

that this expansion might reduce payments to some hospitals by as much as 4 percent. Rather, it suggested evaluating the impact of a limited expansion before extending the policy to more DRGs.

MedPAC's report cites several reasons for expanding the postacute care transfer policy beyond the current 10 DRGs. First, it notes the continuing shifts in services from the acute care setting to the postacute care setting. Second, the report points to different postacute care utilization for different hospitals, particularly based on geographic location. Third, the report states: "the expanded transfer policy provides a better set of incentives to protect beneficiaries from potential premature discharge to postacute care." Fourth, MedPAC notes that the policy improves payment equity across hospitals by: Reducing payments to hospitals that transfer patients to postacute care while making full payments to hospitals that provide all of the acute inpatient services in an acute care setting; and maintaining more accurate DRG weights that reflect the true resource utilization required to provide the full course of acute inpatient care, as distinguished from the partial services provided to patients who are transferred to postacute care.

Since the publication of last year's rule, we have conducted an extensive analysis to identify the best method by which to expand the postacute care

transfer policy. Similar to the analysis used to identify the current 10 DRGs, we are proposing to identify DRGs with high postacute care transfer rates and at least 14,000 transfer cases. However, rather than ranking DRGs on the basis of the percentage of all postacute care transfers, we are proposing to rank DRGs on the basis of the percentage of postacute care transfers occurring before the DRG geometric mean length of stay. This is because only transfers that occur before the geometric mean length of stay, minus one day due to the policy that hospitals receive double the per diem for the first day, are impacted by the transfer policy. In order to focus on those DRGs where this policy would have the most impact, we are proposing to include only DRGs where at least 10 percent of all cases that were transferred to postacute care before the geometric mean length of stay. The next proposed criterion is to identify DRGs with at least a 7-percent decline in length of stay over the past 5 years (from FY 1998 to FY 2003). This criterion would focus on those DRGs for which hospitals have been most aggressively discharging patients sooner into postacute care settings. Finally, we are proposing to include only DRGs with a geometric mean length of stay of at least 3 days because the full payment is reached on the second day for a DRG with a 3-day length of stay.

Using these criteria, we have identified 19 additional DRGs to include

in the postacute care transfer policy. However, some of the 13 DRGs proposed last year (and included in MedPAC's proposed expansion) are not included in this proposed rule. For example, DRGs 79 and 80 (Respiratory Infections and Inflammations Age >17 With and Without CC, respectively) were included in last year's proposed expansion but are not included in this proposed rule for FY 2004. DRGs 79 and 80 are excluded from this proposed rule because they did not exhibit a decline in length of stay of at least 7 percent over the past 5 years.

We note that 7 of these 19 DRGs are paired DRGs (that is, they contain a CC and no-CC split). Because these DRGs are paired DRGs (that is, the only difference in the cases assigned to DRG 130, for example, as opposed to DRG 131 is that the patient has a complicating or comorbid condition), we are proposing to include both DRGs under this expanded policy. If we were to include only DRG 130 in the transfer policy, there would be an incentive for hospitals not to include any code that would identify a complicating or comorbid condition, so that a transfer case would be assigned to DRG 131 instead of DRG 130.

Using the selection criteria described above, we identified the following 19 DRGs that we are proposing to include under the postacute care transfer policy (in addition to the 10 DRGs already subject to the policy).

DRG	DRG title	All transfer cases	Percent of all cases transferred to postacute care setting	Percent of cases transferred prior to mean length of stay	Percent change in mean length of stay FYs 1992-1998	Percent change in mean length of stay FYs 1998-2003
12 .....	Degenerative Nervous System Disorders .....	39,034	54.13	13.10	- 21.74	- 12.00
24 .....	Seizure and Headache Age >17 With CC .....	19,239	35.67	11.63	- 20.75	- 7.69
25 .....	Seizure and Headache Age >17 Without CC .....	4,738	19.15	2.15	- 14.29	- 10.71
89 .....	Simple Pneumonia and Pleurisy Age > 17 With CC .....	175,441	34.86	11.37	- 18.31	- 11.11
90 .....	Simple Pneumonia and Pleurisy Age >17 Without CC .....	9,544	20.86	2.82	- 20.37	- 15.00
121 .....	Circulatory Disorders With AMI and Major Complication, Discharged Alive.	79,242	52.52	20.46	- 21.95	- 11.67
122 .....	Circulatory Disorders With AMI Without Major Complications Discharged Alive.	33,028	48.91	24.09	- 26.67	- 23.08
130 .....	Peripheral Vascular Disorders With CC .....	31,106	37.78	14.27	- 13.11	- 11.76
131 .....	Peripheral Vascular Disorders Without CC .....	5,723	23.08	5.42	- 4.44	- 19.51
239 .....	Pathological Fractures and Musculoskeletal and Connective Tissue Malignancy.	23,188	53.54	21.96	- 22.67	- 7.55
243 .....	Medical Back Problems .....	36,772	41.49	13.61	- 14.00	- 7.50
277 .....	Cellulitis Age >17 With CC .....	35,015	37.77	14.03	- 21.43	- 7.84
278 .....	Cellulitis Age >17 Without CC .....	6,526	22.05	3.11	- 18.87	- 10.00
296 .....	Nutritional and Miscellaneous Metabolic Disorders Age >17 With CC.	104,216	40.05	11.88	- 21.67	- 9.30
297 .....	Nutritional and Miscellaneous Metabolic Disorders Age >17 Without CC.	12,649	28.03	2.17	- 17.50	- 10.00
320 .....	Kidney and Urinary Tract Infectious Age >17 With CC .....	77,669	44.64	12.40	- 23.88	- 8.51
321 .....	Kidney and Urinary Tract Infections Age >17 Without CC ....	8,610	29.90	5.67	- 20.41	- 13.89
462 .....	Rehabilitation .....	147,211	56.59	22.69	- 22.54	- 11.43
468 .....	Extensive O.R. Procedure Unrelated to Principal Diagnosis	24,783	44.51	18.53	- 20.30	- 7.07