

Proposed CY 2003 Hospital Outpatient PPS Payment Impact File

This file contains data used to assess the impact of the Medicare hospital outpatient department prospective payment system (PPS) on payments to hospitals (including beneficiary copayments). The file contains data needed to simulate current PPS payments in CY 2002 and proposed PPS payments for CY 2003. Payments under the permanent and temporary hold-harmless provisions and under the transitional corridor provisions, established by the BBRA 1999 and the BIPA 2000, are not included on this file.

The data comes from various sources, including hospital cost report data extracts from fiscal years 1997, 1998, and 1999, the National Claims History file, the proposed rule FY 2003 impact file for hospital inpatient operating and capital payments, and the Provider Specific file. The data is abstracted from an internal file used for the outpatient impact analysis for CY 2003.

For the proposed rule, the Centers for Medicare & Medicaid Services (CMS) used claims from January 1, 2001 through December 31, 2001. Therefore, the PPS payment variables used to simulate the impacts are in 2001 terms. Users who want to simulate the CMS impact table published in the proposed rule should use the CY 2003 conversion factor to calculate payments. CMS calculated the proposed CY 2002 conversion factor to be \$52.009.

A formula for calculating total CY 2003 outpatient PPS payments as they appear in the proposed rule is below. This formula does not include hospital outlier payments because they were presented separately in the proposed rule impact analysis. CY 2003 hospital outlier payments are included on the data file, however.

$$\begin{aligned} \text{CY 2003 PPS payment} = & \{ \text{discounted service mix} * \text{total units} * \\ & [(2003 \text{ CF for impacts of } \$52.009 * 0.40) + \\ & (2003 \text{ CF for impacts of } \$52.009 * 0.60 * \text{wage index})] \} \end{aligned}$$

Because the outpatient PPS is based on the HCPCS (HCFA Common Procedure Coding System), the accuracy of simulated current and PPS payments on this file depends on the accuracy of coding. Hospitals probably will find that units are lower than internal records indicate, and the service mix provided on the file may differ slightly from what the hospital expected. Payment, total units, and service mix index on this file and in the published impact table are based only on the set of coded services that CMS could accurately model. Expect simulated payments from this file to underestimate actual payments under the system due to these data issues.