

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

Agency Name

Division

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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 for five year review (FYR)? **Yes**
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: **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 proposed for amendment to update the policies and reimbursement methodology for inpatient hospital services for discharges on or after the effective date of the rule.
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 sets forth the Medicaid inpatient hospital reimbursement methodology for hospitals subject to prospective payment. The proposed rule will describe the providers eligible for inpatient hospital reimbursement and will update the relative weights, base rates and outlier policy that will be used to reimburse hospitals for inpatient services. The proposed amendments to this rule are intended to continue the reform and modernization of the inpatient hospital reimbursement methodology. The components used to calculate inpatient payments shall be updated by using more recent hospital claims data and hospital cost report data. The formula used to calculate inpatient payments will not change. The components which shall be updated include the base rates for all hospitals, the diagnosis related groups (DRG) relative weights and the outlier threshold amounts. The Department is also proposing to implement a coding adjustment to correct for increased coding specificity as result of the implementation of the International Classification of Diseases, Tenth Revision (ICD-10). In addition, hospitals shall receive separate reimbursement for long-acting reversible contraceptive (LARC) devices when provided during an inpatient hospitalization. Additionally, this proposal shall update and clarify the transfer provisions for admissions and discharges at free-standing psychiatric hospitals and distinct psychiatric units of a general hospital. Lastly, the Department recognizes that this rebasing project could produce large swings in an individual hospital's reimbursement. To prevent this from occurring, the update will provide a five percent stop loss/stop gain provision designed to prevent large swings (either up or down) in an individual hospital's reimbursement. These changes shall be effective for inpatient hospital discharges on or after the effective date of this rule.

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).

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:

This rule is being revise filed to remove language from paragraph (N)(2) that documented how the department arrived at the percentage to reduce the relative weights due to the implementation of ICD-10. The revised rule will plainly state the amount of and the reason for the reduction to relative weights due to the implementation of ICD-10. Also, RSFA part B was omitted from the originally filed rule. The refilled rule now includes RSFA part B.

12. Five Year Review (FYR) Date: **4/19/2017**

(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 have no impact on revenues or expenditures.

\$0

This rule will have no impact in the current biennium. However, this rule will decrease expenditures by an estimated \$53.2 million annually during the State Fiscal Year 2018/2019 biennium.

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:

This rule imposes no new requirements on hospitals that would result in unplanned expenditures. The Department will incur all of the implementation costs of updating its payment system. Therefore, there is no estimated cost of compliance.

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 for counties, townships or municipal corporations.

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.

(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.

The Department of Medicaid has anticipated and planned for this in the budget. The Department does not know how the operations of a government owned hospital impacts the operations of the local government. However, the Department believes that the operations of government owned hospitals are budgetarily separate from the local government. Therefore, the Department believes that there will be minimal impact to local governments

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

The Department does not know how the operations of a government owned hospital impacts the operations of the local government. However, the Department believes that the operations of government owned hospitals are budgetarily separate from the local government. The Department estimates a \$4,497,094 million annual reduction in hospital payments to hospitals that are owned by a county, township or municipal corporation over the next biennium.