

proposed prospective payment system and in order to thoroughly review the anticipated volume of comments we expect to receive on this proposed rule, it may ultimately be necessary to delay implementation beyond April 2004. In addition, it may be helpful to increase the transition period because a longer transition period would allow us to adjust the payment system if necessary before the full implementation of the IPF prospective payment system. Also, a longer transition period may be appropriate if the research designed to refine the payment system takes longer than we currently anticipate. We specifically request public comments on these implementation issues.

In order to mitigate the impacts of the prospective payment system, we are not proposing to allow an IPF to elect to be paid based on 100 percent of the Federal per diem payment amount in lieu of the blended methodology. In this way, the transition will allow IPFs time to become familiar with the prospective payment system and gradually move to the full Federal per diem amount over a 3-year period.

B. New Providers

We believe that we need to propose a definition of a new IPF because new IPFs will not participate in the 3-year transition from cost-based reimbursement to a prospective payment system (section IV.A. of this proposed rule). The transition period described is intended to provide currently existing IPFs time to adjust to payment under the new system. A new IPF would not have received payment under TEFRA for the delivery of IPF services before the effective date of the IPF prospective payment system. We do not believe that new IPFs require a transition period in order to make adjustments to their operating and capital financing, as will IPFs that have been paid under TEFRA, or need to otherwise integrate the effects of changing from one payment system to another payment system.

For purposes of Medicare payment under the proposed IPF prospective payment system, we are defining a new IPF as a provider of inpatient psychiatric hospital services that otherwise meets the qualifying criteria for IPFs, set forth in § 412.22, § 412.23, § 412.25, and § 412.27 under present or previous ownership (or both), and its first cost reporting period as an IPF begins on or after April 1, 2004, the proposed implementation date of the IPF prospective payment system.

C. Claims Processing

With respect to the proposed IPF prospective payment system, we are proposing to continue processing claims in a manner similar to the current claims processing system. Hospitals would continue to report diagnostic information on the claim form and the Medicare fiscal intermediaries would continue to enter clinical and demographic information in their claims processing systems for review by the Medicare Code Editor (MCE). The MCE reviews claims to determine if they are improperly coded (for example, diagnosis inappropriate to sex of the patient) or require more information (imprecise coding) in order to be processed. After screening, each claim would be classified into the appropriate DRG by a software program called the "GROUPE." If the "GROUPE" assigns a DRG that is not recognized under the proposed IPF prospective payment system, the claim would be returned to the IPF. If the "GROUPE" assigns a DRG recognized by the system, a "PRICER" program would calculate the Federal per diem payment amount, including the DRG adjustment and other patient-level and facility-level adjustments appropriate to the claim.

D. Periodic Interim Payments (PIP)

Under the TEFRA payment system—(1) a psychiatric hospital may be paid using the PIP method as specified in § 413.64(h); (2) psychiatric units are paid under the PIP method if the hospital of which they are a part is paid as specified in § 412.116(b); and (3) an IPF may be eligible to receive accelerated payments as specified in § 413.64(g) or for psychiatric units specified in § 412.116(f). We are proposing in § 412.432 to continue to allow for PIP and accelerated payment methods under the proposed IPF prospective payment system.

In addition, we are proposing that an IPF receiving prospective payments, whether or not it received a PIP under cost reimbursement, may receive a PIP if it meets the requirements specified in proposed § 412.432(b)(1) and receives approval by its intermediary. If an intermediary determines that an IPF, which received a PIP under cost reimbursement, is no longer entitled to receive a PIP, it will remove the IPF from the PIP method. As specified in proposed § 412.432(b)(1), intermediary approval of a PIP is conditioned upon the intermediary's best judgment as to whether payment can be made under the PIP method without undue risk of its resulting in an overpayment to the provider.

Excluded from PIP amounts are outlier payments that are paid upon the submission of a discharge bill. Also, Part A costs that are not paid under the proposed IPF prospective payment system, including Medicare bad debts and costs of an approved education program, and other costs paid outside the IPF prospective payment system, will be subject to the interim payment provisions as specified in § 413.64.

Under the proposed prospective payment system, if an IPF is not paid under the PIP method it may qualify to receive an accelerated payment. As specified in proposed § 412.432(e), the IPF must be experiencing financial difficulties due to a delay by the intermediary in making payment to the IPF, or there is a temporary delay in the IPFs preparation and submittal of bills to the intermediary beyond its normal billing cycle, because of an exceptional situation. A request for an accelerated payment must be made by the IPF and approved by the intermediary and us. The amount of an accelerated payment would be computed as a percentage of the net payment for unbilled or unpaid covered services. Recoupment of an accelerated payment would be made as bills are processed or by direct payment by the IPF.

E. Limitation on Beneficiaries Charges

In accordance with § 409.82 and § 409.83 and consistent with other established prospective payment systems policies, we are proposing in § 412.404(c) that an IPF may not charge a beneficiary for any service for which payment is made by Medicare. This policy will apply, even if the IPF's costs of furnishing services to that beneficiary are greater than the amount the IPF would be paid under the proposed IPF prospective payment system. In addition, we are proposing that an IPF receiving a prospective payment for a covered hospital stay (that is, a stay that includes at least one covered day) may charge the Medicare beneficiary or other person only for the applicable deductible and coinsurance amounts as specified in § 409.82, § 409.83, § 409.87, and § 489.20.

V. Future Updates

A. Proposed Annual Update Strategy

Section 124 of Pub. L. 106–113 does not specify an update strategy for the proposed IPF prospective payment system and is broadly written to give the Secretary a tremendous amount of discretion in proposing an update methodology. Therefore, we reviewed the update approach used in other hospital prospective payment systems