

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

Agency Name

**Division Of Medical Assistance**

Division

**Mary H Mynatt**

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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? **Yes**

Bill Number: **HB95**General Assembly: **125**Sponsor: **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: **5111.01, 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 on a permanent basis, to extend the non-provision of inpatient inflationary updates through December 31, 2004, except for children's hospitals. The rule then provides for a 3.0 percent inpatient inflationary update on January 1, 2005, except for children's hospitals. This rule provides children's hospitals market basket inflationary adjustments for SFY 2004 and 2005, and also provides children's hospitals an adjustment equal to the difference between (1) the amount the hospital would have been paid under rule 5101:3-2-07.4 of the Administrative Code for the period beginning January 1, 2003

and ending May 31, 2003, if the amendment to paragraph (G) of that rule that went into effect on December 31, 2002, had not gone into effect and (2) the amount that the hospital was paid under that rule for that period.

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 annual inflationary updates.

This amendment to the rule, proposed on a permanent basis would extend the non-provision of inflationary adjustments through December 31, 2004, except for children's hospitals. This proposed change essentially holds inpatient hospital rates constant at the calendar year (CY) 2002 levels for CY 2003 and CY 2004, and then provides for a 3.0 percent rate increase on January 1, 2005, except for children's hospitals. This rule provides children's hospitals market basket inflationary adjustments for SFY 2004 and 2005, and also provides children's hospitals an adjustment equal to the difference between (1) the amount the hospital would have been paid under rule 5101:3-2-07.4 of the Administrative Code for the period beginning January 1, 2003 and ending May 31, 2003, if the amendment to paragraph (G) of that rule that went into effect on December 31, 2002, had not gone into effect and (2) the amount that the hospital was paid under that rule for that period.

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 response left blank because filer specified online that the rule does not incorporate a text or other material by reference.*

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:

*This response left blank because filer specified online that the rule does not incorporate a text or other material by reference.*

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:

Paragraph (G)(2) is being amended to reflect changes contained in Am. Sub. H. B. 95, of the 125th General Assembly, which provides children's hospitals inflationary adjustments for SFY 2004 and 2005, and also provides children's hospitals a retroactive adjustment equal to the difference between (1) the amount the hospital would have been paid under rule 5101:3-2-07.4 of the Administrative Code for the period beginning January 1, 2003 and ending May 31, 2003, if the amendment to paragraph (G) of that rule that went into effect on December 31, 2002, had not gone into effect and (2) the amount that the hospital was paid under that rule for that period.

12. 119.032 Rule Review Date: **1/1/2007**

(If 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: At 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.

\$35.5 million in SFY 2004

The previously filed version of this rule estimated decreased expenditures of \$1.36 million in SFY 2003 and \$42.13 million in SFY 2004. However, the changes contained in Am. Sub. H. B. 95, of the 125th General Assembly, which provides for a retroactive rate increase for children's hospitals in SFY 2003 (resulting in expenditures of \$2.18 million) and rate increases for children's hospitals in SFY 2004 (resulting in expenditures of \$6.6 million), account for the reduction in the

decreased expenditures estimated in this refiling.

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

Am.Sub. H.B. 95 of the 125th General Assembly. Appropriation 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 amendment will provide Ohio general hospitals (excluding children's hospitals) with approximately \$36.65 million in reduced reimbursements in SFY 2003 and SFY 2004.

16. Does this rule have a fiscal effect on school districts, counties, townships, or municipal corporations? **No**

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