

**MEMORANDUM**

**TO:** James Tassie, Policy Director, Ohio Department of Medicaid

**FROM:** Paula Steele, Regulatory Policy Advocate

**DATE:** February 25, 2015

**RE:** **CSI Review – Hospital Free Care and Disproportionate Share Hospitals** (OAC 5160-2-07.5, 5160-2-07.17, 5160-2-08, 5160-2-08.1, 5160-2-09, 5160-2-10)

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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This Ohio Department of Medicaid (ODM) rule package consists of six draft rules - one rescinded and five amended - being proposed under the five-year review required by Ohio statute. The proposed rules address aspects of Ohio's hospital free care and disproportionate share hospitals (DSH). This rule package was filed with the CSI Office on December 24, 2014 and the comment period for the rules closed on December 31, 2014. One comment was received during the public comment period.

The federal government requires the state Medicaid agencies to have a Disproportionate Share Hospital (DSH) program to help fund the treatment of indigent patients and cover Medicaid payment shortfalls. Under this program, each hospital facility receiving Medicaid payments is assessed an amount based on prescribed calculations. The assessed amounts and additional federal funding are then redistributed back to hospitals based on the proportions of free and Medicaid services provided. The proposed rules address methodologies and data usage for making determinations, hospital requirements, assessment rates, payment distribution formulas

and psychiatric hospitals' payment distribution formulas.

According to the BIA, ODM engaged stakeholders in the rule development stage and during that time the Ohio Hospital Association (OHA) suggested changes to the distribution formula. The suggested changes were incorporated into the proposed rules.

OHA also submitted a public comment generally supporting the proposed rules but also requested that ODM consider providing hospitals with more time to make data adjustments. On February 2, 2015 ODM responded that the hospitals had adequate time to make adjustments and that further changes would cause delays in the program's operation.

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.

#### **Recommendation**

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

#### **Conclusion**

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

cc: Mark Hamlin, Lt. Governor's Office