

## Rule Summary and Fiscal Analysis

### Part A - General Questions

**Rule Number:** 5160-2-65

**Rule Type:** Amendment

**Rule Title/Tagline:** Inpatient hospital reimbursement.

**Agency Name:** Ohio Department of Medicaid

**Division:**

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#### I. Rule Summary

1. **Is this a five year rule review?** Yes
  - A. **What is the rule's five year review date?** 10/17/2023
2. **Is this rule the result of recent legislation?** Yes
  - A. **If so, what is the bill number, General Assembly and Sponsor?** HB 33 - 135  
- Jay Edwards
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?** 5164.02, 5164.70
6. **Does the rule implement a federal law or rule in a manner that is more stringent or burdensome than the federal law or regulation requires?** No
  - A. **If so, what is the citation to the federal law or rule?** Not Applicable
7. **What are the reasons for proposing the rule?**

Rule 5150-2-65 is being proposed for amendment as part of the five year rule review process and to enact the provisions of Am. Sub. H.B. No. 33 of the 135th General Assembly to update the policies and reimbursement methodology for inpatient

hospital services. The hospital-specific base rates will be rebased and the relative weights for the All-Patient Diagnostic Related Groups (APR-DRGs) will be recalibrated using more recent claims and cost report data. The overall formula used to calculate the inpatient payments will not change.

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

Rule 5160-2-65 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 will 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 that will be updated include the base rates for all hospitals, the APR-DRGs relative weights and the outlier threshold amounts. Additionally, the department is proposing to implement the following changes:

- \* Increase inpatient payments for behavioral health (BH) and substance use disorder (SUD) services provided by freestanding psychiatric hospitals (FSPs) and acute care general hospitals.
- \* Improve inpatient cost coverage for FSPs and acute care general hospitals providing BH/SUD services.
- \* Migrate inpatient payments for BH and SUD services provided by FSPs from the APR-DRG payment methodology to a per diem payment methodology derived from the APR-DRG system. As a transitional step, freestanding psychiatric hospitals will be paid based on the APR-DRG methodology.
- \* Institute a single capital add-on rate for inpatient discharges.
- \* Increase reimbursement for neonate APR-DRGs with major or extreme severity of illness (SOI).
- \* Continue to reform the outlier methodology.
- \* Remove the peer group corridors.
- \* Update various rule references.

**9. Does the rule incorporate material by reference? Yes**

**10. If the rule incorporates material by reference and the agency claims the material is exempt pursuant to R.C. 121.75, 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 121.75(A)(1)(d).

The rule incorporates one or more references to uncodified statutes. The question is not applicable to any incorporation by reference to uncodified statutes because such reference is exempt from compliance with RC 121.71 to 121.74 in accordance with RC 121.75(A)(1)(b).

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

The language in paragraph (N)(1) describing the three and eight hundredths per cent reduction to DRGs 540, 542 and 560 in order to facilitate the separate payment of long acting reversible contraceptive devices (LARCs) was removed as these DRGs have naturally been adjusted through the recalibration process and no longer require an intentional reduction to facilitate the separate payment for LARCs.

## **II. Fiscal Analysis**

- 12. Please estimate the increase / decrease in the agency's revenues or expenditures in the current biennium due to this rule.**

This will increase expenditures.

\$162,262,413

The Ohio biennial 2024/25 budget enacted under Am. Sub. H.B. No. 33 of the 135th General Assembly included provisions to update reimbursement for inpatient hospitals. Implementation of these changes is expected to increase annual aggregate Medicaid expenditures for inpatient hospital services by approximately \$108.2 million.

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

This rule imposes no new requirements on hospitals that would result in unplanned expenditures, therefore there are no estimated costs of compliance.

- 14. Does the rule increase local government costs? (If yes, you must complete an RSFA Part B). No**

15. Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C). No
16. If the rule imposes a regulation fee, explain how the fee directly relates to your agency's cost in regulating the individual or business.

Not Applicable

### **III. Common Sense Initiative (CSI) Questions**

17. Was this rule filed with the Common Sense Initiative Office? No
18. 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
  - D. Is it likely that the rule will directly reduce the revenue or increase the expenses of the lines of business of which it will apply or applies? No

### **IV. Regulatory Restriction Requirements under S.B. 9. Note: This section only applies to agencies described in R.C. 121.95(A).**

19. Are you adding a new or removing an existing regulatory restriction as defined in R.C. 121.95? No
  - A. How many new regulatory restrictions do you propose adding to this rule?  
  
Not Applicable
  - B. How many existing regulatory restrictions do you propose removing from this rule?

Not Applicable

- C. If you are not removing existing regulatory restrictions from this rule, please list the rule number(s) from which you are removing restrictions.**

Not Applicable

- D. Please justify the adoption of the new regulatory restriction(s).**

Not Applicable