Rule Summary and Fiscal Analysis (Part A)

Department of Job and Family Services
Agency Name

Division of Medical Assistance
Division

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5101:3-2-21
Rule Number

AMENDMENT
TYPE of rule filing

Rule Title/Tag Line: **Policies for outpatient hospital services.**

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: **HB153** General Assembly: **129** Sponsor: **Representative Amstutz**

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 309.30.30 of Am. Sub. H.B. 153, 129th G.A.**

5. Statute(s) the rule, as filed, amplifies or implements: **5111.02, 5111.021, section 309.30.30 of Am. Sub. H.B. 153, 129th G.A.**

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

To implement a change in the reimbursement methodology for certain services that are priced using a percent of charges as required by Section 309.30.30 of Am. Sub H.B. 153 of the 129th General Assembly and the Centers for Medicare and Medicaid Services (CMS) approved Medicaid State Plan Amendment OH

TN09-034, and to add coverage for tobacco cessation, as required under Section 4107 of the Patient Protection and Affordable Care Act. The rule is also being amended to clarify existing reimbursement policy for independently billed services along with laboratory and pregnancy related services. The rule is also being amended as a result of the five-year review.

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:

The rule sets forth outpatient policies and payment rates for hospitals that are subject to diagnosis related group (DRG) prospective payment. Changes to the rule include 1) updates to the text of rule to implement hospital-specific outpatient cost-to-charge ratio reimbursement methodology for certain Current Procedural Terminology (CPT) codes and Revenue Center Codes; 2) the addition of tobacco cessation procedure codes for pregnant women and children age 20 and under; 3) updates to the text within the rule to clarify reimbursement policy for independently billed services along with laboratory and pregnancy related services; 4) updates to Appendices C, F, G to implement these changes.

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 (OAC). 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: **10/6/2011**

(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.

$66,200,000.00

The hospital-specific outpatient cost-to-charge ratio reimbursement methodology change is estimated to decreased expenditures totaling $22.1 million in SFY 2012, and $44.1 million in SFY 2013. These decreased expenditures are accounted for in the funds appropriated to the Department in Am. Sub. H.B. 153, 129th General Assembly. This amount reflects the estimated impact for both Fee for Service and the Managed Care services. In SFY 2012, the decrease in expenditures for State share is $7,947,160, and Federal share is $14,152,840. In SFY 2013, the decrease in expenditures for State share is $15,809,850, and Federal share is $28,290,150.

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

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 the reimbursement for outpatient hospital services to hospital providers that are subject to the prospective payment. Hospital providers that have a hospital-specific outpatient cost-to-charge ratio that is lower than the fixed percentage that was previously used to reimburse certain outpatient services will experience a decrease in Medicaid revenues. Hospital providers that have a hospital-specific outpatient cost-to-charge ratio that is higher than the fixed percentage that was previously used to reimburse certain outpatient services will experience an increase in Medicaid revenues. The Department provided a hospital specific impact analysis of the change to the Ohio Hospital Association to share with its member hospitals.
>
> Additionally, there may be a cost of compliance if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivables, the Department is unable to provide an estimate of the cost of compliance with this rule.

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.

   To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be a cost of compliance if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivable, the Department is unable to provide an estimate of the cost of compliance with this rule. The fiscal impact of the reimbursement for services affected by this proposed rule will be provider-specific and based on each provider's current business model for service delivery. Thus, the Department cannot quantify the fiscal impact.

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.

To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be a cost of compliance if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivable, the Department is unable to provide an estimate of the cost of compliance with this rule. The fiscal impact of the reimbursement for services affected by this proposed rule will be provider-specific and based on each provider's current business model for service delivery. Thus, the Department cannot quantify the fiscal impact.

(a) Personnel Costs

To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be personnel costs if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivable, the Department is unable to provide an estimate of the cost of compliance with this rule. The fiscal impact of the services affected by this proposed rule will be provider-specific and based on each provider's current business model for service delivery. Thus, the Department cannot quantify the fiscal impact.

(b) New Equipment or Other Capital Costs

To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be new equipment or other capital costs if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivable, the Department is unable to provide an estimate of the cost of compliance with this rule. The fiscal impact of the services affected by this proposed rule will be provider-specific and based on each provider's current business model for service delivery. Thus, the Department cannot quantify the fiscal impact.

(c) Operating Costs

To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be operating costs if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivable, the Department is unable to provide an estimate of the cost of compliance with this rule. The fiscal impact of the services affected by this proposed rule will be provider-specific and based on each provider's current business model for service delivery. Thus, the Department cannot quantify the fiscal impact.

(d) Any Indirect Central Service Costs

To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be indirect centeral service costs if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivable, the Department is unable to provide an estimate of the cost of compliance with this rule. The fiscal impact of the services affected by this proposed rule will be provider-specific and based on each provider's current business model for service delivery. Thus, the Department cannot quantify the fiscal impact.

(e) Other Costs

To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be other costs if a provider would need to update its accounting system to implement the new projected payment/ receivable from Medicaid or a Medicaid Managed Care Plan (MCP). Due to providers using different accounting or billing systems for accounts receivable, the Department is unable to provide an estimate of the cost of compliance with this rule. The fiscal impact of the services affected by this proposed rule will be provider-specific and based on each provider's current business model for service delivery. Thus, the Department cannot quantify the fiscal impact.

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 fiscal impact associated with the changes to this rule is included in the Department's budget.

To the extent that a Medicaid provider is also a county, township or municipal corporation, there may be a cost of compliance if a provider would choose to update its accounting system to implement the new projected payment/ receivable from Medicaid or Medicaid Managed Care Plan (MCP). It is not a Department requirement for providers to make the changes to their accounting system. Because all payers change reimbursement policies, providers are familiar with this process and anticipate this impact and plan accordingly.

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

Some of the hospitals that will be impacted by this rule are owned by government entities other than the state. We cannot determine how revenues from these government owned hospitals impact the revenues or operations of the government entity that owns them, but we anticipate that the changes made by this rule will have no discernible impact on economic development.