

## **APPENDIX D. MEDICARE REIMBURSEMENT TO HOSPITALS**

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### **GENERAL SUMMARY**

Medicare part A provides reimbursement for inpatient hospital care through a payment system based on prospectively set rates,

the prospective payment system (PPS), for hospital cost reporting periods beginning on or after October 1, 1983. PPS was enacted by the Social Security amendments of 1983 (Public Law 98-21). This appendix describes the major reimbursement provisions of PPS.

Medicare payment for hospital inpatient services is made according to a prospective payment system, rather than a retrospective cost-based system. Medicare payments are made at predetermined, specific rates which represent the average cost, nationwide, of treating a Medicare patient according to his or her medical condition. The classification system used to group hospital inpatients according to their diagnoses is known as diagnosis-related groups (DRGs). Separate DRG rates apply depending on whether a hospital is located in a large urban area (greater than 1 million population, or 970,000 in New England) or other area of the country, as determined by the Office of Management and Budget (OMB) Metropolitan Statistical Area (MSA) system.

During a 4-year transition period, a declining portion of the total prospective payment was based on a hospital's historical reasonable costs and an increasing portion was based on a combination of regional and national Federal DRG rates. Since the fifth year of the program (fiscal year 1988), Medicare payments have been generally determined under a national DRG payment methodology. Special transition provisions apply to hospitals located in certain geographic regions. If a hospital can treat a patient for less than the payment amount, it can keep the savings. If the treatment costs more, the hospital must absorb the loss. A hospital is prohibited from charging Medicare beneficiaries any amounts (except for deductibles, copayment amounts, and services not covered by Medicare) which represent any difference between the hospital's cost of providing covered care and the Medicare DRG payment amount.

Certain hospital costs are excluded from the prospective payment system and are paid on a reasonable cost basis, subject to rate of increase limits. Authority is provided for States to establish their own all-payer hospital payment systems if they meet certain Federal requirements.

### **BASIC PAYMENT SYSTEM**

Unless excluded from PPS, each Medicare participating hospital is paid a predetermined payment rate per discharge for each type of patient treated. Types of patients are defined by the diagnosis related groups patient classification system which assigns each hospital inpatient to one of 495 patient categories (DRGs) based on the diagnosis and the type of treatment received (medical or surgical).

The payment rate for each DRG is the product of two components: a base payment amount which applies for all DRGs, and a relative weighting factor for the particular DRG. The base payment amount is intended to represent the cost of a typical (average) Medicare inpatient case. The relative weighting factor represents the relative costliness of an average case in the particular DRG compared to the cost of the overall average Medicare case (i.e., relative to the base payment amount). When the DRG relative weights are each multiplied by the base payment amount, the result is a complete set of prices for all DRGs. Separate DRG rates

apply to hospitals located in large urban or other areas (separate base payment amounts apply in these areas, but the DRG relative weighting factors are the same). In addition, the base payment amount (and, therefore, each DRG rate) is adjusted for area differences in hospital wage levels compared to the national average hospital wage level.

#### TRANSITION PERIOD

Although the transition to prospective payment rates was completed in fiscal year 1988, special transition provisions apply to hospitals located in certain geographic regions. In a few regions with historically higher costs, Public Law 103-66 (OBRA 1993) provides for the continued use of Federal amounts based in part on regional rates until October 1, 1996. Under this transition provision, known as the "regional floor," the DRG payment rate is determined as the higher of 100 percent of the national amount, or 85 percent of the national amount plus 15 percent of the regional amount.

#### UPDATE FACTORS

PPS payment rates are updated each year using an "update factor." The annual update factor applied to increase the Federal base payment amounts is determined, in part, by the projected increase in the hospital market basket index (MBI). The MBI measures the cost of goods and services purchased by hospitals, yielding one price inflator for all hospitals in a given year. Table D-1 shows the categories of expense used in developing the index. The update factor also includes adjustments for increases in hospital productivity, technological change, and other factors that affect the level of operating cost per discharge. The annual update factor is also adjusted to include increases in average payments per case attributable to increases in case mix due to changes in coding and reporting accuracy.

