Fiscal Impact Analysis
Permanent Rule Amendments and Adoptions with Substantial Economic Impact

Agency Proposing Rule Change

North Carolina Medical Care Commission

Contact Persons

Megan Lamphere, Rulemaking Coordinator, N.C. Medical Care Commission	(919) 855-3974
Azzie Conley, Chief, Acute & Home Care Licensure & Certification Section	(919) 855-4646
Drexdal Pratt, Secretary, N.C. Medical Care Commission (DHSR Director)	(919) 855-3750
Charles Frock, Member, N.C. Medical Care Commission	(919) 855-3750

Impact Summary

Entity	Impact	Initial Cost Statewide	On-going Cost Statewide
Federal Government	None	$0	$0
State Government	Minimal Impact	$127,482	$97,471
Local Government	Minimal Impact	$202,740	$155,940
Licensed Facilities	Substantial Impact	$5,413,064	$4,214,784
TOTAL		**$5,743,286**	**$4,468,195**

Statutory Authority

N.C.G.A. Session Law 2013-382 *(Effective Date: August 21, 2013 and October 1, 2013)*
Gen. Stat. 131E-105A-2(9)
Gen. Stat. 131E-91
Gen. Stat. 131E-97.3
Gen. Stat. 131E-99
Gen. Stat. 131E-147.1
Gen. Stat. 131E-214.4
Gen. Stat. 131E-214.5
Gen. Stat. 131E-214.6
Gen. Stat. 131E-214.7
Gen. Stat. 131E-214.8

Rule Citations:

10A NCAC 13B - Licensing of Hospitals

- Definitions 10A NCAC 13B .2101 (Adopt)
- Reporting Requirements 10A NCAC 13B .2102 (Adopt)
- 100 Most Frequently Reported Diagnostic Related Groups (DRGS) 10A NCAC 13B .2103 (Adopt)
- 20 Most Common Outpatient Imaging Procedures 10A NCAC 13B .2104 (Adopt)
- 20 Most Common Outpatient Surgical Procedures 10A NCAC 13B .2105 (Adopt)
- Itemized Charges 10A NCAC 13B .3110 (Amend)
- Required Policies, Rules, and Regulations 10A NCAC 13B .3502 (Amend)

10A NCAC 13C - Licensing of Ambulatory Surgical Facilities

- Definitions 10A NCAC 13C .0103 (Amend)
- Requirements for Issuance of License .0202 (Amend)
- Itemized Charges 10A NCAC 13C .0205 (Amend)
- Reporting Requirements 10A NCAC 13C .0206 (Adopt)
- 20 Most Common Outpatient Imaging Procedures 10A NCAC 13C .0207 (Adopt)
- 20 Most Common Outpatient Surgical Procedures 10A NCAC 13C .0208 (Adopt)
- Governing Authority 10A NCAC 13C .0301 (Amend)

Background

The proposed amendments and adoptions of rules in Chapters 10A NCAC 13B *Licensing of Hospitals* and 10A NCAC 13C *Licensing of Ambulatory Surgical Facilities* are in response to enactment of Session Law 2013-382, Part X. *Transparency in Health Care Costs* and Part XII. *Fair Health Care Facility Billing and Collections Practices*, which became effective on October 1, 2013. This act requires the N.C. Medical Care Commission (MCC) to adopt rules to ensure the provisions of act are properly implemented and the required data is submitted to the Department of Health and Human Services (DHHS) in a uniform manner.

In order for the MCC to comply with the statutory requirements to adopt rules, an ad hoc committee comprised of hospital and ambulatory surgical facility representatives, the public, DHHS staff, agency legal counsel, and chaired by a MCC member, met periodically from October 2013 through April 2014 to prepare these draft rules. Additionally, in order to ensure uniformity in data submission, the MCC has decided to utilize a certified statewide data processor to provide the format to be used by the affected facilities when submitting data pursuant to this statute.

Rule Summaries and Anticipated Fiscal Impact

The statute addresses hospital in-patient, hospital out-patient imaging and surgical procedures, and ambulatory surgical facility out-patient imaging and surgical procedures. When practical, this fiscal note will combine the areas common to both facility types, and separate the facilities where the procedures performed differ.

