

Rule Summary and Fiscal Analysis (Part A)**Department of Job and Family Services**

Agency Name

Division of Medical Assistance

Division

Nancy Van Kirk

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5101:3-2-07.4

Rule Number

AMENDMENT

TYPE of rule filing

Rule Title/Tag Line

Basic methodology for determining prospective payment rates.**RULE SUMMARY**

1. Is the rule being filed consistent with the requirements of the RC 119.032 review? **Yes**

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

Bill Number: **HB66**General Assembly: **126**Sponsor: **Rep. Calvert**

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**

5. Statute(s) the rule, as filed, amplifies or implements: **5111.01, 5111.02, section 206.66 of Am. Sub. H.B. 66 of the 126th General Assembly**

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

This rule is being proposed to provide for a 0.0 percent inflationary adjustment for the inpatient hospital adjusted average cost per discharge (base rate) and for the hospital-specific education allowance effective January 1, 2006 through December 31, 2007. That proposed change holds the base rate and the education allowance constant at the calendar year (CY) 2005 levels for the CY 2006 and CY 2007 rate years. The amendment to incorporate the 0.0 percent inflationary adjustment is

assumed in Am. Sub. H.B. 66, 126th General Assembly, because the funds appropriated to JFS in the 600-525 account, found in section 206.66 of Am. Sub. H.B. 66, assume the fiscal impact associated with these changes. The amendment is intended to help balance state resources among competing demands by constraining the rate of growth of inpatient hospital expenditures. In recent years Ohio hospitals have reported increases in their costs that exceed various indices measuring reasonable cost growth.

In addition, the rule is being proposed for five year rule review and for amendment to make some technical changes and to replace the name DRI WEFA with Global Insight to reflect a corporate name change.

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:

This rule describes the methodology for determining prospective payment rates for inpatient hospital services and sets the annual inflationary update.

The proposed amendment provides for a 0.0 percent inflationary adjustment for the inpatient hospital adjusted average cost per discharge (base rate) and for the hospital-specific education allowance effective January 1, 2006 through December 31, 2007. That proposed change holds the base rate and the education allowance constant at the calendar year (CY) 2005 levels for the CY 2006 and CY 2007 rate years. Hospitals will receive the base rate and the education allowance they received for inpatient services as of December 31, 2005.

In addition, the amendments in this rule make some technical changes and replace the name DRI WEFA with Global Insight to reflect a corporate name change.

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 references to other 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 ORC 121.71 to 121.75 pursuant to ORC 121.76(A)(3).

This rule incorporates a dated reference to the Federal Register. This question is not applicable to any dated incorporation by reference to the Federal Register because

such reference is exempt from compliance with ORC 121.71 to 121.74 in accordance with ORC 121.75(D).

This rule incorporates a dated reference to the Code of Federal Regulations (CFR). This question is not applicable to any dated incorporation by reference to the CFR because such reference is exempt from compliance with ORC 121.71 to 121.74 in accordance with ORC 121.75(D).

This rule incorporates a dated reference to one or more Medicare cost reports (HCFA 2552-85) that are available from the department.

This rule incorporates a dated reference to one or more Medicaid cost reports (ODHS 2930) that are available from the department.

This rule incorporates a dated reference to several price indices that are available from the department.

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:

Not Applicable.

12. 119.032 Rule Review Date: **9/21/2005**

(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.

\$79 million

The department estimates that the non-provision of rate updates for CY 2006 and CY 2007 will result in decreased spending on inpatient hospital services of \$16.5 million in SFY 2006, and \$62.5 million in SFY 2007.

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

Appropriations line item 600-525.

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 cost of compliance cannot be stated with certainty. Hospitals will experience a reduction in reimbursement of \$16.5 million in SFY 2006 and \$62.5 million in SFY 2007. This reduction in rates may make it necessary for hospitals to make adjustments to their operations.

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
No	Yes	No	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.

There is no cost of compliance for counties or municipal corporations as this rule does not place any requirements on them. However, we have indicated "yes" due to the fact that some of the hospitals that will be impacted by this rule are owned by government entities other than the state. However, we are uncertain as to how revenues from these government owned hospitals impact the revenues or operations of the government entity that owns them.

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.

There is no cost of compliance for counties or municipal corporations as this rule does not place any requirements on them. However, we have indicated "yes" due to the fact that some of the hospitals that will be impacted by this rule are owned by

government entities other than the state. However, we are uncertain as to how revenues from these government owned hospitals impact the revenues or operations of the government entity that owns them.

(a) Personnel Costs

N/A

(b) New Equipment or Other Capital Costs

N/A

(c) Operating Costs

N/A

(d) Any Indirect Central Service Costs

N/A

(e) Other Costs

N/A

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.

There is no cost of compliance for counties or municipal corporations as this rule does not place any requirements on them. However, we have indicated "yes" due to the fact that some of the hospitals that will be impacted by this rule are owned by government entities other than the state. However, we are uncertain as to how revenues from these government owned hospitals impact the revenues or operations of the government entity that owns them.

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

There is no cost of compliance for counties or municipal corporations as this rule does not place any requirements on them. However, we have indicated "yes" due to the fact that some of the hospitals that will be impacted by this rule are owned by

government entities other than the state. However, we are uncertain as to how revenues from these government owned hospitals impact the revenues or operations of the government entity that owns them.