Before fiscal year 1988, the same factor was used for all hospitals; however, in subsequent years separate factors were applied to hospitals according to their locations. Separate update factors were set for hospitals located in large urban, other urban, and rural areas. Beginning October 1, 1994, the other urban and rural standardized amounts were equalized, so there are currently only two update factors for large urban and other areas. Table D-2 compares the hospital market basket increases to actual updates for the past 13 years and shows the increases in PPS payments per case that resulted from the updates and other policy changes.

For fiscal year 1996, the market basket increase is 3.5 percent, the average update is 1.5 percent, and the increase in operating payments per case is 2.5.

TABLE D-1.—HOSPITAL PROSPECTIVE PAYMENT SYSTEM INPUT PRICE INDEX ("THE MARKET BASKET") EXPENSE CATEGORIES AND RATES OF PRICE CHANGE, FISCAL YEARS 1992-97

Expense category	Base-year FFY 1987 weights <sup>1</sup>	FFY percentage rates of price change					
		1992 <sup>2</sup>	1993 <sup>2</sup>	1994 <sup>2</sup>	1995 <sup>2</sup>	1996 <sup>3</sup>	1997 <sup>3</sup>
1. Wages and salaries <sup>4</sup> .....	52.22	3.7	3.1	2.9	2.7	2.9	3.3
2. Employee benefits <sup>4</sup> .....	9.50	6.2	5.8	4.2	2.7	3.0	3.4
3. Professional fees <sup>4</sup> .....	1.65	4.0	3.4	2.9	2.7	2.9	3.3
4. Energy and utilities .....	2.37	-5.0	0.9	-3.4	-1.6	-0.5	2.3
A. Fuel oil, coal, and other petroleum .....	0.62	-14.4	-2.4	-7.2	-0.7	-0.7	4.0
B. Electricity .....	1.14	1.8	1.2	-1.0	1.1	0.0	0.5
C. Natural gas .....	0.34	-1.9	9.0	-2.6	-19.2	3.1	7.5
D. Motor gasoline .....	0.23	-11.2	-2.6	-7.9	5.4	-6.7	0.1
E. Water and sewerage .....	0.04	7.1	5.9	5.2	3.5	4.2	5.1
5. Professional liability insurance .....	1.43	4.9	2.8	-0.3	-0.3	3.2	4.1
6. All other .....	32.84	1.5	1.9	1.7	4.1	2.8	2.3
A. All other products .....	21.79	1.1	1.9	1.4	4.7	2.7	1.8
1. Pharmaceuticals .....	3.87	7.2	5.0	3.5	2.4	3.0	1.9
2. Food .....	3.30	0.9	1.3	1.8	0.9	3.5	1.8
a. Direct purchase .....	2.11	0.0	1.0	1.9	0.1	3.7	0.5
b. Contract service .....	1.19	2.4	1.7	1.7	2.1	3.0	3.9
3. Chemicals .....	3.13	-4.4	1.4	0.5	15.1	0.4	1.3
4. Medical instruments .....	2.67	1.9	2.3	0.9	1.2	1.3	0.9
5. Photographic supplies .....	2.62	-0.7	-0.9	0.4	0.7	3.0	3.7
6. Rubber and plastics .....	2.32	-0.3	0.9	0.7	5.6	1.9	0.7
7. Paper products .....	1.40	-2.1	-0.4	-0.2	18.1	8.9	2.3
8. Apparel .....	1.14	1.6	1.9	1.6	1.6	2.5	2.4
9. Machinery and equipment .....	0.50	0.5	0.5	0.8	1.0	1.7	1.9
10. Miscellaneous products .....	0.83	0.8	1.6	0.4	1.7	2.6	1.8
B. All other services .....	11.05	2.4	2.0	2.2	3.0	2.9	3.1