10A NCAC 13B .2101 and 10A NCAC 13C .0103

10A NCAC 13B .2101 and 10A NCAC 13C .0103 are definition rules. These rules are being adopted for hospitals and amended for ambulatory surgical facilities to provide clarity in language contained throughout the proposed revised rules for both hospitals and ambulatory surgical facilities.

Fiscal Impact – Statewide
No fiscal impact associated with the adoption or amendment of these rules.

10A NCAC 13C .0202

10A NCAC 13C .0202 contains a technical change that identifies the specific building code and costs for ambulatory surgical centers. This rule clarifies the updated name of an accrediting body for ambulatory surgical centers and deletes unnecessary language describing the owner of the facility. Additionally, a new paragraph has been added to require compliance with the data reporting requirements as a condition to license renewal as required by G.S. 131E-91.

Fiscal Impact – Statewide
No fiscal impact associated with the amendment of these rules.

10A NCAC 13B .2102 and **10A NCAC 13C .0206**

10A NCAC 13B .2102 and 10A NCAC 13C .0206 define the reporting requirements of the Diagnostic Related Groups (DRGs), Current Procedural Terminology (CPT), and Healthcare Common Procedure Coding System (HCPCS) codes for hospital in-patient, hospital out-patient imaging and surgical procedures, and ambulatory surgical facility out-patient imaging and surgical procedures. These rules also require the data to be submitted quarterly to the certified statewide data processor in a format provided by the certified statewide data processor.

The certified statewide data processor currently capturing hospital and ambulatory surgical center data pursuant to G.S 131E-214.4 for submission to the Division of Health Service Regulation is Truven Health Analytics. This data, in turn, will be submitted by Truven Health Analytics to the DHHS for placement on its website.

Since G.S. 131E-214.4 requires the statewide data processor to provide to the Division of Health Service Regulation "at no cost" healthcare data, Truven Heath Analytics is compensated for this service through a contractual agreement with each licensed hospital and ambulatory surgical center. Truven has implemented a fee schedule of the initial set-up cost and recurring submission charge (billed quarterly) for both facility types. The expansion of data required under S.L. 2013-382 will necessitate Truven to amend the current contracts with hospitals and ambulatory surgical centers to address the increased costs associated with statutory compliance.

Using Truven's current fee schedule, the fee structure for ambulatory surgical facilities, for both the initial set-up cost and recurring submission cost, will be applied uniformly to all licensed facilities. The fee structure for hospitals is established based upon patient discharges and consists of five tiers with *Tier 1* being utilized for hospitals with the lowest annual patient discharge rate and *Tier 5* being utilized for hospitals with the highest annual patient discharge rate.

The number of hospitals reflected for each Tier in Tables 3, 5 and 6 was identified following response by selected hospitals to an inquiry by the Division of Health Service Regulation comparing the number of licensed beds for each hospital with number of annual patient discharges.

The cost figures reflected in the following tables for data submission were obtained from Truven Health Analytics and survey data provided by the North Carolina Hospital Association. The figures reflected in the table for web site development and on-going maintenance was provided by DHHS.

Table 1. Ambulatory Surgical Facility Implementation Costs for all facilities per Truven Health Analytics Data Reporting Fee Schedule (per facility)

AMSF Category	Initial Fee charged by Truven	Recurring Annual Fee charged by Truven	FTE costs required for set-up and 1st quarter submission (40 hrs. @ 30.00/hr.)	Recurring quarterly FTE costs required for on-going submission (20 hrs. @ 30.00/hr.)	Total 1st Year Cost*	Total Recurring Annual Cost (4 quarters submission and recurring Truven fee)
All Facilities	$500	$250	$1,200	$600	$3,500	$2,650

*first year total calculated using initial set-up fee, plus first quarter FTE costs for set-up, plus three remaining quarters for on-going submission for total 1st year cost. Per hour FTE cost is based on the current rate for hiring a temp employee (Technology Support Analyst) at @ $30.00 / hour.

