

TABLE 1.—PROPOSED COMPOSITION OF LOW VOLUME QUINTILES—Continued

Proposed LTC-DRG	Description
266***	SKIN GRAFT &/OR DEBRID EXCEPT FOR SKIN ULCER OR CELLULITIS W/O CC
288	O.R. PROCEDURES FOR OBESITY
304	KIDNEY, URETER & MAJOR BLADDER PROC FOR NON-NEOPL W CC
365	OTHER FEMALE REPRODUCTIVE SYSTEM O.R. PROCEDURES
401	LYMPHOMA & NON-ACUTE LEUKEMIA W OTHER O.R. PROC W CC
406	MYELOPROLIF DISORD OR POORLY DIFF NEOPL W MAJ O.R. PROC W CC
412	HISTORY OF MALIGNANCY W ENDOSCOPY
441	HAND PROCEDURES FOR INJURIES
471	BILATERAL OR MULTIPLE MAJOR JOINT PROCS OF LOWER EXTREMITY
482	TRACHEOSTOMY FOR FACE, MOUTH & NECK DIAGNOSES
488	HIV W EXTENSIVE O.R. PROCEDURE
494**	LAPAROSCOPIC CHOLECYSTECTOMY W/O C.D.E. W/O CC
499	BACK & NECK PROCEDURES EXCEPT SPINAL FUSION W CC
501	KNEE PROCEDURES W PDX OF INFECTION W CC
515	CARDIAC DEFIBRILATOR IMPLANT W/O CARDIAC CATH
534	EXTRACRANIAL VASCULAR PROCEDURES WITHOUT CC
536	CARDIAC DEFIB IMPLANT WITH CARDIAC CATH WITHOUT AMI/HF/SHOCK

* One of the original 163 low volume proposed LTC-DRGs initially assigned to a different proposed low volume quintile; reassigned to this proposed low volume quintile in addressing nonmonotonicity (see step 5 below).

** One of the original 163 low volume proposed LTC-DRGs initially assigned to this proposed low volume quintile; reassigned to a different proposed low volume quintile in addressing nonmonotonicity (see step 5 below).

*** One of the original 163 low volume proposed LTC-DRGs initially assigned to this proposed low volume quintile; removed from the proposed low volume quintiles in addressing nonmonotonicity (see step 5 below).

4. Steps for Determining the Proposed FY 2004 LTC-DRG Relative Weights

As we noted previously, the proposed FY 2004 LTC-DRG relative weights are determined in accordance with the methodology established in the August 30, 2002 LTCH PPS final rule (67 FR 55989–55991). In summary, LTCH cases must be grouped in the appropriate proposed LTC-DRG, while taking into account the low volume proposed LTC-DRGs as described above, before the proposed FY 2004 LTC-DRG relative weights can be determined. After grouping the cases in the appropriate proposed LTC-DRG, we are proposing to calculate the proposed relative weights for FY 2004 in this proposed rule by first removing statistical outliers and cases with a length of stay of 7 days or less. Next, we are proposing to adjust the number of cases in each proposed LTC-DRG for the effect of short-stay outlier cases under § 412.529. The short-stay adjusted discharges and corresponding charges would be used to calculate “relative adjusted weights” in each proposed LTC-DRG using the hospital-specific relative value method described above.

Below we discuss in detail the steps for calculating the proposed FY 2004 LTC-DRG relative weights, in accordance with the methodology established in the August 30, 2002 LTCH PPS final rule (67 FR 55989–55991).

Step 1—Remove statistical outliers. The first step in the calculation of the proposed FY 2004 LTC-DRG relative weights is to remove statistical outlier cases. We define statistical outliers as

cases that are outside of 3.0 standard deviations from the mean of the log distribution of both charges per case and the charges per day for each proposed LTC-DRG. These statistical outliers would be removed prior to calculating the proposed relative weights. We believe that they may represent aberrations in the data that distort the measure of average resource use. Including those LTCH cases in the calculation of the proposed relative weights could result in an inaccurate proposed relative weight that does not truly reflect relative resource use among the proposed LTC-DRGs.

Step 2—Remove cases with a length of stay of 7 days or less. The proposed FY 2004 LTC-DRG relative weights should reflect the average of resources used on representative cases of a specific type. Generally, cases with a length of stay 7 days or less do not belong in a LTCH, since such stays do not fully receive or benefit from treatment that is typical in a LTCH stay and full resources are often not used in the earlier stages of admission to a LTCH. If we were to include stays of 7 days or less in the computation of the proposed FY 2004 LTC-DRG relative weights, the value of many proposed relative weights would decrease and, therefore, payments would decrease to a level that may no longer be appropriate.

We do not believe that it would be appropriate to compromise the integrity of the payment determination for those LTCH cases that actually benefit from and receive a full course of treatment at a LTCH, in order to include data from these very short-stays. Thus, in

determining the proposed FY 2004 LTC-DRG relative weights, we remove LTCH cases with a length of stay of 7 days or less.

Step 3—Adjust charges for the effects of short-stay outliers. The third step in the calculation of the proposed FY 2004 LTC-DRG relative weights is to adjust each LTCH's charges per discharge for short-stay outlier cases (that is, a patient with a length of stay that is less than or equal to five-sixths the average length of stay of the LTC-DRG as described in the August 30, 2002 LTCH PPS final rule (67 FR 55977)).

We make this adjustment by counting a short-stay outlier as a fraction of a discharge based on the ratio of the length of stay of the case to the average length of stay for the proposed LTC-DRG for nonshort-stay outlier cases. This has the effect of proportionately reducing the impact of the lower charges for the short-stay outlier cases in calculating the average charge for the proposed LTC-DRG. This process produces the same result as if the actual charges per discharge of a short-stay outlier case were adjusted to what they would have been had the patient's length of stay been equal to the average length of stay of the proposed LTC-DRG.

As we explained in the August 30, 2002 LTCH PPS final rule (67 FR 55990), counting short-stay outlier cases as full discharges with no adjustment in determining the proposed LTC-DRG relative weights would lower the proposed LTC-DRG relative weight for affected proposed LTC-DRGs because the relatively lower charges of the short-