliance with RC 121.71 to 121.74 pursuant to RC 121.76(A)(3).

9. If the rule incorporates a text or other material by reference, and it was **infeasible** for the agency to file the text or other material electronically, provide

an explanation of why filing the text or other material electronically was infeasible:

Not applicable.

10. If the rule is being **rescinded** and incorporates a text or other material by reference, and it was **infeasible** for the agency to file the text or other material, provide an explanation of why filing the text or other material was infeasible:

Not Applicable.

11. If **revising** or **refiling** this rule, identify changes made from the previously filed version of this rule; if none, please state so:

There are no changes in the body of the rule. Appendix DD to this rule is being revised to replace a 13 per cent price reduction for adult and pediatric incontinence garments (24 HCPCS codes) with a 10 per cent price reduction for adult incontinence garments only (9 HCPCS codes), resulting in an updated annual savings of approximately $1,253,824 and biennial savings of approximately $1,880,736.

The answer provided to Rule Summary and Fiscal Analysis (RSFA), Part A, question 13, is being revised to reflect a smaller decrease in expenditures as a result of the pricing changes to adult and pediatric incontinence garments identified above. Also, the Department determined that it had counted the reduced expenditures associated with four laboratory codes once with the laboratory code figures and a second time with savings associated with the adjustment of codes from 100% to 90% of the Medicare price. In correcting this double-counting, the Department is reducing its estimated savings by $1,029,137 on an annual basis and $1,543,705 on a biennial basis. Therefore, because of these adjustments, the answer to question 13 of the RSFA is being changed from $17,280,750 to $12,573,652.

The answer provided to RFSA Part A, question 13 is also being revised to describe a decrease in expenditures due to a reduction in capitation payments to managed care plans.

The answer provided to RSFA Part A, question 15, is being revised to more accurately describe the estimated cost of compliance with the rules to all directly affected persons.

The answers provided to RSFA Part B, questions 2, 5, 6 and 7 are being revised to more accurately describe the estimated cost of compliance with the rules to school districts, counties, townships, and municipal corporations, and more accurately describe the rules' fiscal impact on agencies and local governments.

12. 119.032 Rule Review Date: **11/1/2010**

(If the rule is not exempt and you answered NO to question No. 1, provide the scheduled review date. If you answered YES to No. 1, the review date for this rule is the filing date.)

NOTE: If the rule is not exempt at the time of final filing, two dates are required: the current review date plus a date not to exceed 5 years from the effective date for Amended rules or a date not to exceed 5 years from the review date for No Change rules.

FISCAL ANALYSIS

13. Estimate the total amount by which *this proposed rule* would **increase /decrease** either **revenues /expenditures** for the agency during the current biennium (in dollars): Explain the net impact of the proposed changes to the budget of your agency/department.

This will decrease expenditures.

$12,573,652

The department estimates that this rule filing will result in a decrease in expenditures for the agency during the current biennium of $12,573,652. This number has been reduced from $17,280,750, which was stated in the original filed rule.

In addition to the $12,573,652 reported above, the Department expects to decrease expenditures by $36,841,509 during the current biennium due to a decrease in capitation payments to managed care plans. This decrease is the result of the rate reductions implemented by this and other rules implementing section 309.30.75 of Am. Sub. H.B. 1 (128th G.A.).

14. Identify the appropriation (by line item etc.) that authorizes each expenditure necessitated by the proposed rule:

Line item 600525.

15. Provide a summary of the estimated cost of compliance with the rule to all directly affected persons. When appropriate, please include the source for your information/estimated costs, e.g. industry, CFR, internal/agency:

The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that this reduction in reimbursement is a cost of compliance, providers will be subject to

a cost of compliance when they bill for the affected services. Providers may also experience a reduction in reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced codes. Managed care plans will receive lower capitation payments. To the extent that these lower capitation payments are a cost of compliance, managed care plans will be subject to a cost of compliance. The precise impact will vary plan to plan due to the case mix, number of enrollees and business model of each plan.

16. Does this rule have a fiscal effect on school districts, counties, townships, or municipal corporations? **Yes**

You must complete Part B of the Rule Summary and Fiscal Analysis in order to comply with Am. Sub. S.B. 33 of the 120th General Assembly.

