

**Rule Summary and Fiscal Analysis (Part A)****Ohio Department of Medicaid**

Agency Name

Division

**Tommi Potter**

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**5160-2-65**

Rule Number

**AMENDMENT**

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: **5162.03**

5. Statute(s) the rule, as filed, amplifies or implements: **5162.03, 5164.02, 5164.70**

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

We are proposing to amend this rule so that Medicaid hospital spending can remain in line with Medicaid appropriations.

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:

Rule 5160-2-65 sets forth the methodology for determining the relative weights and hospital average cost per discharge that is used to reimburse hospitals for services provided to Medicaid recipients enrolled in both traditional Medicaid and Medicaid Managed Care under prospective payment. The methodology is in effect for inpatient hospital discharges occurring on or after July 1, 2013. The proposed change to the rule is to: terminate a temporary five percent inpatient rate increase that was built into the hospital base payments and medical education payments for all hospitals except children's hospitals; and reduce the percent of outlier eligible costs from ninety-five to ninety percent for all hospitals.

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).

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: **9/1/2018**

(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.

121,950,000.00

This rule decreases hospital expenditures in the amount of \$121,950,000.00 during the current biennium.

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

ALI 651-525

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. From a claims submission perspective, hospitals do not need to make any billing system changes. Their claims payments

will automatically be reduced as a result of our rule changes. It is probable, although not mandatory, that hospitals update their billing systems to estimate their Medicaid account receivables; however, this is an inherent cost of doing business, not a cost of compliance due to the proposed rule changes.

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.

There is no cost of compliance with the proposed changes to this rule. From a claims submission perspective, hospitals do not need to make any billing system changes; their claims payments will automatically be reduced as a result of our rule changes. It is probable, although not mandatory, that hospitals will update their billing systems to estimate their Medicaid account receivables based upon these changes; however, that is an inherent cost of doing business, not a cost of compliance due to the proposed changes.

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 is no cost of compliance with the proposed changes to this rule. From a claims submission perspective, hospitals do not need to make any billing system

changes; their claims payments will automatically be reduced as a result of our rule changes. It is probable, although not mandatory, that hospitals will update their billing systems to estimate their Medicaid account receivables based upon these changes; however, that is an inherent cost of doing business, not a cost of compliance due to the proposed changes.

(a) Personnel Costs

There is no cost of compliance.

(b) New Equipment or Other Capital Costs

There is no cost of compliance.

(c) Operating Costs

There is no cost of compliance.

(d) Any Indirect Central Service Costs

There is no cost of compliance.

(e) Other Costs

There is no cost of compliance.

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.

There is no cost of compliance with the proposed changes to this rule. From a claims submission perspective, hospitals do not need to make any billing system changes; their claims payments will automatically be reduced as a result of our rule changes. It is probable, although not mandatory, that hospitals will update their billing systems to estimate their Medicaid account receivables based upon these changes; however, that is an inherent cost of doing business, not a cost of compliance due to the proposed changes.

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

This rule will provide, in the aggregate, a reduction in the amount of revenue distributed to all hospitals; however, we are not certain as to how much of a "government" owned hospital's revenue is used to support economic development.