

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, in the May 19, 2003 proposed rule, we proposed 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 proposed 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 proposed to include only DRGs where at least 10 percent of all cases were transferred to

postacute care before the geometric mean length of stay. (We note that preceding sentence was stated incorrectly in the proposed rule. The criterion should have read "at least 10 percent of all cases that were transferred to postacute care were transferred 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 proposed 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 proposed 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) were not included in the May 19, 2003 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 were not included in the proposed rule for FY 2004. DRGs 79 and 80 were excluded from the proposed rule because they did not exhibit a decline in length of stay of at least 7 percent over the past 5 years.

We noted that 7 of the proposed 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 proposed to include both DRGs under this expanded policy. If we were to include only DRG 130 in the transfer policy, we believed 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 proposed the following 19 DRGs 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 all 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

We proposed to revise § 412.4(d) to incorporate these additional 19 DRGs as qualifying DRGs for transfer payments

and to make a conforming change to § 412.4(c).

We also examined whether any of these DRGs would qualify for the alternative payment methodology of 50