

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

Agency Name

Division of Medical Assistance

Division

Michael Lynch

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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? **No**

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

Bill Number: **HB59**General Assembly: **130**Sponsor: **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: **5164.02**

5. Statute(s) the rule, as filed, amplifies or implements: **5164.02, 5164.70**

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

This rule is being amended for two purposes. The first is to implement provisions adopted under Am. Sub. H.B. 59, 130th G.A., pertaining to the administration of the Medicaid program. The second is to update policy governing the administration of the Medicaid program.

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 outpatient payment rates and policies for hospitals that are subject to diagnosis related groups (DRG) prospective payment.

1. The reimbursement methodology for unlisted surgery, radiology, ancillary, and laboratory services is being modified. These services are currently reimbursed at cost, but will have fixed rates effective January 1, 2014.

2. Reimbursement for drugs administered with IV therapy and independently billed drugs and medical supplies is also being changed. These services are currently reimbursed at cost, but will be reimbursed at 60 percent of cost effective January 1, 2014.

3. The hospital laboratory fee schedule is also being recalibrated to align payment rates to prescribed Medicare ceilings.

4. New procedure codes and reimbursement rates for molecular pathology services are being added to the laboratory fee schedule.

5. Language is added to clarify the use of the UB modifier for vision exam services.

Throughout this rule, references to the Office of Medical Assistance are replaced with references to the Department of Medicaid, along with updating ORC and OAC references, to reflect the renumbering of ORC Chapters 5111, 5112, and relevant sections of OAC Agency 5101.

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. If applicable, indicate each specific paragraph of the rule that has been modified:

Not Applicable.

12. 119.032 Rule Review Date: **12/1/2016**

(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.

\$66,666,358

Together, the changes to the reimbursement methodology for services currently paid at cost and the recalibration of the laboratory fee schedule are estimated to decrease expenditures by \$22.2 million in SFY 2014 and \$44.4 million in SFY 2015. These decreased expenditures are accounted for in the funds appropriated to the Department in Am. Sub. H.B. 59, 130th General Assembly. This amount reflects the estimated impact for both Fee-for-Service and Managed Care services. In SFY 2014, the decrease in expenditures for the State share is \$8.2 million, and

the Federal share is approximately \$14 million. In SFY 2015, the decrease in expenditures for the State share is \$16.4 million, and the Federal share is approximately \$28 million.

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

651525

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 prospective payment methodology. These hospitals may experience a decrease in Medicaid revenues due to this policy change. The Department provided a hospital specific impact analysis of the change to the Ohio Hospital Association to share with its members. A summary of this analysis can be found on the Ohio Office of Health Transformation website (<http://www.healthtransformation.ohio.gov/BUDGETS.aspx>).

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**

S.B. 2 (129th General Assembly) Questions

18. Has this rule been filed with the Common Sense Initiative Office pursuant to R.C. 121.82? **No**

19. Specific to this rule, answer the following:

A.) Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? **No**

B.) Does this rule impose a criminal penalty, a civil penalty, or another sanction,

or create a cause of action, for failure to comply with its terms? **No**

C.) Does this rule require specific expenditures or the report of information as a condition of compliance? **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. The changes in the rule may reduce payment for some providers and increase it for others. The payment methodology changes to outpatient services currently paid at cost and the laboratory fee recalibration may result in a reduction in payments. However, the Department's decision to cover molecular pathology codes in the outpatient setting may result in an increase in provider payments. The Department cannot provide an estimate of the impact on a particular county, township, or municipal corporation, as we are uncertain as to how the operations of these government owned hospitals impact the 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 may be a cost of compliance associated with the policy changes discussed above. Comprehensive cost estimates are provided below.

(a) Personnel Costs

To the extent that Medicaid providers are owned by counties, townships, or municipal corporations, there may be an increase in personnel costs if they need to update their accounting systems to implement the new projected payment/receivable from Medicaid or a Medicaid managed care plan. Because providers use different accounting and billing systems, 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 Medicaid providers are owned by counties, townships, or municipal corporations, there may be an increase in new equipment or other capital costs if they need to update their accounting systems to implement the new projected payment/receivable from Medicaid or a Medicaid managed care plan. Because providers use different accounting and billing systems, 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 Medicaid providers are owned by counties, townships, or municipal corporations, there may be an increase in operating costs if they need to update their accounting systems to implement the new projected payment/receivable from Medicaid or a Medicaid managed care plan. Because providers use different accounting and billing systems, 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 Medicaid providers are owned by counties, townships, or municipal corporations, there may be an increase in indirect central service costs if they need to update their accounting systems to implement the new projected payment/receivable from Medicaid or a Medicaid managed care plan. Because providers use different accounting and billing systems, 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 Medicaid providers are owned by counties, townships, or municipal corporations, there may be an increase in other costs if they need to update their accounting systems to implement the new projected payment/receivable from Medicaid or a Medicaid managed care plan. Because providers use different accounting and billing systems, 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.

It is not a Department requirement for providers to make changes to their accounting and billing systems. However, because all payers change reimbursement policies, providers are familiar with this process and anticipate the impact and plan accordingly.

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

We anticipate that the changes made by this rule will have no discernible impact on economic development.