

## Economic Impact Statement

LSA Document #15-418

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**

This memo is submitted in accordance with [IC 4-22-2.1](#), and formalizes the Indiana Family and Social Services Administration (FSSA) Office of Medicaid Policy and Planning's (OMPP) analysis of the small business impact of the attached rule amendment.

This proposed rule contains two proposed updates: 1) changes to the diagnosis and procedure coding rules, as required by federal law; and 2) updates to the definitions sections of [405 IAC 1](#) and [405 IAC 5](#).

The OMPP proposes to make changes associated with the implementation of the International Classification of Diseases 10th Revision (ICD-10) diagnosis and procedure codes as required by federal law and the revision of inpatient hospital diagnosis related group (DRG) payment rates. The Indiana Medicaid Program is required by federal law to utilize certain billing code systems for medical claims submitted for payment. Periodically, federal regulations require implementation of new or updated coding systems. 45 CFR 162.1002 requires that all entities covered by the Health Insurance Portability and Accountability Act (HIPAA) transition to ICD-10 on October 1, 2015. Therefore, the OMPP plans to implement a new DRG classification system, the 3M™ All-Patient Refined (APR) DRG grouper, that will accommodate ICD-10 diagnosis and procedure coding. The DRG system assigns a code to each inpatient hospital stay based upon the diagnoses and treatment, which is then used by the IndianaAIM claims processing system to determine payment. This change will ensure more accurate reporting of patient diagnoses for both treatment and billing. This will replace the current DRG grouper that does not accommodate ICD-10 and therefore can no longer be used for payment calculations. Inpatient hospital DRG rates are being revised in conjunction with the adoption of ICD-10 and the implementation of the new DRG system on October 1, 2015. This rule amendment also makes technical changes to [405 IAC 1-10.5](#), [405 IAC 5-1-5](#), [405 IAC 5-2-13](#), [405 IAC 5-3-5](#), and [405 IAC 5-3-6](#) to implement the ICD-10 transition.

Additionally, this proposed rule updates the definitions sections for both [405 IAC 1](#) and [405 IAC 5](#), and updates those terms as they are used throughout each section in both articles. These updates are intended to provide consistency and clarity in terminology and to remove outdated language used between both articles governing Medicaid services and providers. While this proposed rule affects most of the sections in [405 IAC 1](#) and [405 IAC 5](#), these changes are limited to updating the definitions and making any changes to terms solely as a logical outgrowth of those updates to the definitions. Thus, OMPP does not anticipate that these changes will have a substantive effect on benefits for Medicaid members or rules governing providers; rather, the updates from the definitions will allow for easier interpretation of the current Medicaid rules for all parties. OMPP does not anticipate any fiscal impact as a result of these changes, other than the minimis impact of updating forms or manuals as needed to reflect the updated terms used.

**Impact on Small Business**

The following section provides responses to the following questions outlined in [IC 4-22-2.1-5](#):

**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.

Regarding Inpatient Hospital DRG rule changes: The OMPP estimates that out of a total of 169 Indiana providers subject to the proposed ICD-10 rule changes, there are 18 Indiana Medicaid providers that meet the criteria of a small business.

Regarding the definitions updates: OMPP has an estimated 25,416 enrolled in-state providers. It is estimated that 21,740 small businesses are enrolled providers. The proposed rule is applicable to all small businesses who are enrolled providers.

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

Regarding Inpatient Hospital DRG rule changes: Hospitals are covered entities under HIPAA and are already required by federal law to transition to ICD-10. Costs incurred by small business to comply with the transition are a result of these federal requirements. The proposed rule amendment will not impose any additional annual reporting, record keeping, or other administrative costs on small businesses in order to comply with the proposed rule.

Regarding the definitions updates: These updates will not have an impact on reporting, record keeping, or administrative costs on small businesses. This rule does not impose any additional requirements on small businesses, and is intended simply to update and simplify the terms used throughout articles 1 and 5 of the

Medicaid rules, resulting in easier interpretation of the rules for providers.

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

Regarding Inpatient Hospital DRG rule changes: Hospitals are covered entities under HIPAA and are already required by federal law to transition to ICD-10. The economic impact on small business to comply with the transition is a result of these federal requirements. There is no additional economic impact that compliance will have on a small business subject to this rule.

Regarding the definitions updates: These updates are not anticipated to have an economic impact on compliance of small businesses. These updates are solely intended to use consistent terms throughout articles 1 and 5 of the Medicaid rules and to update outdated terminology. Thus, this rule adds no additional compliance requirements for small businesses.

