

## Small Entity Compliance Guide

### Medicare Program: Changes to the Hospital Inpatient Prospective Payment System and 2008 Payment Rates

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42 CFR Parts 411, 412, 413, and 489

CMS-1533-FC, RIN 0938-AO70

The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA, P.L. 104-121, as amended by P.L. 110-28, May 25, 2007) contains requirements for issuance of “small entity compliance guides.” Guides are to explain what actions affected entities must take to comply with agency rules. Such guides must be prepared when agencies issue final rules for which agencies were required to prepare a Final Regulatory Flexibility Analysis under the Regulatory Flexibility Act.

The complete text of this interim and final rule with comment period can be found on the CMS Web site at: <http://www.cms.hhs.gov/QuarterlyProviderUpdates/downloads/Regs-3Q07QPU.pdf>

We are revising the Medicare hospital inpatient prospective payment systems (IPPS) for operating and capital-related costs to implement changes arising from our continuing experience with these systems, and to implement certain provisions made by the Deficit Reduction Act of 2005 (Pub. L. 109–171), the Medicare Improvements and Extension Act under Division B, Title I of the Tax Relief and Health Care Act of 2006 (Pub. L. 109–432), and the Pandemic and All Hazards Preparedness Act (Pub. L. 109–417). In addition, in the Addendum to this final rule with comment period, we describe the changes to the amounts and factors used to determine the rates for Medicare hospital inpatient services for operating costs and capital-related costs. We also are setting forth the rate of increase limits for certain hospitals and hospital units excluded from the IPPS that are paid on a reasonable cost basis subject to these limits, or that have a portion of a prospective payment system payment based on reasonable cost principles. These changes are applicable to discharges occurring on or after October 1, 2007.

The great majority of the hospitals that participate in Medicare are small entities, either because their revenues fall below the Small Business Administration’s size standards for small businesses (revenues of \$31.5 million or less in any 1 year), or because they are nonprofit, or both. Accordingly, our analysis under the Regulatory Flexibility Act assumes that all hospitals are small entities.

The effects of this final rule with comment vary considerably by type of hospital, location, bed size, and other variables. Overall, we estimate that payments to hospitals will increase by about 4.3 percent on average in 2008 (Note: This figure is higher than the estimate provided in CMS-1533-FC. After publication of CMS-1533-FC, we issued a correction notice, CMS-1533-CN2, correcting a calculation error that affected this

estimate, and then subsequently issued a final rule, CMS-1392-FC, implementing a provision of Public Law 110-90 enacted on September 29, 2007 that increased the 2008 payment rates by reducing the 2008 documentation and coding adjustment). However, because effects vary from hospital to hospital, this rule may have a significant and positive impact on a substantial number of small entities.

This rule imposes no direct Federal compliance requirements on hospitals. In order to assist hospitals in understanding and adapting to changes in Medicare regulations and in billing and payment procedures, we have developed a Hospital Center Web page for hospitals that includes substantial downloadable explanatory materials at <http://www.cms.hhs.gov/center/hospital.asp>. In addition, there is a Web page devoted specifically to the inpatient prospective payment system that includes substantial information at [http://www.cms.hhs.gov/AcuteInpatientPPS/01\\_overview.asp](http://www.cms.hhs.gov/AcuteInpatientPPS/01_overview.asp).