

Program Memorandum Intermediaries

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal A-03-023

Date: MARCH 28, 2003

CHANGE REQUEST 2661

SUBJECT: Implementation of the Temporary Equalization of Urban and Rural Standardized Payment Amounts Under the Medicare Inpatient Hospital Prospective Payment System (IPPS) as Required By Section 402(b) of Public Law 108-7

This Program Memorandum (PM) establishes new FY 2003 operating standardized amounts for IPPS hospitals not in large urban areas effective April 1, 2003, as required by section 402(b) of Public Law 108-7. Post this notice immediately on your Web site, advise your provider relation's staff, and include a notice of these changes in your next bulletin.

The standardized amounts for large urban areas are revised slightly because of the recalculation of the budget neutrality factors as a result of wage index corrections in PM A-02-92. In conjunction with the new standardized amount, the PM also announces new capital rates to be effective April 1, 2003. The Puerto Rico-specific capital rate is unchanged. The following standardized amounts and capital rates are effective for discharges occurring on or after April 1, 2003, and before October 1, 2003 are:

Revised FY 2003 National Operating Rates

	Large Urban Areas		Other Areas	
	Labor-related	Nonlabor-related	Labor-related	Nonlabor-related
National	\$3,022.31	\$1,228.48	\$3,022.31	\$1,228.48

Revised FY 2003 Puerto Rico Operating Rates

	Large Urban Areas		Other Areas	
	Labor-related	Nonlabor-related	Labor-related	Nonlabor-related
National PR	\$3,022.31	\$1,228.48	\$3,022.31	\$1,228.48
Puerto Rico	\$1,464.28	\$589.41	\$1,441.10	\$580.08

Revised FY 2003 Capital Rates

National	\$406.93
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As a result of the behaviors described in our March 5, 2003 proposed rule (68 FR 10420), and based upon preliminary data regarding outlier payments for the first quarter of FY 2003, we believe it is likely that we have continued to overpay for outliers during the first quarter of FY 2003. Accordingly, the outlier threshold is unchanged at \$33,560.

The CMS expects to publish a final rule establishing these new payment rates very soon.

The *effective date* for this PM is April 1, 2003.

The *implementation date* for this PM is April 1, 2003.

These instructions should be implemented within your current operating budget.

This PM may be discarded after March 31, 2004.

If you have any questions, contact the Division of Acute Care on (410) 786-4548.