**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.**

Regarding Inpatient Hospital DRG rule changes: Hospitals are covered entities under HIPAA and are already required by federal law to transition to ICD-10. Costs imposed on small business to comply with the transition are a result of these federal requirements. The proposed rule amendment will not impose any additional requirement or cost on small businesses in order to comply with the proposed rule.

Regarding the definitions updates: These updates are not anticipated to impose any cost requirements on small businesses. These updates are solely intended to use consistent terms throughout articles 1 and 5 of the Medicaid rules and to update outdated terminology so that the rules are easier to understand and interpret. Thus, this rule adds no additional cost requirements for small businesses.

**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.**

Regarding Inpatient Hospital DRG rule changes: The purpose of the proposed rule is to implement the federally required transition to the ICD-10 system by updating the DRG classification system to support the ICD-10 change. This proposed rule change does not amend compliance or reporting requirements for providers outside of what is already required by federal law, so there are no less stringent compliance or reporting requirements for small businesses that could be implemented in order to achieve the same purpose of the proposed rule.

Regarding the definitions updates: These updates are not anticipated to have an impact on compliance or reporting requirements of small businesses. These updates are solely intended to use consistent terms throughout articles 1 and 5 of the Medicaid rules and to update outdated terminology so that the rules are easier to understand and interpret. Thus, establishing less stringent compliance or reporting requirements would not achieve the same purpose of the proposed rule.

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

Regarding Inpatient Hospital DRG rule changes: The ICD-10 transition deadline is governed by federal law; this proposed rule does not implement any other deadlines for compliance or reporting requirements, so there are no less stringent schedules or deadlines for compliance or reporting requirements for small businesses that could be implemented in order to achieve the same purpose of the proposed rule.

Regarding the definitions updates: These updates do not impose deadlines for compliance or reporting requirements on small businesses. These updates are solely intended to use consistent terms throughout articles 1 and 5 of the Medicaid rules and to update outdated terminology so that the rules are easier to understand and interpret. Thus, establishing less stringent deadlines for compliance or reporting requirements would not achieve the same purpose of the proposed rule.

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

Regarding Inpatient Hospital DRG rule changes: The rule has no impact on compliance or reporting requirements for small businesses. The ICD-10 transition deadline is governed by federal law; this proposed rule does not implement any other new compliance or reporting requirements for small businesses, so the consolidation or simplification of compliance or reporting requirements for small businesses could not be implemented in order to achieve the same purpose of the proposed rule.

Regarding the definitions updates: These updates do not impose any new compliance or reporting requirements on small businesses. These updates are solely intended to use consistent terms throughout articles 1 and 5 of the Medicaid rules and to update outdated terminology so that the rules are easier to understand and interpret. Thus, consolidation or simplification of compliance or reporting requirements would not achieve the same purpose of the proposed rule.

**D. Establishment of performance standards for small businesses instead of design or operational**

**standards imposed on other regulated entities by the rule.**

Regarding Inpatient Hospital DRG rule changes: The rule has no impact on performance or operational standards for small businesses. The ICD-10 transition is required by federal law; thus, no performance standards for small businesses instead of design or operational standards could be implemented in order to achieve the same purpose of the proposed rule.

Regarding the definitions updates: These updates do not implement any design or operational standards on small businesses or other regulated entities. These updates are solely intended to use consistent terms throughout articles 1 and 5 of the Medicaid rules and to update outdated terminology so that the rules are easier to understand and interpret. Thus, implementing performance standards rather than design or operational standards would not achieve the same purpose of the proposed rule.

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

Regarding Inpatient Hospital DRG rule changes: Hospitals are covered entities under HIPAA and are required to transition to ICD-10. Costs imposed on small business to comply with the transition are a result of these Federal requirements. The rule imposes no additional requirements or cost on small businesses. OMPP cannot exempt small businesses from the required transition to ICD-10 because it is required by federal law.

Regarding the definitions updates: These updates do not impose any new requirements or costs on small businesses. These updates are solely intended to use consistent terms throughout articles 1 and 5 of the Medicaid rules and to update outdated terminology so that the rules are easier to understand and interpret. Thus, exempting small businesses from part or all of the requirements or costs imposed by the rule would not achieve the same purpose of the proposed rule.

If there are any programmatic or fiscal questions, please contact Chris Fletcher at (317) 234-4753 or at [chris.fletcher@fssa.in.gov](mailto:chris.fletcher@fssa.in.gov). Questions regarding any other aspect of the proposed changes should also be addressed to Leslie Huckleberry at (317) 232-1246 or at [leslie.huckleberry@fssa.in.gov](mailto:leslie.huckleberry@fssa.in.gov).

*Posted: 05/18/2016 by Legislative Services Agency*

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