Table 2. Hospital Implementation Costs for all facilities per Truven Health Analytics Data Reporting Fee Schedule (per facility)

Hospital Category	Initial Fee charged by Truven	Recurring Annual Fee charged by Truven	Set-up cost plus 1st quarter submission	Recurring quarterly submission costs	Total 1st Year Cost*	Total Recurring Annual Cost
Tier 1	$200	$100	$16,032	$6,972	$37,148	$27,988
Tier 2	$400	$200	$16,032	$6,972	$37,348	$28,088
Tier 3	$600	$300	$16,032	$6,972	$37,548	$28,188
Tier 4	$800	$400	$16,032	$6,972	$37,748	$28,288
Tier 5	$1,000	$500	$16,032	$6,972	$37,948	$28,388

*first year total calculated using initial set-up fee, plus first quarter FTE costs for set-up, plus three remaining quarters for on-going submission for total 1st year cost.

Fiscal Impact – Federal Government
No fiscal impact associated with the adoption of these rules.

Fiscal Impact – State Government
The impact of compliance with these rules affects State-owned licensed hospitals due to new reporting requirements and DHHS due to increased costs for website development and a requirement to post data received quarterly.

State-Owned Licensed Hospitals

*(*There are two Tier 3 and one Tier 5 state-owned hospitals in the state.)*

Table 3. Total Data Reporting Costs for State-Owned Hospitals

Hospital Category	Number of Hospitals	Initial Fee charged by Truven	Recurring Annual Fee charged by Truven	Set-up cost plus 1st quarter submission	Recurring quarterly submission costs	Total 1st Year Cost*	Total Recurring Annual Cost
Tier 3	2	$1,200	$600	$32,064	$6,972	$75,096	$56,376
Tier 5	1	$1,000	$500	$16,032	$6,972	$37,948	$28,388
TOTAL	**3**					**$113,044**	**$84,764**

*first year total calculated using initial set-up fee, plus first quarter FTE costs for set-up, plus three remaining quarters for on-going submission for total 1st year cost. (Refer to Table 2 for base cost figures)

DHHS

In order to receive and post the data as required by statute, DHHS must develop a website that enables individuals to compare costs for each of the identified procedures. It also becomes necessary to update the website quarterly to reflect the data received for the current reporting period.

The following table reflects the costs to DHHS for developing and maintaining the website including quarterly updating of data received from Truven.

Table 4. Web Site Development and On-Going Annual Maintenance

Position Type	FTE per Hour Cost	Develop Database (80hrs/FTE)	Develop Website (40hrs/FTE)	Quarterly Website Data Posting (2hrs/FTE x 4 quarters)	Total Cost
Business and Technology Application Specialist	$43.27	$0	$1,730.80	$0	$1,730.80
Technology Support Analyst	$28.96	$2,316.80	$1,158.40	$231.68	$3,706.88

Fiscal Impact – Local Government

*(*There are five county-owned hospitals that are all in the Tier 3 category.)*

Table 5. Total Data Reporting Costs for County-Owned Hospitals

Hospital Category	Number of Hospitals	Initial Fee charged by Truven	Recurring Annual Fee charged by Truven	Set-up cost plus 1st quarter submission	Recurring quarterly submission costs	Total 1st Year Cost*	Total Recurring Annual Cost
Tier 3	5	$5,000	$2,500	$80,160	$34,860	$187,740	$140,940
TOTAL	**5**					**$187,740**	**$140,940**

*first year total calculated using initial set-up fee, plus first quarter FTE costs for set-up, plus three remaining quarters for on-going submission for total 1st year cost. (Refer to Table 2 for base cost figures)

Fiscal Impact – Licensed Facilities (Private Hospitals and Ambulatory Surgical Facilities)

