

Economic Impact Statement

LSA Document #10-791

[IC 4-22-2.1-5](#) Statement Concerning Rules Affecting Small Businesses

[IC 4-22-2.1-5\(a\)](#) provides that an agency that intends to adopt a rule under [IC 4-22-2](#) that will impose requirements or costs on small businesses must prepare a statement that describes the annual economic impact of the rule on small businesses after the rule is fully implemented as described in [IC 4-22-2.1-5\(b\)](#).

LSA Document #10-791 amends [405 IAC 5-17-2](#) to modify the prior authorization requirements for all nonemergent inpatient hospital admissions that are not covered by Medicare.

Economic Impact on Small Businesses**1. An estimate of the number of small businesses, classified by industry sector that will be subject to the proposed rule.**

[IC 5-28-2-6](#) defines a small business as a business entity that satisfies the following requirements:

- (1) On at least fifty percent (50%) of the working days of the business entity occurring during the preceding calendar year, the business entity employed not more than one hundred fifty (150) employees.
- (2) The majority of the employees of the business entity work in Indiana.

The OMPP estimates that there are seven hospital providers out of a total of 163 hospital providers that are Medicaid certified and meet the criteria of [IC 4-22-2.1-4](#) as a small business.

2. An estimate of the average annual reporting, record keeping, and other administrative costs that small business will incur to comply with the proposed rule.

The OMPP estimates that there are seven hospital providers that meet the criteria of [IC 4-22-2.1-4](#) as a small business. Based on a review of Medicaid inpatient claims for services rendered during calendar 2009 by these hospitals, the OMPP identified 238 inpatient Medicaid fee-for-service claims and 260 inpatient Medicaid "shadow" claims paid by Medicaid managed care organizations. This includes 97 Medicaid fee-for-service claims that are for nonemergent inpatient hospital admissions, and this rule amendment would require prior authorization for these 97 claims, which represent approximately 20% of the total annual Medicaid fee-for-service and managed care inpatient hospital admissions for these seven hospitals.

Medicaid managed care organization policies already require prior authorization for nonemergent inpatient hospital admissions. This rule amendment merely aligns the Medicaid fee-for-service prior authorization policy for nonemergent inpatient hospital admissions with other payers, including Medicaid managed care organizations and commercial payers. Because hospitals have prior authorization processes and resources already in place for nonemergent inpatient hospital admissions for other payers (including Medicaid managed care organizations), as well as for certain other Medicaid fee-for-service inpatient hospital admissions, such as psychiatric, rehabilitation, and burn cases, the OMPP estimates that any additional cost incurred by small businesses to obtain prior authorization for nonemergent Medicaid fee-for-service inpatient hospital admissions as required by this rule change will be de minimis and readily absorbed by existing hospital administrative resources.

3. An estimate of the total annual economic impact that compliance will have on small businesses subject to the rule.

This rule amendment aligns the Medicaid fee-for-service prior authorization policy for nonemergent inpatient hospital admissions with other payers, including Medicaid managed care organizations and commercial payers. Hospitals have prior authorization processes and resources already in place for nonemergent inpatient hospital admissions for other payers (including Medicaid managed care organizations), as well as for certain other Medicaid fee-for-service inpatient hospital admissions, such as psychiatric, rehabilitation, and burn cases. Thus, OMPP estimates that any additional cost incurred by small businesses to obtain prior authorization for nonemergent Medicaid fee-for-service inpatient hospital admissions as required by this rule change will be de minimis and easily implemented with existing hospital administrative resources.

4. A statement justifying any requirement or cost that is imposed by the rule and not expressly required by law. The statement must reference any data, studies, or analyses relied upon by the agency in determining imposition of the requirement or cost is necessary.

This rule amendment is necessary to align the Medicaid fee-for-service prior authorization policy for nonemergent inpatient hospital admissions with other payers, including Medicaid managed care organizations and commercial payers.

5. Any regulatory flexibility analysis that considers any less intrusive or less costly alternative methods of achieving the same purpose.

Other factors considered:

A. Establishment of less stringent compliance or reporting requirements for small businesses.

The OMPP has determined that there are no other less stringent compliance or reporting requirement, other than requiring prior authorization, which is consistent with other payers, including Medicaid managed care organizations and commercial payers.

B. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.

See response to 5.A. above.

C. Consolidation or simplification of compliance or reporting requirements for small businesses.

This rule amendment will make prior authorization requirements for nonemergent inpatient hospital admissions consistent for all hospital providers, including small businesses, since prior authorization will now be required for Medicaid fee for service claims, which is consistent with other payers, including Medicaid managed care organizations and commercial payers.

D. Establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.

The OMPP has determined that establishing performance standards for small businesses, rather than requiring prior authorization for nonemergent inpatient hospital admissions, would create a greater burden on small businesses.

E. Exemption of small businesses from part or all of the requirements or costs imposed by the rule.

The OMPP has determined that it can no longer exempt hospitals, including small businesses, from the prior authorization requirements that they are already subject to from other payers, including Medicaid managed care organizations and commercial payers.

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