

## Rule Summary and Fiscal Analysis

### Part A - General Questions

**Rule Number:** 5160-1-31

**Rule Type:** Rescission

**Rule Title/Tagline:** Prior authorization [except for services provided through medicaid contracting managed care plans (MCPs)].

**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? 4/15/2022
2. Is this rule the result of recent legislation? No
3. What statute is this rule being promulgated under? 119.03
4. What statute(s) grant rule writing authority? 5164.02, 5160.34
5. What statute(s) does the rule implement or amplify? 5160.03, 5164.02
6. What are the reasons for proposing the rule?

ODM is rescinding the rule as a result of the five year rule review process and is adopting 5160-1-31, entitled "Prior Authorization," in replacement to update our policy concerning prior authorization.

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

Rule 5160-1-31, entitled "Prior authorization [except for service provided through medicaid contracting managed care plans (MCPs)]", has been reviewed as part of the

five-year review process and is being proposed for rescission as more than fifty percent of the language has been amended. This rule sets forth the general policy regarding prior authorization (PA) for Medicaid covered services that require it. The rule informs providers how to submit PA requests and explains that paper requests will not be processed. The rule describes notifications when a PA is approved or denied. The rule also describes the exception to the PA requirement for emergency services and the recipient's state hearing rights if the PA request is denied.

- 8. Does the rule incorporate material by reference? Yes**
- 9. 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. This question is not applicable to any incorporation by reference to another Ohio Administrative Code rule because such reference is exempt from compliance with RC 121.71 to 121.74 pursuant to RC 121.76(A)(1)(d).

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

*Not Applicable*

## **II. Fiscal Analysis**

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

This will have no impact on revenues or expenditures.

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There should be no impact on the budget.

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

The cost of the rule to providers would be the staff time necessary to submit the PA request and any additional documentation. The timeframe to gather the documentation required to justify the medical necessity of the PA request cannot be easily quantified given the high variability between different procedures and the unique circumstances of each patient. If a paper PA request is submitted, there would

be additional staff time to resubmit the request electronically. The cost in staff time would be the time multiplied by the staff's hourly wage.

An additional cost of the rule would occur when a PA request is denied. The denial would result in any associated claims not being reimbursed. The cost of the denied claims is difficult to calculate due to the high variability in the reimbursement for different procedure types and the volume of claims generated by a particular provider requiring PA.

- 13. Does the rule increase local government costs? (If yes, you must complete an RSFA Part B). Yes**
- 14. Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C). No**
- 15. 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**

- 16. Was this rule filed with the Common Sense Initiative Office? Yes**
- 17. Does this rule have an adverse impact on business? Yes**

- A. Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? Yes**

This rule is about prior authorization and when it is required. Prior authorization for certain healthcare services is a standard practice in both public and private sectors of the industry. PA is used on specific services to ensure program integrity and prevent fraud.

- 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? Yes**

The sanction included in the rule is that a service or item requiring prior authorization will not be reimbursed if prior authorization is not sought prior to the service or item being provided and an exception does not exist.

- C. Does this rule require specific expenditures or the report of information as a condition of compliance? Yes**

The report of information is the request of prior authorization.

- 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? Yes**

The reduction in revenue would occur if the PA request was denied. Any associated claims requiring the prior authorization would be denied resulting in a loss of revenue.

**IV. Regulatory Restrictions (This section only applies to agencies indicated in R.C. 121.95 (A))**

- 18. 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?**

Not Applicable

- B. How many existing regulatory restrictions do you propose removing?**

Not Applicable

## Rule Summary and Fiscal Analysis

### Part B - Local Governments Questions

**1. Does the rule increase costs for:**

<b>A. Public School Districts</b>	Yes
<b>B. County Government</b>	Yes
<b>C. Township Government</b>	Yes
<b>D. City and Village Governments</b>	Yes

**2. Please estimate the total cost, in dollars, of compliance with the rule for the affected local government(s). If you cannot give a dollar cost, explain how the local government is financially impacted.**

The cost of the rule to providers would be the staff time necessary to submit the PA request and any additional documentation. The timeframe to gather the documentation required to justify the medical necessity of the PA request cannot be easily quantified given the high variability between different procedures and the unique circumstances of each patient. If a paper PA request is submitted, there would be additional staff time to resubmit the request electronically. The cost in staff time would be the time multiplied by the staff's hourly wage.

An additional cost of the rule would occur when a PA request is denied. The denial would result in any associated claims not being reimbursed. The cost of the denied claims is difficult to calculate due to the high variability in the reimbursement for different procedure types and the volume of claims generated by a particular provider requiring PA.

**3. Is this rule the result of a federal government requirement? No**

- A. If yes, does this rule do more than the federal government requires? Not Applicable**
- B. If yes, what are the costs, in dollars, to the local government for the regulation that exceeds the federal government requirement?**

*Not Applicable*

**4. Please provide an estimated cost of compliance for the proposed rule if it has an impact on the following:**

**A. Personnel Costs**

The cost to providers would be the staff time necessary to submit the PA request, or the request for reconsideration and any additional documentation multiplied by the staff's hourly wage. The cost of the returning the paper PA request would be the delay in obtaining approval for the procedure requiring PA along with the staff time used to submit the original paper and the time to resubmit the request electronically times their hourly wage.

**B. New Equipment or Other Capital Costs**

There would be no additional costs for equipment or other capital costs from this rule.

**C. Operating Costs**

There would be no new operating costs associated with this rule.

**D. Any Indirect Central Service Costs**

There would be no indirect costs associated with this rule.

**E. Other Costs**

There would be no other costs associated with this rule.

**5. Please explain how the local government(s) will be able to pay for the increased costs associated with the rule.**

The payment for services requiring PA should offset the costs associated with this necessary practice to ensure program integrity and prevent fraud.

**6. What will be the impact on economic development, if any, as the result of this rule?**

Economic development should be impacted positively due to the reimbursement for services approved through the PA process.