1. Business services <sup>4</sup> .....	3.85	2.4	1.5	1.7	3.2	3.5	3.5
2. Computer services <sup>4</sup> .....	1.99	1.3	3.5	4.4	3.3	3.2	3.6
3. Transportation and shipping .....	1.23	1.0	3.1	2.8	4.0	1.8	3.7
4. Telephone .....	0.99	1.2	0.2	1.8	0.8	1.8	2.2
5. Blood services <sup>4</sup> .....	0.59	6.5	0.2	-2.3	-1.4	2.2	1.5
6. Postage <sup>4</sup> .....	0.37	4.9	0.0	0.0	7.7	2.4	0.0
7. All other labor intensive services <sup>4</sup> .....	1.23	3.4	2.1	2.3	2.8	2.8	3.0
8. All other nonlabor intensive services .....	0.80	3.0	3.0	2.6	2.8	2.7	2.9
<b>Total</b> .....	<b>100.00</b>	<b>3.1</b>	<b>3.0</b>	<b>2.5</b>	<b>3.0</b>	<b>2.8</b>	<b>2.9</b>

<sup>1</sup> Weights may not sum to 100.00 due to rounding.  
<sup>2</sup> Historical data subject to change only upon revision of underlying series.  
<sup>3</sup> Projected data subject to change in future forecasts.  
<sup>4</sup> Considered labor-related.

Note.—FFY = Federal fiscal year.  
 Source: Health Care Financing Administration, Office of the Actuary.

TABLE D-2.—COMPARISON OF INCREASE IN PPS HOSPITAL MARKET BASKET INDEX, PPS UPDATE, AND INCREASE IN PPS PAYMENTS PER CASE, FISCAL YEARS 1984-96

[In percent]

Fiscal year	Increase in market basket index <sup>1</sup>	Average update <sup>2</sup>	Increase in operating payments per case <sup>3</sup>
1984 .....	4.9	4.7	18.5
1985 .....	4.0	4.5	10.5
1986 .....	4.3	0.5	3.4
1987 .....	3.7	1.2	5.3
1988 .....	4.7	1.5	6.0
1989 .....	5.4	3.3	6.6
1990 .....	5.5	4.7	6.3
1991 .....	5.2	3.4	5.8
1992 .....	4.4	3.0	5.2
1993 .....	4.1	2.7	3.6
1994 .....	4.3	2.0	3.5
1995 .....	3.6	2.0	3.9
1996 .....	3.5	1.5	2.5

<sup>1</sup> Based on data available when final PPS rates were set.

<sup>2</sup> From 1988 to 1995, there were separate updates for hospitals in large urban, other urban, and rural areas. Update for 1990 adjusted to reflect 1.22 percent across-the-board reduction in DRG weights.

<sup>3</sup> Data on PPS operating payments for 1984 through 1994 are for hospital accounting years beginning during each Federal fiscal year. Changes are based on cohorts of hospitals with Medicare Cost Reports in two consecutive years. Increases for 1995 and 1996 estimated from current update and case-mix index trends.

Note.—PPS = Prospective payment system.

Source: Prospective Payment Assessment Commission.

#### DRG WEIGHTING FACTORS

Public Law 98-21 required the Secretary to adjust the DRG definitions and weighting factors in fiscal year 1986 and at least every 4 years thereafter to reflect changes in treatment patterns, technology, and other factors which may change the relative use of hospital resources. Public Law 99-509, however, required the Secretary to adjust the DRG definitions and weighting factors each year, beginning in fiscal year 1988.

OBRA 1989 required the Secretary to reduce the weighting factor for each DRG by 1.22 percent for discharges in fiscal year 1990. In addition, the Secretary was prohibited from adjusting DRG weighting factors on other than a budget neutral basis beginning in fiscal year 1991.

Table D-3 shows the 20 DRGs accounting for the largest numbers of Medicare inpatient discharges during fiscal year 1994. DRG relative weights appear in table D-20 at the end of this appendix.

#### SOURCE AND CALCULATION OF THE HOSPITAL WAGE INDEX

The hospital wage index is used to adjust a hospital's base payment amount for the wage level of the hospital's area. This is accomplished by multiplying the labor-related component of the national standardized payment amount by a wage index. The wage

index is intended to measure the average wage level for hospital workers in each urban area (metropolitan statistical area or MSA) or rural area (non-MSA parts of States) relative to the national average wage level.

