

TABLE III.—COMPARISON OF TOTAL PAYMENTS PER CASE (FY 2003 PAYMENTS COMPARED TO FY 2004 PAYMENTS)—
Continued

	Number of hospitals	Average FY 2003 pay- ments/case	Average FY 2004 pay- ments/case	Change
Proprietary	685	704	656	– 6.9
Government	811	651	665	2.0
Medicare Utilization as a Percent of Inpatient Days:				
0–25	298	917	925	0.8
25–50	1,523	817	810	– 0.9
50–65	1,641	619	624	0.8
Over 65	451	566	560	– 1.1

Appendix B: Recommendation of Update Factors for Operating Cost Rates of Payment for Inpatient Hospital Services

I. Background

Section 1886(e)(4)(A) of the Act requires that the Secretary, taking into consideration the recommendations of the Medicare Payment Advisory Commission (MedPAC), recommend update factors for inpatient hospital services for each fiscal year that take into account the amounts necessary for the efficient and effective delivery of medically appropriate and necessary care of high quality. Under section 1886(e)(5) of the Act, we are required to publish the final update factors recommended by the Secretary in the final rule. Accordingly, this Appendix provides the recommendations of appropriate update factors for the IPPS standardized amounts, the hospital-specific rates for SCHs and MDHs, and the rate-of-increase limits for hospitals and hospitals units excluded from the IPPS. We also discuss our update framework and respond to MedPAC's

recommendations concerning the update factors.

II. Secretary's Final Recommendations for Updating the Prospective Payment System Standardized Amounts

In recommending an update, the Secretary takes into account the factors in the update framework, as well as other factors, such as the recommendations of MedPAC, the long-term solvency of the Medicare Trust Funds, and the capacity of the hospital industry to continually provide access to high quality care to Medicare beneficiaries through adequate payment to health care providers.

Comment: One commenter noted that overall Medicare payments are less than the costs associated with providing care to Medicare beneficiaries. The commenter indicated its organization will continue to urge Congress to provide adequate Medicare reimbursement to hospitals.

Response: As noted above, the Secretary's update recommendation for FY 2004 is consistent with current law. Therefore,

Congress is the appropriate body to address the issue of adequate Medicare reimbursement that was raised by the commenter.

III. Secretary's Final Recommendation for Updating the Rate-of-Increase Limits for Excluded Hospitals and Hospital Units

We did not receive any comments concerning our proposed recommendation for updating the rate-of-increase for excluded hospitals and hospital units. Our final recommendation does not differ from the proposed recommendation. However, the second quarter forecast of the market basket percentage increase is 3.4 for excluded hospitals and hospital units (compared to the 3.5 percent estimated in the proposed rule). Thus, the policy finalized in this final rule is that the update for the remaining hospitals and hospital units excluded from the IPPS is 3.4 percent.

[FR Doc. 03–19363 Filed 7–31–03; 8:45 am]

BILLING CODE 4120–01–P