



## Common Sense Initiative

**Mike DeWine**, Governor  
**Jon Husted**, Lt. Governor

**Sean McCullough**, Director

### Business Impact Analysis

Agency, Board, or Commission Name: Ohio Bureau of Workers' Compensation

Rule Contact Name and Contact Information:

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Regulation/Package Title (a general description of the rules' substantive content):

Payment of hospital inpatient services

Rule Number(s): 4123-6-37.1

Date of Submission for CSI Review: October 6, 2021

Public Comment Period End Date: October 25, 2021

Rule Type/Number of Rules:

- |   |   |
|---|---|
| <input type="checkbox"/> New/___ rules  | <input type="checkbox"/> No Change/___ rules (FYR? ___) |
| <input checked="" type="checkbox"/> Amended/ <u>1</u> rules (FYR? <u>No</u> ) | <input type="checkbox"/> Rescinded/___ rules (FYR? ___) |

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of regulations that have an adverse impact on business with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

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### **Reason for Submission**

1. R.C. 106.03 and 106.031 require agencies, when reviewing a rule, to determine whether the rule has an adverse impact on businesses as defined by R.C. 107.52. If the agency determines that it does, it must complete a business impact analysis and submit the rule for CSI review.

Which adverse impact(s) to businesses has the agency determined the rule(s) create?

The rule(s):

- \_\_\_\_\_ Requires a license, permit, or any other prior authorization to engage in or operate a line of business.
- \_\_\_\_\_ Imposes a criminal penalty, a civil penalty, or another sanction, or creates a cause of action for failure to comply with its terms.
- \_\_\_\_\_ ✓ Requires specific expenditures or the report of information as a condition of compliance.
- \_\_\_\_\_ Is likely to directly reduce the revenue or increase the expenses of the lines of business to which it will apply or applies.

### **Regulatory Intent**

2. 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. For 2022, BWC is proposing to:

- Adopt Medicare's final rule governing 2022 payment for hospital inpatient services, including but not limited to:
  - Update to the national standardized amounts
  - MS-DRG changes, ICD-10 updates, and relative weight updates
  - Quality and value related programs
- Implement an Ohio BWC Payment Adjustment Factor (PAF) to the 2022 Medicare base service rates which will be:
  - 112.7% for MS-DRG base rate; and
  - 112.7% for direct graduate medical education (DGME) services
- Continue to follow Medicare's reimbursement approach for operating and capital outlier add-on payments and new technology add-on payments.
- Maintain payment to Medicare IPPS exempt hospitals at the hospital's allowable billed charges times the hospital's operating cost-to-charge ratio multiplied by 1.14, not to exceed seventy percent (70%) of allowed billed charges.

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- Maintain that a QHP or self-insuring employer may reimburse hospital inpatient services at:
  - the applicable rate under the “MS-DRG” methodology; or
  - in the same manner as BWC reimburses Medicare IPPS exempt hospitals; or
  - the rate negotiated between the hospital and the QHP or self-insuring employer in accordance with rule 4123-6-46 of the Administrative Code.
- Maintain the per diem reimbursement option for hospital inpatient detoxification services.

**3. Please list the Ohio statute(s) that authorize the agency, board or commission to adopt the rule(s) and the statute(s) that amplify that authority.**

Authorize: R.C. 4121.31, 4123.05, 4121.12, 4121.121, 4121.30

Amplify: R.C. 4121.12, 4121.121, 4121.44, 4121.441, 4123.66

**4. 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?**

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

No.

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

Not Applicable.

**6. 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)?**

BWC is required to adopt annual changes to its fee schedules via the O.R.C. Chapter 119 rulemaking process. The purpose of this rule is to establish the fees to be paid by BWC to hospitals for inpatient services for injured workers.

While keeping focused on our fee schedule goals and objectives, these changes are necessary to ensure Ohio’s injured workers access to quality medical care.

The fee schedule supports efficiency in provision of services that assists in the maintenance of employer rates.

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

BWC will measure success by continuing to demonstrate that our fee schedules and payment strategies will maintain stability in the environment and reimbursement methodologies; ensure

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injured workers access to quality care; promote efficiency in the provision of quality services; and maintain a competitive environment where providers can render safe effective care.

- 8. Are any of the proposed rules contained in this rule package being submitted pursuant to R.C. 101.352, 101.353, 106.032, 121.93, or 121.931? No. Not applicable.**

*If yes, please specify the rule number(s), the specific R.C. section requiring this submission, and a detailed explanation.*

### **Development of the Regulation**

- 9. 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 reimbursement rule was posted on BWC's website for stakeholder feedback on July 26, 2021 through August 6, 2021. Notice was e-mailed to the following lists of stakeholders:

- BWC's Managed Care Organizations (MCOs)
- BWC's provider stakeholder list
- BWC's internal provider list serve
- BWC's Healthcare Quality Assurance Advisory Committee
- Ohio Association for Justice
- Employer Organizations
  - Council of Smaller Enterprises (COSE)
  - Ohio Manufacturer's Association (OMA)
  - National Federation of Independent Business (NFIB)
  - 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.