TABLE D-3.—TWENTY DIAGNOSIS-RELATED GROUPS (DRGs) WITH THE MOST HOSPITAL DISCHARGES, FISCAL YEAR 1994

DRG number	Description	Discharges	Percent total	Average length of stay (days)
127	Heart failure and shock .....	703,850	6.1	6.7
89	Simple pneumonia and pleurisy <sup>1</sup> .....	452,893	3.9	7.5
88	Chronic obstructive pulmonary disease .....	363,195	3.2	6.5
14	Specific cerebrovascular disorders except transient ischemic attack .....	358,914	3.1	8.2
209	Major joint and limb reattachment procedures .....	327,286	2.8	7.6
140	Angina pectoris .....	274,437	2.4	3.8
430	Psychoses .....	261,268	2.2	14.4
182	Esophagitis, gastroenteritis, and miscellaneous metabolic disorders .....	246,195	2.1	5.3
174	G.I. hemorrhage <sup>2</sup> .....	244,085	2.1	6.0
296	Nutritional and miscellaneous metabolic disorders <sup>1</sup> .....	227,653	2.0	7.0
138	Cardiac arrhythmia and conduction disorders <sup>2</sup> .....	208,736	1.8	4.9
79	Respiratory infections and inflammations .....	202,900	1.8	10.0
112	Vascular procedures except major reconstruction without pump .....	184,496	1.6	4.9
416	Septicemia .....	184,165	1.6	8.8
462	Rehabilitation .....	182,561	1.6	17.1
320	Kidney and urinary tract infections <sup>1</sup> .....	179,459	1.6	7.0
121	Circulatory disorders with acute myocardial infarction and cerebrovascular complications, discharged alive .....	166,866	1.5	8.0
148	Major small and large bowel procedures <sup>2</sup> .....	150,604	1.3	14.0
15	Transient ischemic attack and precerebral occlusions .....	149,011	1.3	4.9
124	Circulatory disorders except acute myocardial infarction, with cardiac catheterization and complex diagnosis .....	140,679	1.2	5.2
	Twenty leading DRGs .....	5,209,253	45.3	.....
	Total, all DRGs .....	11,504,539	100.0	7.6

<sup>1</sup>Age greater than 17, with complications.

<sup>2</sup>With complications.

Source: Health Care Financing Administration, Bureau of Data Management and Strategy.

The Secretary is required to update the wage index annually beginning October 1, 1993. The Secretary is required to base the update on a survey of wages and wage-related costs of short-term acute care hospitals. Tables D-17, D-18, and D-19, at the end of

this appendix, give the current wage index values for urban areas, for all rural areas in a State, and a special index for hospitals that are reclassified.

Calculation of the index begins with the area average hospital hourly wage. For each MSA or non-MSA area (i.e., all non-MSA counties in a State), total county compensation and total paid hours data are summed separately over all counties included in the area. Then aggregate hospital compensation for the area is divided by aggregate paid hours of hospital employment in the area to produce the area average hourly wage. The hospital wage index is calculated by dividing the average hourly wage for each area by the national average hourly wage (determined by dividing national aggregate compensation by national aggregate paid hours of employment).

This procedure results in an index number, such as 0.9218 (Asheville, North Carolina) or 1.2539 (Sacramento, California), for each MSA or non-MSA area in the United States. Since the national average wage level is represented by an index value of 1.000, the wage index value for any area has a direct and simple interpretation. The value of 1.2539 for Sacramento means that the hourly wage rate for hospital workers is 25.39 percent higher in the Sacramento MSA than nationwide.

Thus, in computing the Federal portion of the hospital payment rates applicable for hospitals in the Sacramento MSA, the labor-related component of the national large urban adjusted standardized payment amount (\$2,741.39) is multiplied by 1.2539 in order to adjust for the higher level of hourly wage rates in this area. Similarly, the calculation of the labor portion of the rates for hospitals in Asheville would involve a reduction in the published labor-related component of the national adjusted standardized payment amount, to reflect the fact that hourly wage levels in this MSA are 7.82 percent lower than the national average (as indicated by the wage index value of 0.9218).