Private Licensed Hospitals

*(*There are 118 Private Hospitals)*

Table 6. Total Statewide Private Hospital Data Reporting Costs

Hospital Category	Number of Hospitals	Initial Fee charged by Truven	Recurring Annual Fee charged by Truven	Set-up cost plus 1st quarter submission	Recurring quarterly submission costs	Total 1st Year Cost*	Total Recurring Annual Cost
Tier 1	30	$6,000	$3,000	$480,960	$209,160	$1,114,440	$839,640
Tier 1	18	$7,200	$3,600	$288,576	$125,496	$672,264	$505,584
Tier 3	50	$30,000	$15,000	$801,600	$348,600	$1,877,400	$1,409,400
Tier 4	10	$8,000	$4,000	$160,320	$69,720	$377,480	$282,880
Tier 5	10	$10,000	$5,000	$160,320	$69,720	$379,480	$283,880
TOTAL	**118**					**$4,421,064**	**$3,321,384**

*first year total calculated using initial set-up fee, plus first quarter FTE costs for set-up, plus three remaining quarters for on-going submission for total 1st year cost. (Refer to Table 2 for base cost figures)

Ambulatory Surgical Facilities
*(*There are 116 licensed ambulatory surgical facilities.)*

Table 7. Statewide Ambulatory Surgical Facility Implementation Costs per Truven Health Analytics Data Reporting Costs

AMSF Category	Number of Hospitals	Initial Fee charged by Truven	Recurring Annual Fee charged by Truven	Set-up cost plus 1st quarter submission	Recurring quarterly submission costs	Total 1st Year Cost*	Total Recurring Annual Cost
AMSF	116	$58,000	$29,000	$139,200	$69,600	$406,000	$307,400
TOTAL	**116**					**$406,000**	**$307,400**

*first year total calculated using initial set-up fee, plus first quarter FTE costs for set-up, plus three remaining quarters for on-going submission for total 1st year cost. (Refer to Table 1 for base cost figures)

10A NCAC 13B .3110 and **10A NCAC 13C .0205**

10A NCAC 13B .3110 and 10A NCAC 13C .0205 define itemized charges to be included in a patient's bill for services rendered in the hospital or ambulatory surgical facility. This revision clarifies how long the patient has to request an itemized bill following receipt of a non-itemized bill and requires that the language in the itemized bill be written in language comprehensible to an ordinary layperson.

Fiscal Impact – Federal Government
No fiscal impact associated with the adoption of these rules.

Fiscal Impact – State Government
No fiscal impact associated with the adoption of these rules.

Fiscal Impact – Local Government
No fiscal impact associated with the adoption of these rules.

Fiscal Impact – Licensed Facilities
The only impact this will involve is to extend the period under which the patient can request an itemized bill. This period was extended by statute from 30 days to 3 years. It is unknown how many requests will be received during this extended period but should result in only a negligible costs to hospitals and ambulatory surgical facilities.

10A NCAC 13B .2103

10A NCAC 13B .2103 provides a detailed list of the 100 most frequently reported diagnostic related groups. This list is required in order to comply with reporting a hospital's in-patient services. The MCC is required by S.L 2013-382 to provide these lists and publish the data received on its website.

The costs associated with populating this data into the format provided to the hospitals by the certified statewide data process is incorporated into the cost of compliance with rules 10A NCAC 13B .2102 as described above.

Fiscal Impact – Federal Government
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

Fiscal Impact – State Government
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

Fiscal Impact – Local Government
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

Fiscal Impact – Licensed Facilities
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

10A NCAC 13B .2104, .2105 and **10A NCAC 13C .0207 and .0208**

10A NCAC 13B .2104, .2105 and 10A NCAC 13C .0207 and .0208 provide a detailed list of the 20 most common outpatient imaging procedures and 20 most common outpatient surgical procedures provided by hospital outpatient clinics and ambulatory surgical facilities. The MCC is required by S.L 2013-382 to provide these lists and publish the data received on its website. The costs associated with populating this data into the format provided to the hospitals and ambulatory surgical facilities by the certified statewide data process in incorporated into the cost of compliance with rules 10A NCAC 13B .2102 and 10A NCAC 13C .0206 as described above.

Fiscal Impact – Federal Government
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

Fiscal Impact – State Government
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

Fiscal Impact – Local Government
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

Fiscal Impact – Licensed Facilities
The fiscal impact associated with the adoption of these rules is included under the reporting rules as previously described.

