

Rule Summary and Fiscal Analysis

Part A - General Questions

Rule Number: 5160-2-05
Rule Type: Amendment
Rule Title/Tagline: Classification of hospitals.
Agency Name: Ohio Department of Medicaid
Division:
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I. Rule Summary

1. **Is this a five year rule review?** No
 - A. **What is the rule's five year review date?** 7/1/2022
2. **Is this rule the result of recent legislation?** No
3. **What statute is this rule being promulgated under?** 119.03
4. **What statute(s) grant rule writing authority?** 5164.02
5. **What statute(s) does the rule implement or amplify?** 5162.03, 5164.02, 5164.70
6. **What are the reasons for proposing the rule?**

This rule is being proposed for amendment to update policy relating to the classification of hospitals.

7. **Summarize the rule's content, and if this is an amended rule, also summarize the rule's changes.**

This rule defines the methodology in which hospitals, paid under the "All Patient Refined-Diagnosis Related Group" (APR-DRG) inpatient prospective payment system, the "Enhanced Ambulatory Patient Grouping" (EAPG) outpatient prospective payment system or those hospitals excluded from the prospective payment systems, are

classified into mutually exclusive peer groups. It also defines what the payment peer groups for Ohio hospitals are and how they are paid. The changes to this rule include clarifying that rural and urban hospitals refer to hospitals located in an Ohio county; updating the provision in paragraph (C) for each rate year beginning on or after January 1, 2019, that any hospital geographically located in an Ohio county that has been newly included or newly excluded from a Core Based Statistical Area (CBSA), as designated in the inpatient prospective payment system (IPPS) case-mix and wage index table as published by the Centers for Medicare and Medicaid (CMS), shall be placed into either the rural peer group as defined in this rule or, based on the geographical location of the hospital, an urban peer group as defined in this rule. The hospital's new base rate shall be the average cost per discharge of the new peer group without any consideration for hospital-specific risk provisions, as described in OAC 5160-2-65 and OAC 5160-2-75, of either the new or previous peer group.

Changes to this rule also include adding a new paragraph to describe how rates are determined for new, acquired, merged, and replacement hospitals. For hospitals newly enrolled in Medicaid and paid on a prospective payment basis, the base rate shall be the base rate of the peer group in which they are classified, without any consideration for hospital-specific risk provisions as described in OAC 5160-2-65 and OAC 5160-2-75, and shall receive the statewide average for capital allowance as described in OAC 5160-2-66 and the statewide average for both inpatient and outpatient cost-to-charge ratios as described in OAC 5160-2-22 until a cost report is filed by the new owner and hospital-specific rates are calculated based on the cost report. For hospitals newly enrolled in Medicaid and paid on reasonable cost basis, rates shall be ninety percent of the statewide average for both inpatient and outpatient cost-to-charge ratios as described in OAC 5160-2-22 until a cost report is filed by the new owner and hospital-specific rates are calculated based on the cost report. For acquired and replacement hospitals, rates shall be equal to the prior owner's rates until a cost report is filed by the new owner and hospital-specific rates are calculated based on the cost report. For hospitals that have merged, rates from the surviving Medicaid provider number will be used until a cost report is filed and hospital-specific rates are calculated based on the cost report.

Additional changes to this rule include updating date references to the Code of Federal Regulations that are referenced in this rule, removing the provision regarding OAC rule 5160-2-07.2 due to it being rescinded, and updating the effective date to be the effective date of the rule.

8. Does the rule incorporate material by reference? Yes

9. **If the rule incorporates material by reference and the agency claims the material is exempt pursuant to R.C. 121.71 to 121.76, please explain the basis for the exemption and how an individual can find the referenced material.**

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 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 references to the Medicare Inpatient Prospective Payment System Case-Mix and Wage Index table published by CMS. This cited material and is generally available to persons affected by this rule via the "Resources" and "Publications" links on the ODM web site (<http://medicaid.ohio.gov/>) in accordance with RC 121.75(E).

10. **If revising or re-filing the rule, please indicate the changes made in the revised or re-filed version of the rule.**

Not Applicable

II. Fiscal Analysis

11. **As a result of this proposed rule, please estimate the increase / decrease in revenues or expenditures affecting this agency, or the state generally, in the current biennium or future years. If the proposed rule is likely to have a different fiscal effect in future years, please describe the expected difference and operation.**

This will have no impact on revenues or expenditures.

\$0.00

There will be no impact to the Department's budget as a result of adopting this rule.

12. **What are the estimated costs of compliance for all persons and/or organizations directly affected by the rule?**

There is no costs of compliance for those affected by this rule.

13. Does the rule increase local government costs? (If yes, you must complete an RSFA Part B). No
14. Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C). No

III. Common Sense Initiative (CSI) Questions

15. Was this rule filed with the Common Sense Initiative Office? No
16. Does this rule have an adverse impact on business? No
 - 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