#### SAMPLE PAYMENT CALCULATION

The Federal large urban and other area base payment amounts per discharge for fiscal year 1996 were published in the Federal Register on September 1, 1995 (see table D-4). The payment rates for most hospitals are computed using the national adjusted operating standardized amounts. However, hospitals located in regions where the regional rate (sum of labor and nonlabor portions) is higher than the national rate may use a blended rate equal to 85 percent of the national rate plus 15 percent of the regional rate (also known as the regional floor). Puerto Rico has its own adjusted operating standardized amounts for DRG payment purposes.

Each payment amount is divided into a labor-related component and a nonlabor-related component. The sum of these components represents the base payment amount that would apply for a hospital located in an area with a wage index of 1.0 (i.e., average wage rates for hospital workers in the area match the national average of hospital wage rates across all areas).

The basic payment to a hospital for a case in a particular DRG is the applicable national (or blend of national and regional, if ap-



appropriate) payment amount, adjusted by the local wage index value and multiplied by the weighting factor for the DRG.

TABLE D-4.—NATIONAL AND REGIONAL ADJUSTED STANDARDIZED AMOUNTS, LABOR/  
NONLABOR, FISCAL YEAR 1994

	Large urban areas		Other areas	
	Labor related	Nonlabor related	Labor related	Nonlabor related
National average .....	\$2,741.39	\$1,098.09	\$2,697.99	\$1,080.71
Regional:				
New England (CT, ME, MA, NH, RI, VT) .....	2,874.14	1,151.27	2,828.62	1,133.04
Middle Atlantic (PA, NJ, NY) .....	2,623.06	1,050.69	2,581.53	1,034.06
South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV) .....	2,685.62	1,075.75	2,643.11	1,058.72
East North Central (IL, IN, MI, OH, WI) .....	2,926.45	1,172.22	2,880.12	1,153.66
East South Central (AL, KY, MS, TN) .....	2,537.85	1,016.56	2,497.67	1,000.47
West North Central (IA, KS, MN, MO, NE, ND, SD) ...	2,743.19	1,098.81	2,699.76	1,081.41
West South Central (AR, LA, OK, TX) .....	2,669.98	1,069.49	2,627.71	1,052.55
Mountain (AZ, CO, ID, MT, NV, NM, UT, WY) .....	2,652.82	1,062.62	2,610.82	1,045.79
Pacific (AK, CA, HI, OR, WA) .....	2,712.20	1,086.40	2,669.27	1,069.20
Puerto Rico:				
National .....	2,714.63	1,087.37	2,714.63	1,087.37
Puerto Rico .....	2,444.77	509.50	2,406.07	501.43

Source: Federal Register, 1995.

For an example of a payment calculation, assume a hospital is located in Washington, DC. Such a hospital would be in a large urban area in the South Atlantic census region. As this is not one of the regions affected by the regional floor, payment is based on the large urban national standardized amount. First, the labor-related portion of this amount (\$2,741.39 in fiscal year 1996) is multiplied by the appropriate wage index (1.1075 for Washington, DC):

$$\$2,741.39 \times 1.1075 = \$3,036.09$$

To this total is added the nonlabor-related portion of the standardized amount:

$$\$3,036.09 + \$1,098.09 = \$4,134.18$$

For each discharge, this new total is then multiplied by the relative weight factor for the DRG to which the case has been assigned. These weights range from a low of 0.1922 for DRG 382 (false labor) to a high of 16.3066 for DRG 480 (liver transplant). The payment rates for the sample hospital in fiscal year 1996 would therefore vary from a low of \$794.59 ( $\$4,134.18 \times 0.1922$ ) to a high of \$67,414.42 ( $\$4,134.18 \times 16.3066$ ).

In addition to the basic payment amount for each case, additional payments may be made to teaching hospitals and hospitals that serve a disproportionate share of low-income patients. Any hospital may receive additional payments for outliers (cases with extraordinarily high costs or a very long stay, relative to other cases in the DRG) and for treatment of beneficiaries with end-stage renal disease. Finally, certain hospital costs are excluded from PPS and reimbursed separately. The next sections of this appendix discuss additional PPS payments and the separate reimbursement of excluded costs.

### ADDITIONAL PAYMENT AMOUNTS

In addition to the DRG prospective payment rates, Medicare payments are made to hospitals for four additional items or services.