10A NCAC 13B .3502 and **10A NCAC 13C .0301**

10A NCAC 13B .3502 and 10A NCAC 13C .0301 have been amended to include both fair billing practices and transparency policies required for licensure of hospitals and ambulatory surgical facilities. Additionally, a new paragraph has been added to 10A NCAC 13B .3502 to require compliance with the data-reporting requirements as a condition to license renewal as required by G.S. 131E-91(e). This same reporting requirement was added to rule 10A NCAC 13C .0202 as described above. The drafting and implementing of these polices will be handled administratively.

Fiscal Impact – Federal Government
No fiscal impact associated with the amendment of this rule.

Fiscal Impact – State Government

State-owned Licensed Hospitals

It is estimated that in order to develop and implement these additional policies, approximately 40 FTE hours initially at an hourly rate of $75 per hour will be necessary to comply with the statutory requirements. There are currently three affected State-owned hospitals. The first-year cost to these facilities will be $3,000 per facility, for a total of $9,000.

Fiscal Impact Local Government

County-Owned Licensed Hospitals

It is estimated that in order to develop and implement these additional policies, approximately 40 FTE hours initially at an hourly rate of $75 per hour will be necessary to comply with the statutory requirements. There are currently five affected County-owned hospitals. The first-year cost to these facilities will be $3,000 per facility, for a total of $15,000.

Fiscal Impact Licensed Facilities

Non-State or County-Owned Licensed Hospitals

It is estimated that in order to develop and implement these additional policies, approximately 40 FTE hours initially at an hourly rate of $75 per hour will be necessary to comply with the statutory requirements. There are currently 118 affected Non-State or County-owned hospitals. The first-year cost to these facilities will be $3,000 per facility, for a total of $354,000.

Ambulatory Surgical Facilities

It is estimated that in order to develop and implement these additional policies, approximately 40 FTE hours initially at an hourly rate of $50 per hour will be necessary to comply with the statutory requirements. There are currently 116 affected facilities. The first-year cost to these facilities will be $2,000 per facility, for a total of $232,000.

Alternatives

One alternative that was considered, was for the hospitals and ambulatory surgical facilities to directly report the data quarterly to the Department of Health and Human Services (Department) through the Division of Health Service Regulation (Division). This option was not favorable due to various factors which included cost, time constraints in meeting the statute's reporting deadline and lack of consistency for the providers in data reporting. The reporting instrument, a database to store the data and a website would need to be created in order for the hospitals and ambulatory surgical facilities to

report the data quarterly. To accomplish this, Division staff would need to spend time developing the reporting tool (Business Officer), developing the database and developing the website for implementation of the reported quarterly data from the database (Technology Support Analyst). Department staff would also need to spend time developing the overall website design for the public's interest (Business and Technology Support Analyst). In addition, since data will be submitted to the Division throughout the quarter with a quarter ending due date, 1.5 FTE of Division staff would need to be assigned to oversee the process of quarterly data reporting, which entails receiving and tracking reporting submissions by licensed facility type, facility inventory maintenance, following up with facilities that did not submit, reviewing data submissions, data entry of all submissions, training of providers on use of reporting tool and data analysis. Staffing for 1.5 FTEs for these tasks would be supplied through a temporary employment agency.

The Division and Department FTE Costs for data reporting directly from hospitals and ambulatory surgical facilities are as follows:

Position Type	FTE per Hour Cost	Develop Spreadsheet (24hrs/FTE)	Total Cost
Business Officer	$39.47	$947.28	$947.28

Position Type	FTE per Hour Cost	Develop Database (80hrs/FTE)	Develop Website (40hrs/FTE)	Quarterly Website Data Posting (2hrs/FTE x 4 quarters)	Total Cost
Business and Technology Application Specialist	$43.27	$0	$1730.80	$0	$1730.80
Technology Support Analyst	$28.96	$2316.80	$1158.40	$231.68	$3706.88

