

B. Anticipated Effects

Below, we discuss the impact of this proposed rule on the Federal Medicare budget and on IPFs.

1. Budgetary Impact

Section 124(a)(1) of Pub. L. 106-113 requires us to set the payment rates contained in this proposed rule to ensure that total payments under the IPF prospective payment system are projected to equal the amount that would have been paid if this proposed prospective payment system had not been implemented. As a result of this analysis, which is discussed in section III of this proposed rule, we are proposing a budget-neutrality adjustment to the Federal per diem base rate. Thus, there will be no budgetary impact to the Medicare program by implementation of the proposed IPF prospective payment system.

2. Impacts on Providers

To understand the impact of the proposed IPF prospective payment system on providers, it is necessary to estimate payments that would be made under the current TEFRA payment methodology (current payments) and

payments under the proposed IPF prospective payment system. The IPFs were grouped into the categories listed below based on characteristics provided in the Online Survey and Certification and Reporting (OSCAR) file and the 1999 cost report data from HCRIS:

- Facility Type
- Location
- Teaching Status
- Census Region
- Size

To estimate the impacts among the various categories of IPFs, we had to compare estimated future payments that would have been made under the TEFRA payment methodology to estimated payments under the proposed IPF prospective payment system. We estimated the impacts using the same set of providers (1,975 IPFs) that was used for the regression analysis to calculate the budget-neutral Federal per diem base rate, and to determine the appropriateness of various adjustments to the Federal per diem base rate. A detailed explanation of the methods we used to simulate TEFRA payments and estimated payments under the proposed IPF prospective payment system is

provided in section III.C. of this proposed rule.

The impacts reflect the estimated “losses” or “gains” among the various classifications of IPF providers for the first year of the proposed IPF prospective payment system. Proposed prospective payments were based on the proposed budget-neutral Federal per diem base rate of \$530 adjusted by the IPFs’ estimated patient-level, facility-level adjustments, and simulated outlier amounts. This payment was compared to the IPF’s payments based on its cost from the cost report inflated to the midpoint of the effective period (April 1, 2004 through June 30, 2005) and subject to the updated per discharge target amount.

Table 8 below illustrates the aggregate impact of the proposed IPF prospective payment system on various classifications of IPFs. The first column identifies the type of IPF, the second column indicates the number of IPFs for each type of IPF, and the third column indicates the ratio of the proposed IPF prospective payment system payments to the current TEFRA payments in the first year of the transition.

TABLE 8.—AGGREGATE IMPACT

Facility by type	Number of facilities	Ratio of proposed prospective payment amount to TEFRA payment with transition
All Facilities	1975	1.00
By Type of Ownership:		
Psychiatric Hospitals		
Government	181	1.14
Non-profit	88	1.01
For-profit	236	1.02
Psychiatric Units	1470	0.99
All Facilities	1975	1.00
Rural	445	0.99
Urban	1530	1.00
By Urban or Rural Classification:		
Urban by Facility Type		
Psychiatric Hospitals:		
Government	138	1.14
Non-profit	80	1.01
For-profit	221	1.02
Psychiatric Units	1091	0.99
Rural by Facility Type:		
Psychiatric Hospitals:		
Government	43	1.14
Non-profit	8	0.99
For-profit	15	1.02
Psychiatric Units	379	0.98
By Teaching Status:		
Non-teaching	1676	0.99
Less than 10% interns and residents to beds	163	1.02
10% to 30% interns and residents to beds	80	1.02
More than 30% interns and residents to beds	56	1.03
By Region:		
New England	128	0.99
Mid-Atlantic	316	1.04