

**MEMORANDUM**

TO: Tom Sico, Bureau of Workers' Compensation

FROM: Paula Steele, Regulatory Policy Advocate

DATE: November 19, 2012

RE: **CSI Review – Inpatient hospital fee schedule (OAC 4123-6-37.1)**

On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) section 107.54, the CSI Office has reviewed the abovementioned administrative rule package and associated Business Impact Analysis (BIA). This memo represents the CSI Office's comments to the Agency as provided for in ORC 107.54.

Analysis

This rule package consists of one Bureau of Workers' Compensation (BWC) amended draft rule that establishes the methodology for determining fees paid by the Bureau to providers of inpatient hospital services for injured workers. The rule currently exists and is being updated as part of a required annual update. The rule package was filed with the CSI Office on October 16, 2012 with a public comment period ending on November 5, 2012. There was one comment received during the public comment period.

The proposed OAC 4123-6-37.1 is intended to allow Ohio's injured workers access to quality medical care while ensuring a competitive inpatient hospital fee. The reimbursement rate methodology is based on a variation of the Medicare severity diagnosis related group (MS-DRG) reimbursement rate. The proposed amendments update references, change or eliminate rate factors, and provide reimbursement methodology for hospitals not participating in the Medicare program.

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In August 2012, the Bureau reached out to stakeholders such as managed care organizations, service providers, and employer organizations. According to the BIA, the Bureau made some changes in response to the stakeholder input but it did not include a rationale for why the Bureau chose Medicare reimbursement rates as a foundation for payment for services. The Ohio Hospital Association expressed concern over the long-term plan and impact of providing injured workers services while enduring annual cuts in fees.

The CSI Office followed up with the Bureau to gain a better understanding of the context of the Medicare reimbursement rate choice. In addition, CSI discussed the possibility of the Bureau holding long-term planning discussions with the interested stakeholders. According to the Bureau, the Administrator has acknowledged the importance of a long-term plan and is willing to hold discussions to address stakeholder concerns. This message has been communicated to the Ohio Hospital Association, which expressed support for this approach. In addition, the Bureau is taking steps to dedicate exclusive resources in the first quarter of 2013 for the purpose of evaluating and developing fee schedules.

After reviewing the proposed rule and the associated BIA, the CSI Office has determined that the rule satisfactorily meets the standards espoused by the CSI Office, and the purpose of the rule is justified.

Recommendations

For the reasons explained above this office does not have any recommendations regarding this rule.

Conclusion

Based on the above comments, the CSI Office concludes that the Bureau should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.

Cc: Stephen Buehrer, Administrator/CEO, Ohio Bureau of Workers' Compensation
Mark Hamlin, Lt. Governor's Office