

Proposed CY 2002 Hospital Outpatient PPS Payment Impact File

This file contains data used to assess the impact of the Medicare outpatient prospective payment system (PPS) on payments to hospitals (including beneficiary copayments). The file contains data needed to simulate current PPS payments for CY 2001 and proposed PPS payments for CY 2002. 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 FY 2002 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 impact analysis of the proposed outpatient PPS for CY 2002.

For the proposed rule, the Centers for Medicare & Medicaid Services (CMS) used claims from July 1, 1999 through June 30, 2000. Therefore, the PPS payment variables used to simulate the impacts are in 1999-2000 terms. Users wishing to simulate CMS's impact table should use the proposed CY 2002 conversion factor. CMS calculated a proposed CY 2002 conversion factor of \$50.842.

A formula for calculating the proposed CY 2002 PPS payments appears below.

$$\begin{aligned} \text{CY 2002 PPS payment} = & \{ \text{discounted service mix} * \text{total units} * \\ & [(2002 \text{ CF for impacts of } \$50.842 * 0.40) + \\ & (2002 \text{ CF for impacts of } \$50.842 * 0.60 * \text{wage index})] \} \\ & + \text{outlier payment} \end{aligned}$$

Because the PPS is based on the HCPCS (HCFA Common Procedure Coding System), the accuracy of simulated current and PPS payment in this file depends on the accuracy of coding. Pre-PPS payment policies encouraged but did not require complete coding, and we believe that hospitals may not have coded all of their services in 1999-2000. Hospitals probably will find that units are lower than internal records indicate, and the reported service mix may differ slightly from what the hospital expected. Payment, total units, and service mix index on this file and in CMS's published impact table are based only on the set of coded services that CMS could accurately model. It is expected that simulated payments will underestimate actual payments under the system due to these data issues.