

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

Agency Name

Division of Medical Assistance

Division

Mike Lynch

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5101:3-2-65

Rule Number

NEW

TYPE of rule filing

Rule Title/Tag Line

Inpatient hospital reimbursement.**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: **5111.01**

5. Statute(s) the rule, as filed, amplifies or implements: **5111.01, 5111.02, 5111.021**

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

To implement provisions of ORC 309.30.30, adopted under Am. Sub. H.B. 153 of the 129th General Assembly, relating to the establishment of new diagnostic related groups.

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 implements the All Patient Refined Diagnostic Related Groups (APR-DRG) methodology for the reimbursement of inpatient hospital discharges occurring on or after July 1, 2013.

This rule sets forth the methodology used to establish the relative weights, average cost per discharge and outlier policy that will be used to reimburse hospitals for inpatient services under the APR-DRG.

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 the OAC because such reference is exempt from compliance with RC 121.71 to 121.74 pursuant to RC 121.76(A)(3).

This rule incorporates one or more dated references 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 RC 121.71 to 121.74 in accordance with RC 121.75(D).

This rule incorporates one or more dated references to the Center for Medicare and Medicaid Services (CMS) Publications 15, 15-1 and 15-2. Each reference is dated and is generally available to persons affected by this rule via <http://www.cms.hhs.gov/Manuals/PBM/list.asp#TopOfPage>, in accordance with RC 121.75(E).

This rule incorporates one or more references to a federal law. This question is not applicable to those references in this rule because such references are exempt from compliance with ORC 121.71 to 121.74 pursuant to ORC 121.76 (B)(2).

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:

(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 increase expenditures.

84,200,000

This rule increases hospital expenditures in the amount of \$84.2 million annually.

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:

It is difficult to quantify the adverse impact for several reasons. First, it is not mandatory that hospitals purchase the 3M APR-DRG grouping software or update their billing systems. From a claims submission perspective, hospitals do not need to make any billing systems changes, and only need to recognize a change in one data element on the claim information returned by Medicaid. Second, at the start of this project, approximately 52 percent of Ohio hospitals already licensed the APR-DRG product because other payers used it. Finally, it is difficult to estimate the cost providers may incur to update their billing systems because every hospital may use a different software package to create invoices. The Ohio Hospital Association has also indicated their success in negotiating discounted APR-DRG license rates for their member hospitals. This will help reduce the cost of compliance for hospitals.

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.

All hospitals that are owned by a County, Township or Municipal Corporation will be affected. However, the financial arrangement between a hospital and the County, Township or Municipal Corporation varies and in many cases the hospital is a separate fiscal entity from the County, Township or Municipal Corporation. We have determined that in the aggregate hospitals that are owned by a County, Township, or Municipal Corporation will see an increase in hospital payments in the amount of \$5.6 million.

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.

All Hospitals that are owned by a County, Township or Municipal Corporation will be affected. However, the financial arrangement between a hospital and the County,

Township or Municipal Corporation varies and in many cases the hospital is a separate fiscal entity from the County, Township or Municipal Corporation. We have determined that in the aggregate hospitals that are owned by a County, Township, or Municipal Corporation will see an increase in hospital payments in the amount of \$5.6 million.

(a) Personnel Costs

The actual cost will vary depending on the complexity and patient volume of the hospital, as well as the adaptability of the patient information system of each provider and cannot, at this time, be quantified.

(b) New Equipment or Other Capital Costs

The actual cost will vary depending on the complexity and patient volume of the hospital, as well as the adaptability of the patient information system of each provider and cannot, at this time, be quantified.

(c) Operating Costs

The actual cost will vary depending on the complexity and patient volume of the hospital, as well as the adaptability of the patient information system of each provider and cannot, at this time, be quantified.

(d) Any Indirect Central Service Costs

The actual cost will vary depending on the complexity and patient volume of the hospital, as well as the adaptability of the patient information system of each provider and cannot, at this time, be quantified.

(e) Other Costs

The actual cost will vary depending on the complexity and patient volume of the hospital, as well as the adaptability of the patient information system of each provider and cannot, at this time, be quantified.

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.

All Hospitals that are owned by a County, Township or Municipal Corporation will

be affected. However, the financial arrangement between a hospital and the County, Township or Municipal Corporation varies and in many cases the hospital is a separate fiscal entity from the County, Township or Municipal Corporation. We have determined that in the aggregate hospitals that are owned by a County, Township, or Municipal Corporation will see an increase in hospital payments in the amount of \$5.6 million.

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

This rule will provide, in the aggregate, and additional \$5.6 million in hospital payments to hospitals that are owned by a County, Township or Municipal Corporation. These additional funds will allow the hospitals to continue or expand operations in their communities thereby providing additional economic stimulus to the County, Township or Municipal Corporation.