

Program Memorandum Intermediaries

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal A-01-47

Date: MARCH 30, 2001

CHANGE REQUEST 1635

SUBJECT: Implementation of Updates to the Federal Fiscal Year (FY) 2001 Inpatient Hospital Payments and Disproportionate Share Hospital (DSH) Thresholds and Adjustments as Required by the Benefits Improvement and Protection Act (BIPA) of 2000 (Public Law 106-554)

Program Memorandum (PM) A-01-11 dated January 18, 2001, described several provisions contained in BIPA 2000. This PM announces the new FY 2001 operating standardized amounts effective April 1, 2001, as required by §301 of BIPA 2000, and the new DSH thresholds and adjustments required by §211 of BIPA 2000. In conjunction with the new standardized amount, the PM also announces new capital rates and outlier adjustment factor thresholds to be effective April 1, 2001. 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. HCFA will publish these changes in an upcoming *Federal Register* interim final rule with comment.

The following standardized amounts effective for discharges occurring on or after April 1, 2001 and before October 1, 2001 are:

Final FY 2001 Operating Rates

	Large Urban Areas		Other Areas	
	Labor-Related	Nonlabor-Related	Labor-Related	Nonlabor-Related
National	\$2,925.82	\$1,189.26	\$2,879.51	\$1,170.43
National PR	\$2,900.64	\$1,179.02	\$2,900.64	\$1,179.02
Puerto Rico	\$1,402.79	\$564.66	\$1,380.58	\$555.72
SCHs	\$2,895.02	\$1,176.74	\$2,849.20	\$1,158.11

Final FY 2001 Capital Rates

National	\$380.85
Puerto Rico	\$184.61

Due to the changes to the standardized amounts, we recalculated the fixed loss cost outlier threshold applicable for discharges on or after April 1, 2001 and before October 1, 2001. The new thresholds are equal to the prospective payment rate for the DRG plus the IME and DSH payments plus \$16,350 (\$14,940 for hospitals that have not yet entered the prospective payment system for capital-related costs).

In addition, section 211 of BIPA 2000 revised the thresholds by which certain classes of hospitals qualify for the disproportionate share adjustment, effective for discharges occurring on or after April 1, 2001. Section 211 also revised the adjustment computations for these hospitals. The specific changes are identified below.

Urban Hospitals	Qualifying DSH Percent	Adjustment Computation
0-99 Beds	=15%, <19.3% =19.3%	2.5% + [.65 x (DSH pct.-15%)] 5.25%
100+ Beds (No Change in Law)	=15%, <20.2% =20.2%	2.5% + [.65 x (DSH pct.-15%)] 5.88% + [.825 x (DSH pct.-20.2%)]
Rural Hospitals		
Sole Community Hospitals (SCH)	≥15%, <19.3% =19.3%, <30% =30%	2.5% + [.65 x (DSH pct.-15%)] 5.25% 10%
Rural Referral Centers (RRC)	=15%, <19.3% =19.3%, <30% =30%	2.5% + [.65 x (DSH pct.-15%)] 5.25% 5.25% + [.6 x (DSH pct.-30%)]
Both SCH and RRC	=15%	higher of SCH or RRC adjustment
Other Rural Hospitals		
0-499Beds	=15%, <19.3% =19.3%	2.5% + [.65 x (DSH pct.-15%)] 5.25%
500+ Beds (No Change in Law)	=15%, <20.2% =20.2%	2.5% + [.65 x (DSH pct.-15%)] 5.88% + [.825 x (DSH pct. -20.2%)]

These new rates as well as changes to the DSH adjustments are incorporated into PRICER 01.2. The formulas are spelled out in the statute.

The effective date for this PM is April 1, 2001.

The implementation date for this PM is April 1, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after March 31, 2002.

If you have any questions, contact Stephen Phillips on (410)786-4531.