

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

42 CFR Parts 409, 411, 413, 440, 483, 488, and 489

[CMS-1469-F]

RIN 0938-AL90

Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities—Update

AGENCY: Centers for Medicare & Medicaid Services (CMS), HHS.

ACTION: Final rule.

SUMMARY: This final rule updates the payment rates used under the prospective payment system (PPS) for skilled nursing facilities (SNFs), for fiscal year (FY) 2004. Annual updates to the PPS rates are required by section 1888(e) of the Social Security Act (the Act), as amended by the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA), and the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), relating to Medicare payments and consolidated billing for SNFs.

DATES: *Effective Date:* This regulation becomes effective on October 1, 2003.

FOR FURTHER INFORMATION CONTACT: John Davis, (410) 786-0008 (for information related to the Wage Index, and for information related to swing-bed providers).

Ellen Gay, (410) 786-4528 (for information related to the case-mix classification methodology, and for information related to swing-bed providers).

Sheila Lambowitz, (410) 786-7605 (for information related to the SNF Market Basket Index and forecast error).

Bill Ullman, (410) 786-5667 (for information related to level of care determinations, consolidated billing, and general information).

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Regulation Text

In addition, because of the many terms to which we refer by abbreviation in this final rule, we are listing these abbreviations and their corresponding terms in alphabetical order below:

AHE Average Hourly Earnings
ARD Assessment Reference Date
BBA Balanced Budget Act of 1997 (Pub. L. 105-33)
BBRA Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 (Pub. L. 106-113)
BIPA Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (Pub. L. 106-554)
CAH Critical Access Hospital
CFR Code of Federal Regulations
CMS Centers for Medicare & Medicaid Services
ECEC Employer Cost for Employee Compensation
ECI Employment Cost Index
FI Fiscal Intermediary
FR Federal Register
FY Fiscal Year
GAO General Accounting Office
HCPCS Healthcare Common Procedure Coding System
IFC Interim Final Rule with Comment Period
MDS Minimum Data Set
MedPAC Medicare Payment Advisory Commission
MEDPAR Medicare Provider Analysis and Review File
MSA Metropolitan Statistical Area
NF Nursing Facility
PPI Producer Price Indices
PPS Prospective Payment System
QIO Quality Improvement Organization
RAVEN Resident Assessment Validation Entry
RFA Regulatory Flexibility Act (Pub. L. 96-354)
RIA Regulatory Impact Analysis
RUG Resource Utilization Groups
SCHIP State Children's Health Insurance Program
SNF Skilled Nursing Facility
UMRA Unfunded Mandates Reform Act (Pub. L. 104-4)

I. Background

On May 16, 2003, we published a proposed rule (hereinafter referred to as the "proposed rule") in the **Federal Register** (68 FR 26758), setting forth the proposed updates to the payment rates used under the prospective payment system (PPS) for skilled nursing facilities (SNFs), for FY 2004. Annual updates to the PPS rates are required by