Position Type	FTE per Hour Cost	Oversee quarterly reporting process (1.5 FTE)	Total Annual Cost
Temporary Staffing agency - Analyst	$29.00	$90,480	$90,480

Even with using the state agency as the conduit for data submission, the hospitals and ambulatory surgical facilities will incur costs for the time it takes their staff to populate the data submission form, with initial set up and training and each subsequent quarterly reporting period as seen in the table below:

Facility Type	FTE's Required for Set-up ($75/hr) per facility	FTE's Required for Quarterly Reporting ($75/hr) per facility	Total 1st Year Cost per facility	Aggregate Total 1st Year Cost	Total Recurring Costs per facility	Aggregate Recurring Costs
Hospital	$6000 (80 hrs)	$3000 (40 hrs)	$18,000	$2,268,000 (126 facilities)	$12,000	$1,512,000 (126 facilities)
Ambulatory Surgical Center	$3000 (40 hrs)	$1500 (20 hrs)	$9000	$1,044,000 (116 facilities)	$6000	$696,000 (116 facilities)
Total	$9000	$4500	$27,000	$3,312,000	$18,000	$2,208,000

The total costs for the state agency to receive data submissions quarterly from hospitals and ambulatory surgical centers is seen in the table below:

Entity	Total 1st Year Cost	Total Recurring Cost
DHHS/DHSR	$96,613.48	$90,711.68
All Hospitals	$2,268,000	$1,512,000
All Ambulatory Surgical Centers	$1,044,000	$696,000
Total	$3,408,613.48	$2,298,711.68

The Division would need time to develop a reporting tool for the hospitals and ambulatory surgical facilities to use in submitting the data as required by statute directly to the state agency. In addition, staff would need to be in place to provide education on the use of the reporting tool to these facilities. The Division would also need time to develop a database to store the data submitted quarterly that had the ability to run reports, queries and load the database to the web server so the web pages can link to the database and post to the website for public to view. The statute requires June 30, 2014 to be the end date for the first quarter of data collection and all the facilities should be prepared to begin to submit data on July 1, 2014. In considering this alternative, the likelihood of the state agency's ability to receive data directly on July 1, 2014 was a concern to due to the short time frame to accomplish these tasks.

The statewide data processor has been collecting data on the 35 most frequently reported charges of hospitals and freestanding ambulatory surgical facilities in accordance with G.S. 131E-214.4. Data is submitted quarterly via a reporting tool with a large number of data elements. The facilities are currently familiar with this provider and their reporting process. Although a data reporting tool would need to be developed by the data processor for enactment of Session Law 2013-382, Part X, Transparency in Health Care Costs to capture the statutory reporting requirements, the practice of data submission to this provider is consistent to the current process. The statewide data processor would be able to create a new data reporting tool by using pertinent data fields from their current reporting tool and add new data fields; thus, meeting the statute's established deadline for data reporting is feasible. In addition, with providers currently submitting data quarterly to the data processor as required in G.S. 131E-214.4, should providers submit data quarterly to another entity such as the state agency, this lack of consistency with a quarterly data reporting entity may cause confusion in submission deadline dates and could potentially result in inadvertent submissions of the incorrect data reporting tool to the wrong reporting entity. Consistency is key for accuracy in data collection and reporting for the process transparency in health care costs to be beneficial to the public.

In consideration of the factors stated above, the alternative for the hospitals and ambulatory surgical facilities to directly report the data quarterly to the Department of Health and Human Services through the Division of Health Service Regulation was rejected.

Risk Analysis

Fiscal Impact Summary

There rules are used by state and local governments, licensed hospitals, licensed ambulatory surgical facilities, the certified statewide data processor and the DHHS to comply with the fair billing practices and transparency in healthcare costs mandates contained in S.L. 2013-382. The aggregate financial impact of these proposed permanent rules is reflected in the following table:

Entity	Initial Cost Statewide	On-going Cost Statewide
Federal Government	$0	$0
State Government	$127,482	$97,471
Local Government	$202,740	$155,940
Licensed Facilities	$5,413,064	$4,214,784
TOTAL	**$5,743,286**	**$4,468,195**