

TABLE II.—IMPACT ANALYSIS OF CHANGES FOR FY 2003—Continued
Operating prospective payment system, payments per case

	Num. of hosps.	Average FY 2002 payment per case ¹	Average FY 2003 payment per case ¹	All FY 2003 changes
	(1)	(2)	(3)	(4)
RRC	160	5,677	5,740	1.1
SCH	526	5,280	5,393	2.1
Medicare-dependent hospitals (MDH)	241	4,048	4,146	2.4
SCH and RRC	76	6,626	6,794	2.5
Type of Ownership:				
Voluntary	2,461	7,342	7,370	0.4
Proprietary	723	6,945	6,971	0.4
Government	869	6,809	6,850	0.6
Unknown	177	7,302	7,321	0.3
Medicare Utilization as a Percent of Inpatient Days:				
0–25	310	9,845	9,790	–0.6
25–50	1,613	8,267	8,271	0.1
50–65	1,677	6,257	6,318	1.0
Over 65	504	5,647	5,682	0.6
Unknown	126	8,992	9,015	0.2
Hospitals Reclassified by the Medicare Geographic Classification Review Board: FY 2002				
Reclassifications:				
All Reclassified Hospitals	628	6,530	6,603	1.1
Standardized Amount Only	28	5,971	6,026	0.9
Wage Index Only	521	6,749	6,798	0.7
Both	38	5,901	5,950	0.8
All Nonreclassified Hospitals	3,605	7,327	7,353	0.3
All Urban Reclassified Hospitals	113	8,610	8,618	0.1
Urban Nonreclassified Hospitals	11	5,794	5,807	0.2
Standardized Amount Only	87	9,211	9,199	–0.1
Wage Index Only	15	5,870	6,050	3.1
Both	2,473	7,690	7,702	0.2
All Reclassified Rural Hospitals	515	5,721	5,819	1.7
Standardized Amount Only	11	4,848	5,003	3.2
Wage Index Only	485	5,728	5,826	1.7
Both	19	5,875	5,977	1.7
Rural Nonreclassified Hospitals	1,094	4,516	4,611	2.1
Other Reclassified Hospitals (Section 1886(D)(8)(B))	35	4,894	5,024	2.7

¹ These payment amounts per case do not reflect any estimates of annual case-mix increase.

Table II presents the projected impact of the changes for FY 2003 for urban and rural hospitals and for the different categories of hospitals shown in Table I. It compares the estimated payments per case for FY 2002 with the average estimated per case payments for FY 2003, as calculated under our models. Thus, this table presents, in terms of the average dollar amounts paid per discharge, the combined effects of the changes presented in Table I. The percentage changes shown in the last column of Table II equal the percentage changes in average payments from column 7 of Table I.

VII. Impact of Specific Policy Changes

A. Impact of Changes Relating to EMTALA Provisions

We will address the proposed changes relating to the EMTALA provisions in a separate final rule to be published at a later date.

B. Impact of Policy Changes Relating to Provider-Based Entities

In section V.K. of the preamble of this final rule, we discuss our Medicare payment policy changes relating to determinations of provider-based status for entities of main providers. These changes are intended to focus mainly on issues raised by the hospital industry surrounding the provider-based regulations and to allow for an orderly and uniform implementation strategy once the grandfathering provision for these entities expires on September 30, 2002.

Because we believed it would be difficult to quantify the impact of these changes, in the May 9, 2002 proposed rule, we solicited comments on these issues.

We faced two problems that prevented us from developing quantitative impact estimates. First, we do not know what level of inappropriate billing is now occurring. We know from anecdotal evidence that, in the past,

many hospitals began billing for services of additional facilities as provider-based without seeking CMS approval or even notifying CMS of the existence of the facilities. While some of these facilities may have met provider-based criteria, others undoubtedly did not. Because we do not know what percentage of current payments to hospitals may be due to inappropriate billing, we do not have a baseline to use in projecting future savings from the revised regulations. Moreover, hospitals may furnish similar services at several locations but are not required to identify services at their various locations separately on their bills. Thus, even if a hospital voluntarily stops billing for a particular location's services as hospital services, it will be difficult to determine conclusively whether the reduction in payments resulted from this action or from unrelated factors, such as changes in utilization.

As noted above, we attempted to solicit assistance from commenters in