In addition, an overview of the fee schedule proposal was presented to the Director of Health Economics and Policy at the Ohio Hospital Association (OHA) on July 20, 2021.

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

Please see the provider stakeholder feedback grid.

- 11. 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?**

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BWC models the annual hospital inpatient reimbursement rule from the Medicare Inpatient Prospective Payment System (IPPS) reimbursement methodology. BWC has utilized the IPPS since 2007. During the annual fee schedule review, BWC claims data is modeled against Medicare annual reimbursement changes to determine the proposed impact to BWC and to determine if adjustments need to be made to BWC payment adjustment factors. If BWC determines that a CMS change will undermine BWC goals of maintaining stability in the environment, ensuring injured worker access to quality care, promoting efficiency in the provision of quality services and maintaining a competitive provider network, then BWC will adjust the payment adjustment factor. Claims and reimbursement data is also used to determine adjustments to reimbursement related policy.

**12. 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.

R.C. 4121.441(A)(1)(h) provides that the BWC Administrator, with the advice and consent of the BWC Board of Directors, shall adopt rules for implementation of the HPP "to provide medical, surgical, nursing, drug, hospital, and rehabilitation services and supplies" to injured workers, including but not limited to rules regarding "[d]iscounted pricing for all in-patient and out-patient medical services...."

Pursuant to the 10th District Court of Appeals decision in *Ohio Hosp. Assn. v. Ohio Bur. of Workers' Comp.*, Franklin App. No. 06AP-471, 2007-Ohio-1499, BWC is required to adopt changes to its methodology for the payment of hospital inpatient services via the O.R.C. Chapter 119 rulemaking process. BWC has undergone a systematic revision of its hospital inpatient reimbursement rule, and now proposes to adopt the newly revised hospital inpatient reimbursement rule in OAC 4123-6-37.1.

**13. 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.

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

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This rule is specific to BWC and defines 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.

R.C. 4123.66(A) provides that the BWC Administrator "shall disburse and pay from the state insurance fund the amounts for medical, nurse, and hospital services and medicine as the administrator deems proper," and that the Administrator "may adopt rules, with the advice and consent of the [BWC] board of directors, with respect to furnishing medical, nurse, and hospital service and medicine to injured or disabled employees entitled thereto, and for the payment therefor."

**15. 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 medical provider fee schedules are implemented. These procedures include documentation of fee schedule changes, files and other necessary information to the billing vendor to ensure the fee schedule is implemented efficiently, accurately and in a timely fashion. The fee schedule is made available via [www.bwc.ohio.gov](http://www.bwc.ohio.gov) to all employers and third-party administrators for download for use in their systems. BWC's system contains edits and reports to ensure consistent and accurate application of the rule.

**Adverse Impact to Business**

**16. 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; and**

The impacted business community consists of the hospitals that provide inpatient care to injured workers as well as self-insured employers administering the program.

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

Implementation of fee schedule changes is a necessary part of annual methodology updates for both hospitals and self-insuring employers. The adverse impact will be the hospitals' time in implementing the changes in order to comply with the rule. Where self insuring employers chose to adopt the BWC inpatient reimbursement methodology, those employers will have similar impacts as hospitals.

**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*

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***“representative business.” Please include the source for your information/estimated impact.***

Given the Medicare methodology has been in use by BWC since 2007, the annual implementation of updates is relatively routine for hospitals and self-insured employers. It is estimated that the time needed for implementation will be less than 10 hours.

**17. 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 Ohio’s injured workers have access to quality health care. 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, maintaining injured worker access to quality care.

**Regulatory Flexibility**

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

No. 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.

**19. 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.

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

BWC posts information regarding the hospital inpatient fee schedule on the BWC website at [www.bwc.ohio.gov](http://www.bwc.ohio.gov). The Provider Billing and Reimbursement Manual also serves as a source of fee schedule, coding, billing and reimbursement information. Providers rendering services contained within the fee schedule can also contact Managed Care Organization staff, BWC’s Provider Relations Business Area or Medical Services Fee Schedule Policy Unit staff for personal assistance with billing issues.





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**Stakeholder Feedback Recommendations for Changes to the 2022 Hospital Inpatient Fee Schedule – O.A.C. 4123-6-37.1**

Line #	Rule #/Subject Matter	Stakeholder	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
1	General comments	The Ohio Hospital Association (OHA)	OHA's Director of Health Economics and Policy submitted a letter indicating OHA is supportive of BWC's 2022 proposed rule.	The letter states OHA understands that BWC is proposing to maintain the current payment adjustment factor during a tumultuous time due to COVID. Position reflects ongoing active collaboration between OHA and BWC.	BWC accepts and appreciates OHA's support.	No modification needed.