

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? **No**

2. Are you proposing this rule as a result of recent legislation? **No**

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**

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

This rule is being proposed for amendment to not provide for an inpatient inflationary update for CY 2008 and CY 2009.

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 5101:3-2-07.4 entitled "Basic methodology for determining prospective payment rates" describes the methodology for determining prospective payment

rates for inpatient hospital services and sets the annual inflationary update. Paragraph (G)(2) of this rule is being amended to adjust the composite inflation factor for CY 2008 and CY 2009 to zero percent.

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:

Not Applicable.

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

(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.

\$44,252,869

Holding inpatient hospital reimbursement at the current levels will result in reduced expenditures for SFY 2008 by \$9,646,998 and for SFY 2009 by \$34,605,871.

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

ALI 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:

This rule affects reimbursements to hospital providers that are subject to prospective payment for inpatient services. As this rule does not impose any new requirements upon hospitals, there should not be any increase in the cost of compliance to hospitals due to the provisions of this rule. However, this rule does reduce previously planned reimbursements to hospitals by amounts stated in Question 13. This will cause the hospitals to develop cost containment strategies to balance any previously planned budgets. The exact reduction in reimbursement will vary among hospitals based upon the hospital's size and volume of medicaid business.

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	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.

There is no cost to counties, townships 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 to counties, townships 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.

The provisions of this rule will allow the department to continue to be a value purchaser of health care services for medicaid recipients. At the same time it will assist Ohio in maintaining a balanced, fiscally sound budget. There is no cost to counties, townships 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 to counties, townships 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.