

# CSI - Ohio

The Common Sense Initiative

## Business Impact Analysis

Agency Name: Ohio Bureau of Workers' Compensation

Regulation/Package Title: Inpatient hospital fee schedule

Rule Number(s): 4123-6-37.1

Date: September 29, 2015

**Rule Type:**

☐ New

☒ Amended

☐ 5-Year Review

☐ Rescinded

The Common Sense Initiative was established by Executive Order 2011-01K and placed within the Office of the Lieutenant Governor. Under the CSI Initiative, agencies should balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, consistency, predictability, and flexibility in regulatory activities. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

### **Regulatory Intent**

**1. Please briefly describe the draft regulation in plain language.**

*Please include the key provisions of the regulation as well as any proposed amendments.*

This rule establishes the fees to be paid by BWC to providers of inpatient hospital services for injured workers. The proposed changes are:

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- Adopt Medicare final rule including but not limited to:
  - Update to the national standardized amount
  - MS-DRG changes, ICD-10 update, and relative weight updates
  - Quality and value related programs including new initiatives
- Modify current Payment Adjustment Factor (PAF) to reflect the statewide reimbursement to cost benchmark of 114%
  - 113.7% for MS-DRG services
  - 180.5% for outlier services
  - Reconcile DGME markup to equal the MS-DRG PAF

**2. Please list the Ohio statute authorizing the Agency to adopt this regulation.**

R.C. 4121.441(A)(1)(h) , 4123.66(A)

**3. Does the regulation implement a federal requirement? Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?**

No.

*If yes, please briefly explain the source and substance of the federal requirement.*

N/A

**4. If the regulation includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.**

N/A

**5. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?**

The rule establishes the fees to be paid by BWC to providers of inpatient hospital services for injured workers. The public purpose is to ensure access to quality care for all Ohio employers' workers who experience a workplace injury. The goal is to create a fee schedule which pays a competitive rate for medical and professional services provided to injured workers.

**6. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?**

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BWC will measure success by continuing to demonstrate that our fees will allow Ohio's injured worker access to quality medical care while assuring a competitive inpatient hospital fee schedule.

### **Development of the Regulation**

**7. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation.**

*If applicable, please include the date and medium by which the stakeholders were initially contacted.*

The proposed hospital inpatient services payment rule was posted on BWC's website for stakeholder feedback on August 21, 2015 with a comment period through September 4, 2015, and notice was e-mailed to the following lists of stakeholders:

- BWC's Managed Care Organizations and the MCO League representative
- BWC's internal medical provider stakeholder list - 68 persons representing 56 medical provider associations/groups
- BWC's Healthcare Quality Assurance Advisory Committee
- Ohio Association for Justice
- Employer Organizations
  - o Council of Smaller Enterprises (COSE)
  - o Ohio Manufacturer's Association (OMA)
  - o National Federation of Independent Business (NFIB)
  - o Ohio Chamber of Commerce
- BWC's Self-Insured Division's employer distribution list
- BWC's Employer Services Division's Third Party Administrator (TPA) distribution list.

BWC also discussed the proposal with the Ohio Hospital Association's Vice President of Health Economics and Policy and their Finance Subcommittee on July 29, 2015.

**8. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?**

Please see attached stakeholder feedback grid.

**9. What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?**

BWC's hospital inpatient fee schedule is based largely on Medicare's inpatient prospective payment system (IPPS). The Medicare IPPS is fully evaluated and updated yearly to ensure

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appropriate reimbursement levels to hospitals. In addition, BWC researched similar payers of these services and other states' workers' compensation programs and data for analysis and comparison. Finally, we use our own historical data to determine financial and operational impacts and injured worker access to care.

**10. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives?**

None. BWC is required to develop and promulgate a statewide workers' compensation reimbursement methodology for providers of medical services to injured workers including hospital inpatient facilities.

**11. Did the Agency specifically consider a performance-based regulation? Please explain. *Performance-based regulations define the required outcome, but don't dictate the process the regulated stakeholders must use to achieve compliance.***

No. The fee schedule itself is considered a performance-based regulation as payment is made when services are delivered. The wide variety of services reimbursed allow for providers to determine the best course of action and group of services which will allow effective treatment and outcomes for injured workers experiencing a workplace injury.

**12. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?**

These rules are specific to BWC, and reimbursement for hospital inpatient services in that program. Since BWC is the only state agency that administers workers' compensation in Ohio, there is no duplication between these rules and other rules in the Ohio Administrative Code.

**13. Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.**

BWC has established a repeatable procedure by which all of our medical provider fee schedules are implemented. These procedures include documentation of fee schedule changes, files and other necessary information to our billing vendor to ensure the fee schedule is implemented efficiently, accurately and in a timely fashion. BWC's system contains edits and reports to ensure consistent and accurate application of the rule.

The fee schedule is also made available publically via [www.bwc.ohio.gov](http://www.bwc.ohio.gov) to all employers and third-party administrators for download for use in their system. Finally, affected BWC

employees and managed care organization staff are educated on rule changes and process/policy impacts to ensure the regulation is applied consistently.

### **Adverse Impact to Business**

**14. Provide a summary of the estimated cost of compliance with the rule. Specifically, please do the following:**

**a. Identify the scope of the impacted business community;**

The impacted business community consists of the hospitals that provide inpatient care to injured workers and also self insured employers that also administer this rule.

**b. Identify the nature of the adverse impact (e.g., license fees, fines, employer time for compliance); and**

The adverse impact to the self insured employers will be employer time and/or reimbursement business expense for programming and executing the fee schedule changes. The adverse impact to hospitals will be the cost of hospitals to incorporate relevant changes into the hospitals' billing system.

**c. Quantify the expected adverse impact from the regulation.**

*The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a “representative business.” Please include the source for your information/estimated impact.*

Implementation of fee schedule changes is a necessary part of yearly methodology updates for both hospitals and self insuring employers. Because this methodology is largely based on Medicare, both hospitals and self insuring employers will realize minimal adverse impacts. It is estimated that self insuring employers and hospitals would require less than 10 hours of programming time in order to comply with this rule.

**15. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?**

The intent of this rule is to ensure access to quality health care for all Ohio employers' workers who experience a workplace injury. It is essential that appropriate and timely review of the fee schedule with relevant modifications are implemented to create a competitive reimbursement level for these services. Alternative methodologies detailed in the rule provide flexibility in hospital reimbursement for self insured employers.

### **Regulatory Flexibility**

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**16. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.**

This fee schedule is applied equitably across all hospitals. However, there is also the ability for hospitals to negotiate alternative reimbursement with BWC's managed care organizations and self insuring employers when appropriate.

**17. How will the agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?**

There are no fines or penalties for paperwork violations under these rules.

**18. What resources are available to assist small businesses with compliance of the regulation?**

BWC posts inpatient hospital fee schedule information on the BWC website. Also, hospital personnel that provide inpatient care can contact BWC's Provider Relations Department or Medical Services Unit for assistance with fee schedule issues. Managed care organizations are also charged with supporting and assisting providers with fee schedule issues.