

However, the incentives for acute care hospitals to reduce costs by transferring patients to a postacute care setting remain as strong as ever. Furthermore, duplicate payments would still exist if the acute care hospital is shifting costs for which it is paid under the IPPS to a postacute care provider; that is, receiving payment for the care under a prospective payment system (potentially at a rate even higher than its costs). Therefore, we believe there is still a need for the postacute care transfer policy, despite the adoption of prospective payment systems for most postacute care providers under Medicare. Similarly, it is appropriate to evaluate the need to expand the policy.

Comment: Commenters suggested that, under our proposed criterion for selecting additional DRGs to cover under the policy, we should apply the same criteria to the existing postacute care transfer DRGs as to the new proposed DRGs. These commenters pointed out that 7 of the 10 DRGs would not qualify under these criteria, and should no longer be included in the policy.

One commenter argued that DRG 209 should be removed from the current list of DRGs subject to the postacute care transfer policy because the rate of decline in the average length of stay for this DRG had fallen dramatically since its inclusion in the postacute care transfer policy.

In addition, one commenter applied the proposed criteria to more recent data and determined some of the DRGs proposed to be included in the policy no longer met all the criteria. Specifically, the commenter found that 11 of the 19 DRGs proposed to be included in the transfer policy fail to meet the criterion that at least 10 percent of the postacute care transfer cases occur prior to the geometric mean length of stay.

Several commenters also noted that it appears our analysis identifying the 19 DRGs that were proposed to be added to the list included transfers from IPPS-

exempt units. The commenters added that these units are not subject to the postacute care transfer policy and should not have been included in the analysis. The commenters pointed out that DRG 462 (Rehabilitation) only qualifies as a result of the inclusion of transfers from IPPS-exempt units in the analysis.

Response: We do not believe it is necessary to evaluate whether the lengths of stay for the DRGs currently included in the policy are declining. One would expect that, to the extent patients were being transferred early in the episode of care to a postacute care setting in order to minimize costs to the acute care hospital (as opposed to a general shift in the clinical care for particular cases, which is more likely to result in a continued drop in the length of stay despite the inclusion of the DRG in the transfer policy), inclusion of a particular DRG in the postacute care transfer policy would be likely to stabilize the mean length of stay for the DRG. Therefore, we did not evaluate the current DRGs included in the policy to the 7-percent decline in the length of stay criterion.

We also note that included in the commenter's list of 11 DRGs that it claim did not meet the new criteria, 6 of these DRGs are paired DRGs and were not selected based on meeting the criteria, but rather were included due to the paired nature of the DRG.

We have analyzed the remaining 5 DRGs the commenter identified as having not met the criteria that at least 10 percent of all postacute care transfer cases occur before the geometric mean length of stay. However, it appears the commenter divided the total number of transfer cases by the total number of cases in the DRG, rather than dividing by the number of postacute care transfer cases. Using the data the commenter provided to us, we found that all but 1 DRG met the 10 percent short-stay transfer definition we had proposed, with one DRG being a pair to another DRG that does meet the criterion.

However, we do agree with the notion that, to be included in the postacute care transfer policy, DRGs currently included in the policy should continue to meet all of the other applicable criteria. In addition, concerns from the commenters encouraged us evaluate whether the variation from year to year might also needs to be accounted for in our new criteria. Therefore, in order to improve the year-to-year stability of all the DRGs included in the policy, in this final rule, we are adding the requirement that the criteria must be met during both of the 2 most recent years for which data are available. That is, to be included in the policy, a DRG must have, for both of the 2 most recent years for which data are available:

- At least 14,000 cases postacute care transfer cases;
- At least 10 percent of its postacute care transfers occurring before the geometric mean length of stay;
- A geometric mean length of stay of at least 3 days; and
- If a DRG is not already included in the policy, a decline in its geometric mean length of stay during the most recent 5 year period of at least 7 percent.

Applying these criteria, we determined that DRG 263 no longer qualifies (there were only 13,588 postacute care transfer cases in this DRG during FY 2002). In addition, this is a paired DRG with DRG 264. Therefore, for FY 2004, we are no longer including DRGs 263 and 264 in the postacute care transfer policy.

We also corrected the programming error noted by the commenters that allowed IPPS-exempt units to be included in the analysis. Removing these units from the analysis resulted in the exclusion of some DRGs that were proposed to be included in the policy, and the inclusion of some new DRGs. The table below displays all the DRGs that met the criteria during both of the 2 most recent years available (FYs 2001 and 2002), as well as their paired-DRG if one of the DRGs meeting the criteria includes a CC/no-CC split.

DRG	DRG title	DRG title care transfer cases	Percent of all cases transferred prior to mean length of stay	Percent change in mean length of stay FYs 1998–2003
12	Degenerative Nervous System Disorders	28,103	31.42	– 12.00
14	Intracranial Hemorrhage and Stroke with Infarction	138,636	22.84	– 5.88
24	Seizure and Headache Age >17 With CC	19,306	15.85	– 7.69
25	Seizure and Headache Age >17 Without CC	4,695	10.46	– 10.71
88	Chronic Obstructive Pulmonary Disease	95,249	24.88	– 10.87
89	Simple Pneumonia nad Pleurisy Age >17 With CC	175,526	31.83	– 11.11
90	Simple Pneumonia and Pleurisy Age >17 Without CC	47,987	12.51	– 15.00
113	Amputation for Circulatory System Disorders Except Upper Limb and Toe ..	24,810	45.31	7.22
121	Circulatory Disorders With AMI and Major Complication, Discharged Alive ..	55,629	22.42	– 11.67
122	Circulatory Disorders With AMI Without Major Complications Discharged Alive.	71,838	10.53	– 23.08