17. Does this rule deal with environmental protection or contain a component dealing with environmental protection as defined in R. C. 121.39? **No**

Rule Summary and Fiscal Analysis (Part B)

1. Does the Proposed rule have a fiscal effect on any of the following?

(a) School Districts	(b) Counties	(c) Townships	(d) Municipal Corporations
Yes	**Yes**	**Yes**	**Yes**

2. Please provide an estimate in dollars of the cost of compliance with the proposed rule for school districts, counties, townships, or municipal corporations. If you are unable to provide an estimate in dollars, please provide a written explanation of why it is not possible to provide such an estimate.

   The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that this reduction in reimbursement is a cost of compliance, and to the extent that providers of these services are school districts, counties, townships or municipal corporations, providers will be subject to a cost of compliance when they bill for the affected services. Providers may also experience a reduction in reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced codes.

3. If the proposed rule is the result of a federal requirement, does the proposed rule exceed the scope and intent of the federal requirement? **No**

4. If the proposed rule exceeds the minimum necessary federal requirement, please provide an estimate of, and justification for, the excess costs that exceed the cost of the federal requirement. In particular, please provide an estimate of the excess costs that exceed the cost of the federal requirement for (a) school districts, (b) counties, (c) townships, and (d) municipal corporations.

   Not Applicable.

5. Please provide a comprehensive cost estimate for the proposed rule that includes the procedure and method used for calculating the cost of compliance. This comprehensive cost estimate should identify all of the major cost categories including, but not limited to, (a) personnel costs, (b) new equipment or other capital costs, (c) operating costs, and (d) any

indirect central service costs.

This rule is being proposed in response to provisions in Ohio Amended Substitute House Bill 1 that require reduced expenditures to certain providers by an aggregate amount of three percent for dates of service on or after January 1, 2010.

(a) Personnel Costs

The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that this reduction in reimbursement is a cost of compliance, and to the extent that providers of these services are school districts, counties, townships or municipal corporations, providers will receive less revenue that can be used to cover personnel costs when they bill for the affected services. Providers may also experience a reduction in reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced services.

(b) New Equipment or Other Capital Costs

The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that this reduction in reimbursement is a cost of compliance, and to the extent that providers of these services are school districts, counties, townships or municipal corporations, providers will receive less revenue that can be used to cover new equipment or other capital costs when they bill for the affected services. Providers may also experience a reduction in reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced services.

(c) Operating Costs

The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that this reduction in reimbursement is a cost of compliance, and to the extent that providers of these services are school districts, counties, townships or municipal corporations, providers will receive less revenue that can be used to cover operating costs when they bill for the affected services. Providers may also experience a reduction in

reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced services.

(d) Any Indirect Central Service Costs

The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that this reduction in reimbursement is a cost of compliance, and to the extent that providers of these services are school districts, counties, townships or municipal corporations, providers will receive less revenue that can be used to cover indirect central service costs when they bill for the affected services. Providers may also experience a reduction in reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced services.

(e) Other Costs

The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that this reduction in reimbursement is a cost of compliance, and to the extent that providers of these services are school districts, counties, townships or municipal corporations, providers will receive less revenue that can be used to cover other costs when they bill for the affected services. Providers may also experience a reduction in reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced services.

6. Please provide a written explanation of the agency's and the local government's ability to pay for the new requirements imposed by the proposed rule.

The amendments in this rule will change Medicaid reimbursement to providers. For all but three of the billing codes, reimbursement is being reduced. To the extent that a reduction in Medicaid reimbursement imposes new requirements, and to the

extent that providers of these services are school districts, counties, townships or municipal corporations, providers will receive less money as Medicaid reimbursement when they bill for the affected services. Providers may also experience a reduction in reimbursement from managed care plans. The Department cannot provide an estimate of the impact in reimbursement, because the amount of the reduction will vary from provider to provider, depending on their business model and the frequency at which they bill the reduced services.

7. Please provide a statement on the proposed rule's impact on economic development.

These rule amendments change reimbursement to various providers of services and, for all but three of the billing codes reimbursement is being reduced. Thus, these rule amendments could result in a reduction in Medicaid reimbursement received in a school district, county, township or municipal corporation. Providers may also experience a reduction in reimbursement from managed care plans. The amount of the reduction will vary by school district, county, township or municipal corporation. Therefore, the Department cannot estimate the effect of these proposed rule amendments on economic development.