



Hospital Handbook Transmittal Letter (HHTL) 3352-18-07

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**TO: All Hospital Providers
Directors, County Departments of Job and Family Services**

FROM: Barbara R. Sears, Director

SUBJECT: Inpatient and Outpatient Hospital Reimbursement on or after September 1, 2018

Summary

This Hospital Handbook Transmittal Letter (HHTL) provides information pertaining to revisions to the payment policies for inpatient and outpatient hospital services as well as defines the payment peer groups and corresponding payment methodologies for Ohio hospitals.

Ohio Administrative Code (OAC) rule 5160-2-05, OAC rule 5160-2-65, and OAC rule 5160-2-75 has been amended. Details of the amendments to each rule are noted below. The effective date of the amendments is September 1, 2018.

Rule Changes

Rule 5160-2-05, entitled "Classification of hospitals", sets forth the methodology in which hospitals, paid under the "All Patient Refined-Diagnosis Related Group" (APR-DRG) inpatient prospective payment system, the "Enhanced Ambulatory Patient Grouping" (EAPG) outpatient prospective payment system or those hospitals excluded from the prospective payment systems, are classified into mutually exclusive peer groups. This rule also defines the payment peer groups for Ohio hospitals and how they are paid.

This rule was amended to clarify that rural and urban hospitals refer to hospitals located in an Ohio county. This rule has also been amended to update the reclassification provision so that beginning on or after January 1, 2019, any hospital geographically located in an Ohio county that has been newly included or newly excluded from a Core Based Statistical Area (CBSA), as designated in the inpatient prospective payment system (IPPS) case-mix and wage index table as published by the Centers for Medicare and Medicaid Services (CMS), shall be placed into either the rural peer group or, based on the Ohio county in which the hospital is located, the urban peer group for the new classification. The hospital's new base rate shall be the average cost per discharge of the new peer group without any consideration for hospital-specific risk provisions of either the new or previous peer group.

Additionally, a new paragraph was added to describe how rates are determined for new, acquired, merged and replacement hospitals. For hospitals newly enrolled in Medicaid and paid on a

prospective payment basis, the base rate shall be the base rate of the peer group in which they are classified, without any consideration for hospital-specific risk provisions, and shall receive the statewide average for capital allowance, and the statewide average for both inpatient and outpatient cost-to-charge ratios until a cost report is filed by the new owner and hospital-specific rates are calculated. For hospitals newly enrolled in Medicaid and paid on a reasonable cost basis, rates shall be ninety percent of the statewide average for both inpatient and outpatient cost-to-charge ratios until a cost report is filed by the new owner and hospital-specific rates are calculated based on the cost report. For acquired and replacement hospitals, rates shall be equal to the prior owner's rates until a cost report is filed by the new owner and hospital-specific rates are calculated based on the cost report. For hospitals that have merged, rates from the surviving Medicaid provider number shall be used until a cost report is filed and hospital-specific rates are calculated based on the cost report. Additional changes to this rule included updating date references to the Code of Federal Regulations that are referenced in this rule and removing the provision regarding OAC rule 5160-2-07.2.

Rule 5160-2-65, entitled “Inpatient hospital reimbursement,” sets forth the Medicaid hospital reimbursement methodology for hospitals subject to APR-DRG prospective payment. The Department amended the policy regarding inpatient hospital reimbursement. The amendments to this rule are intended to continue the reform and modernization of the inpatient hospital reimbursement methodology. The formula used to calculate inpatient payments has not changed. However, the data sources and the Diagnosis Related Groups (DRG) relative weight component used to calculate these payments have changed. More recent hospital claims data and hospital cost report data have been used to compute the DRG relative weights. This rule was also amended to include the psychiatric DRGs 750-759 in the relative weights computation. Additionally, the relative weight adjustment for Long Term Reversible Contraceptives (LARCs) was adjusted to three and eight hundredths percent from three and thirteen hundredths percent. Lastly, the coding adjustment implemented to correct for increased coding specificity as a result of the implementation of the International Classification Of Diseases, Tenth Revision (ICD-10) was removed as the inpatient hospital claims used in the updated dataset for the computation of the DRG relative weights fully incorporate ICD-10 coding.

Rule 5160-2-75, entitled “Outpatient hospital reimbursement” sets forth the Medicaid hospital reimbursement methodology for hospitals subject to EAPG prospective payment. The Department has amended the policy regarding outpatient hospital reimbursement. The amendments to this rule are intended to continue the reform and modernization of the outpatient hospital reimbursement methodology. The formula used to calculate outpatient payments has not changed. The Department removed the discounting factor applicable to observation services. The Department also amended this policy to add paragraph (G)(1)(a)(iv). Lastly, the Department added payment for acupuncture services limited to the treatment of low back pain and migraine headache.

Access to Rules and Related Material

Stakeholders who want to receive notification when ODM original or final files a rule package may visit JCARR’s RuleWatch at www.rulewatchohio.gov where an account can be created to be notified of rule actions by rule number or department.

Stakeholders can subscribe to receive notification when a clearance or BIA is posted for public comment on the Ohio Business Gateway here: <http://business.ohio.gov/reform/enotify/subscription.aspx>

The main web page of the ODM includes links to valuable information about its services and programs; the address is <http://medicaid.ohio.gov/>.

To access ODM Fee Schedule and Rates, go to medicaid.ohio.gov > Providers > Fee Schedule and Rates > Click "I Agree":

Additional Information

Questions pertaining to this letter should be addressed to:

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or

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