

Title of Rule: Revision to the Medical Assistance Rule for Outpatient Hospital Reimbursement
Rule Number: MSB 09-10-29-A
Division / Contact / Phone: Rates / Elizabeth Lopez / 6018

STATEMENT OF BASIS AND PURPOSE

1. Summary of the basis and purpose for the rule or rule change. (State what the rule says or does and explain why the rule or rule change is necessary).

The proposed rule change will reduce reimbursement to hospitals for outpatient services from 70.9 percent of cost to 70 percent of cost.

2. An emergency rule-making is imperatively necessary

to comply with state or federal law or federal regulation and/or

for the preservation of public health, safety and welfare.

Explain:

The Department may not be able to provide rate the services necessary to preserve the public health, safety and welfare, if the provider rate reductions are not implemented.

3. Federal authority for the Rule, if any:

Social Security Act, Section 1902(a)(30)(A)

4. State Authority for the Rule:

25.5-1-301 through 25.5-1-303, C.R.S. (2009);
24-4-103(6), C.R.S., (2008)

Initial Review

Proposed Effective Date

01/01/2010

Final Adoption

Emergency Adoption

11/13/2009

DOCUMENT #02

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REGULATORY ANALYSIS

1. Describe the classes of persons who will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule.

Hospitals in Colorado will receive reduced reimbursement for outpatient hospital services

2. To the extent practicable, describe the probable quantitative and qualitative impact of the proposed rule, economic or otherwise, upon affected classes of persons.

Reimbursement to hospitals for outpatient services is estimated to be additionally reduced by \$827,149 for FY 09-10.

3. Discuss the probable costs to the Department and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues.

None

4. Compare the probable costs and benefits of the proposed rule to the probable costs and benefits of inaction.

The benefit of the proposed rule revision is a reduction in outpatient hospital expenditures, which will help offset the projected state budget shortfall and allow the Department to provide outpatient hospital benefits without significant changes in coverage. The cost is that hospitals may receive less reimbursement for outpatient treatment. If the Department does not reduce expenditures and help offset the state budget shortfall, the outpatient hospital benefit and/or other Medicaid benefits may have to be reduced significantly.

5. Determine whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule.

The targeted reduction of provider reimbursement rates, including those for outpatient hospital services, is one of the most effective means to reduce expenditures given the size of the forecasted state budget shortfall and the urgency in which the shortfall must be offset.

6. Describe any alternative methods for achieving the purpose for the proposed rule that were seriously considered by the Department and the reasons why they were rejected in favor of the proposed rule.

The Department is taking many steps to reduce expenditures, including other targeted provider rate reductions

1 **8.300.6 Payments For Outpatient Hospital Services**

2 **8.300.6.A Payments to DRG Hospitals for Outpatient Services**

3 1. Payments to In-Network Colorado DRG Hospitals

4 Excluding items that are reimbursed according to the Department's fee schedule,
5 Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges
6 multiplied by the Medicare cost-to-charge ratio less 28%. When the Department
7 determines that the Medicare cost-to-charge ratio is not representative of a Hospital's
8 Outpatient costs, the cost-to-charge ratio may be calculated using historical data. A
9 periodic cost audit is done and any necessary retrospective adjustment is made to bring
10 reimbursement to the lower of actual audited Medicaid cost less 28% or billed charges
11 less 28%.

12 Effective September 1, 2009, Outpatient Hospital Services are reimbursed on an interim
13 basis at actual billed charges times the Medicare cost-to-charge ratio less 29.1 percent
14 (29.1%). When the Department determines that the Medicare cost-to-charge ratio is not
15 representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated
16 using historical data. A periodic cost audit is done and any necessary retrospective
17 adjustment is made to bring reimbursement to the lower of actual audited cost less 29.1
18 percent (29.1%) or billed charges less 29.1 percent (29.1%).

19 Effective January 1, 2010, Outpatient Hospital Services are reimbursed on an interim
20 basis at actual billed charges times the Medicare cost-to-charge ratio less 30 percent
21 (30%). When the Department determines that the Medicare cost-to-charge ratio is not
22 representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated
23 using historical data. A periodic cost audit is done and any necessary retrospective
24 adjustment is made to bring reimbursement to the lower of actual audited cost less 30
25 percent (30%) or billed charges less 30 percent (30%).

26
27 2. Payments to Out-of-Network DRG Hospitals

28 Excluding items that are reimbursed according to the Department's fee schedule, border-
29 state Hospitals and out-of-network Hospitals, including out-of-state Hospitals, shall be
30 paid 30% of billed charges for Outpatient Hospital Services. Consideration of additional
31 reimbursement shall be made on a case-by-case basis in accordance with supporting
32 documentation submitted by the Hospital.

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