

CHART 8.—PROJECTED IMPACT OF FY 2004 UPDATE—Continued

Facility classification	Number of facilities	Number of cases	Budget neutral wage adjustment (in percent)	Total change (in percent)
West North Central .....	70	18,087	0.6	3.8
West South Central .....	154	52,346	1.5	4.7
Mountain .....	56	14,655	1.1	4.3
Pacific .....	112	20,963	−0.7	2.5
<b>Rural by Region</b>				
New England .....	4	829	−0.2	3.0
Middle Atlantic .....	10	2,424	−1.3	1.8
South Atlantic .....	20	6,192	−0.8	2.4
East North Central .....	29	5,152	−0.5	2.7
East South Central .....	10	3,590	0.2	3.4
West North Central .....	22	3,820	1.7	4.9
West South Central .....	32	7,317	0.6	3.8
Mountain .....	9	1,042	−0.3	2.9
Pacific .....	7	826	−1.2	2.0

As Chart 8 illustrates, all IRFs are expected to benefit from the 3.2 percent market basket increase that will be applied to FY 2003 IRF PPS payment rates to develop the FY 2004 rates. However, there may be distributional impacts among various IRFs due to the application of the updates to the labor-related share and wage indices in a budget neutral manner.

To summarize, this final rule provides that all facilities will receive a 3.2 percent increase in their unadjusted IRF PPS payments. The estimated positive impact among all IRFs reflected in Chart 8 are due to the effect of the update to the IRF market basket index.

In accordance with the provisions of Executive Order 12866, this final rule was reviewed by the Office of Management and Budget (OMB).

#### List of Subjects in 42 CFR Part 412

Administrative practice and procedure, Health facilities, Medicare, Puerto Rico, Reporting and recordkeeping requirements.

■ For the reasons set forth in the preamble, the Centers for Medicare & Medicaid Services amends 42 CFR chapter IV, part 412 as set forth below:

#### PART 412—PROSPECTIVE PAYMENT SYSTEMS FOR INPATIENT HOSPITAL SERVICES

■ 1. The authority citation for part 412 continues to read as follows:

**Authority:** Secs. 1102 and 1871 of the Social Security Act (42 U.S.C. 1302 and 1395hh).

#### Subpart B—Hospital Services Subject to and Excluded From the Prospective Payment Systems for Inpatient Operating Costs and Inpatient Capital-Related Costs

■ 2. In § 412.20, the following changes are made:

■ A. Redesignate paragraph (b) as paragraph (b)(1).

■ B. Add paragraph (b)(2) to read as follows:

#### § 412.20 Hospital services subject to the prospective payment systems.

\* \* \* \* \*

(b) \* \* \*

(2) CMS will not pay for services under Subpart P of this part if the services are paid for by a health maintenance organization (HMO) or competitive medical plan (CMP) that elects not to have CMS make payments to an inpatient rehabilitation facility for services, which are inpatient hospital services, furnished to the HMO's or CMP's Medicare enrollees, as provided under part 417 of this chapter.

\* \* \* \* \*

■ 3. In § 412.22, the following changes are made:

■ A. Revise paragraph (h)(2) introductory text.

■ B. Remove and reserve paragraph (h)(6).

■ C. Add paragraph (h)(7).

The revisions and addition read as follows:

#### § 412.22 Excluded hospitals and hospital units: General rules.

\* \* \* \* \*

(h) \* \* \*

(2) Except as provided in paragraphs (h)(3), (h)(6), and (h)(7) of this section, effective for cost reporting periods

beginning on or after October 1, 1999, a hospital that has a satellite facility must meet the following criteria in order to be excluded from the acute care hospital inpatient prospective payment systems for any period:

\* \* \* \* \*

(6) [Reserved]

(7) The provisions of paragraph (h)(2)(i) of this section do not apply to any inpatient rehabilitation facility that is subject to the inpatient rehabilitation facility prospective payment system under subpart P of this part, effective for cost reporting periods beginning on or after October 1, 2003.

■ 4. In § 412.25, the following changes are made:

■ A. Revise paragraph (e)(2) introductory text.

■ B. Add paragraph (e)(5).

The revision and addition read as follows:

#### § 412.25 Excluded hospital units: Common requirements.

\* \* \* \* \*

(e) \* \* \*

(2) Except as provided in paragraphs (e)(3) and (e)(5) of this section, effective for cost reporting periods beginning on or after October 1, 1999, a hospital that has a satellite facility must meet the following criteria in order to be excluded from the acute care hospital inpatient prospective payment systems for any period:

\* \* \* \* \*

(5) The provisions of paragraph (e)(2)(i) of this section do not apply to any inpatient rehabilitation facility that is subject to the inpatient rehabilitation facility prospective payment system under subpart P of this part, effective for