



# Common Sense Initiative

Mike DeWine, Governor  
Jon Husted, Lt. Governor

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## Business Impact Analysis

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

Rule Contact Name and Contact Information: Pete Mihaly (614) 466-3186

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 11, 2023

Public Comment Period End Date: October 25, 2023

**Rule Type/Number of Rules:**

New/\_\_\_ rules

No Change/\_\_\_ rules (FYR? \_\_\_)

Amended/ 1 rules (FYR? No)

Rescinded/\_\_\_ rules (FYR?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):

- a. ☐ Requires a license, permit, or any other prior authorization to engage in or operate a line of business.
- b. ☐ Imposes a criminal penalty, a civil penalty, or another sanction, or creates a cause of action for failure to comply with its terms.
- c. ☒ Requires specific expenditures or the report of information as a condition of compliance.
- d. ☐ 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 2024, BWC is proposing to:

- Adopt Medicare 2024 IPPS rule updates
  - 3.1% increase in the market basket (inflation)
  - Quality and value related program adjustments (pay for performance)
- Continue to offset Medicare legislative mandates
- Adopt a BWC payment adjustment factor (PAF) of 118.1% of the Medicare rate.

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 implements a federal requirement, but 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 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.

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

Not Applicable.

### **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 with a two week comment period starting July 31, 2023. Notice was

e-mailed to the following lists of stakeholders:

- BWC's Managed Care Organizations (MCOs)
- BWC's Medical Services Division's medical provider stakeholder list
- BWC's Health Care 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 25, 2023.

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

The Ohio Hospital Association's (OHA) Director of Health Economics and Policy submitted a letter indicating OHA is supportive of BWC's 2024 proposed rule..

**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?**

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? *Alternative regulations may include performance-based regulations, which define the required outcome, but do not dictate the process the regulated stakeholders must use to comply.***

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

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."

**14. 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**

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**15. Provide a summary of the estimated cost of compliance with the rule(s). 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 as well as self-insured employers administering the program.  
and

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

*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 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 have chosen to adopt the BWC inpatient reimbursement methodology, those employers will have similar impacts as hospitals.

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.

**16. Are there any proposed changes to the rules that will reduce a regulatory burden imposed on the business community? Please identify. (*Reductions in regulatory burden may include streamlining reporting processes, simplifying rules to improve readability, eliminating requirements, reducing compliance time or fees, or other related factors*).**

No.

**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 this rule.

**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, and 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.