

the final FY 2004 wage index, including updating to FY 2000 wage data. The majority of labor market areas (336) would experience less than a 5-percent change. A total of 9

labor market areas would experience an increase of more than 5 percent and less than 10 percent. One area would experience an increase greater than 10 percent. A total of 25

areas would experience decreases of more than 5 percent and less than 10 percent. Finally, 2 areas would experience declines of 10 percent or more.

Percentage change in area wage index values	Number of labor market areas	
	FY 2003	FY 2004
Increase more than 10 percent	3	1
Increase more than 5 percent and less than 10 percent	11	9
Increase or decrease less than 5 percent	343	336
Decrease more than 5 percent and less than 10 percent	15	25
Decrease more than 10 percent	1	2

Among urban hospitals, 35 would experience an increase of between 5 and 10 percent and 5 more than 10 percent. A total of 37 rural hospitals would experience increases greater than 5 percent, but none would experience increases of greater than 10

percent. On the negative side, 107 urban hospitals would experience decreases in their wage index values of at least 5 percent but less than 10 percent. Seven urban hospitals would experience decreases in their wage index values greater than 10 percent. There

are 27 rural hospitals that would experience decreases in their wage index values of greater than 5 percent but less than 10 percent. The following chart shows the projected impact for urban and rural hospitals.

Percentage change in area wage index values	Number of hospitals	
	Urban	Rural
Increase more than 10 percent	5	0
Increase more than 5 percent and less than 10 percent	35	37
Increase or decrease less than 5 percent	2,443	1,754
Decrease more than 5 percent and less than 10 percent	107	27
Decrease more than 10 percent	7	0

F. Impact of the Changes to the DRG Reclassifications and Recalibration of Relative Weights (Column 7)

In column 7 of Table I, we present the combined effects of the DRG reclassifications and recalibration, as discussed in section II. of the preamble to this final rule. Section 1886(d)(4)(C)(i) of the Act requires us annually to make appropriate classification changes and to recalibrate the DRG weights in order to reflect changes in treatment patterns, technology, and any other factors that may change the relative use of hospital resources.

We compared aggregate payments using the FY 2003 DRG relative weights (GROPER version 20.0) to aggregate payments using the final FY 2004 DRG relative weights (GROPER version 21.0). Both simulations reflected the expansion of the postacute care transfer policy. We note that, consistent with section 1886(d)(4)(C)(iii) of the Act, we have applied a budget neutrality factor to ensure that the overall payment impact of the DRG changes (combined with the wage index changes) is budget neutral. This budget neutrality factor of 1.005522 is applied to payments in Column 8. Because this is a combined DRG reclassification and recalibration and wage index budget neutrality factor, it is not applied to payments in this column.

The major DRG classification changes are: creating additional DRGs that are split based on the presence or absence of CCs; creating a new DRG for cases with ruptured brain aneurysms; and creating a new DRG for cases involving the implantation of a cardiac defibrillator where the patient experiences acute myocardial infarction, heart failure, or shock. In the aggregate, these changes will

result in 0.0 percent change in overall payments to hospitals. The impacts of these changes on any particular hospital group are very small.

G. Combined Impact of DRG and Wage Index Changes, Including Budget Neutrality Adjustment (Column 8)

The impact of the DRG reclassifications and recalibration on aggregate payments is required by section 1886(d)(4)(C)(iii) of the Act to be budget neutral. In addition, section 1886(d)(3)(E) of the Act specifies that any updates or adjustments to the wage index are to be budget neutral. As noted in the Addendum to this final rule, we compared simulated aggregate payments using the FY 2003 DRG relative weights and wage index to simulated aggregate payments using the FY 2004 DRG relative weights and blended wage index. In addition, we are required to ensure that any add-on payments for new technology under section 1886(d)(5)(K) of the Act are budget neutral. As discussed in section II.E. of the preamble of this final rule, we have maintained the new technology status of the drug Xigris® for the treatment of severe sepsis (approved in last year's final rule at 67 FR 50013). We estimate the total add-on payments for this new technology for FY 2004 will be \$10 million.

We also approved a second new technology for add-on payments. For FY 2004, the InFUSE™ Bone Graft/LT-CAGE™ Lumbar Tapered Fusion Device for spinal fusions will be eligible to receive add-on payments. We estimate the total add-on payments associated with cases involving this new device for FY 2004 will be \$4.4 million.

We computed a final wage and recalibration budget neutrality factor of

1.005522. The 0.0 percent impact for all hospitals demonstrates that these changes, in combination with the budget neutrality factor, are budget neutral. In Table I, the combined overall impacts of the effects of both the DRG reclassifications and recalibration and the updated wage index are shown in column 8. The changes in this column are the sum of the final changes in columns 4, 5, 6, and 7, combined with the budget neutrality factor and the wage index floor for urban areas required by section 4410 of Pub. L. 105–33 to be budget neutral. There also may be some variation of plus or minus 0.1 percentage point due to rounding.

H. Impact of MGCRB Reclassifications (Column 9)

Our impact analysis to this point has assumed hospitals are paid on the basis of their actual geographic location (with the exception of ongoing policies that provide that certain hospitals receive payments on bases other than where they are geographically located, such as hospitals in rural counties that are deemed urban under section 1886(d)(8)(B) of the Act). The changes in column 9 reflect the per case payment impact of moving from this baseline to a simulation incorporating the MGCRB decisions for FY 2004. These decisions affect hospitals' standardized amount and wage index area assignments.

By February 28 of each year, the MGCRB makes reclassification determinations that will be effective for the next fiscal year, which begins on October 1. The MGCRB may approve a hospital's reclassification request for the purpose of using another area's standardized amount, wage index value, or both. The final FY 2004 wage index values incorporate all of the MGCRB's