#### GRADUATE MEDICAL EDUCATION

Financing of graduate medical education, the period of training following medical school, is provided predominantly through inpatient revenues (both hospital payments and faculty physician fees) and a complex mix of Federal and State government funds. The Federal Government is the largest single explicit financing source for graduate medical education through the Medicare Program and through its support of residencies in Veterans Administration hospitals. Medicare recognizes the costs of graduate medical education under two mechanisms: direct medical education payments and an indirect medical education adjustment. In fiscal year 1995, Medicare paid approximately \$1.8 billion in direct medical education payments and \$4.5 billion in indirect adjustments.

#### *Direct medical education costs*

The direct costs of approved medical education programs (such as the salaries of residents and teachers and other education costs for residents, for nurses, and for allied health professionals trained in provider-operated programs) are excluded from the prospective payment system. The direct medical education costs for the training of nurses and allied health professionals in provider-operated programs are paid for on a reasonable cost basis. Residency training programs for physicians are funded through formula payments based on each hospital's per resident costs.

Medicare's payment to each hospital equals the hospital's cost per full-time equivalent (FTE) resident, times the weighted average number of FTE residents, times the percentage of inpatient days attributable to Medicare part A beneficiaries. Each hospital's per FTE resident amount is calculated using data from the hospital's

cost reporting period that began in fiscal year 1984, increased by 1 percent for hospital cost reporting periods beginning July 1, 1985, and updated in subsequent cost reporting periods by the change in the consumer price index (CPI). The number of FTE residents is calculated at 100 percent after July 1, 1986, only for residents in their initial residency period (i.e., within the minimum number of years of formal training necessary to satisfy specialty requirements for board eligibility plus 1 year, but not to exceed 5 years; residents in geriatrics or preventive medicine are allowed 2 additional years). For residents not in their initial residency period, the weighing factor is 50 percent after that date. Residents who are foreign or international medical graduates are not counted as FTE residents unless they have passed certain examinations.

OBRA 1993 provided that the amounts paid per resident for the direct costs of graduate medical education would not be updated by the CPI for cost reporting periods beginning during fiscal years 1994 and 1995, except for primary care residents and residents in obstetrics and gynecology. Primary care residents are defined to include family medicine, general internal medicine, general pediatrics, preventive medicine, geriatric medicine, and osteopathic general practice. For fiscal year 1996, the per resident amount is updated by the CPI.

#### *Indirect medical education costs*

Additional payments are made to hospitals under PPS for the indirect costs attributable to approved medical education programs. These indirect costs may be due to a variety of factors, including the extra demands placed on the hospital staff as a result of the teaching activity or additional tests and procedures that may be ordered by residents. Congressional reports on the PPS authorizing legislation indicate that the indirect medical education payments are also to account for factors not necessarily related to medical education which may increase costs in teaching hospitals, such as more severely ill patients, increased use of diagnostic testing, and higher staff-to-patient ratios.

The additional payment to a hospital is based on a formula that provides an increase of approximately 7.7 percent in the Federal portion of the DRG payment for each 0.1 increase in the hospital's intern and resident-to-bed ratio on a curvilinear basis (i.e., the increase in the payment is less than proportional to the increase in the ratio of interns and residents to bed size).

#### DISPROPORTIONATE SHARE HOSPITALS

Public Law 99-272 (COBRA) provided that additional payments would be made to hospitals that serve a disproportionate share of low-income patients. The adjustment was extended several times until OBRA 1990 (Public Law 101-508) made it a permanent payment adjustment. A hospital's disproportionate patient percentage is defined as the hospital's total number of inpatient days attributable to Federal Supplemental Security Income (SSI) Medicare beneficiaries divided by the total number of Medicare patient days, plus the number of Medicaid patient days divided by the total patient days.

Table D-5 shows the minimum disproportionate patient percentages required to qualify for the adjustment and the formulas for computing the adjustment effective October 1, 1993. For discharges occurring after September 1994, hospitals with a disproportionate share adjustment greater than 20.2 percent would receive a disproportionate share adjustment equal to 5.88 percent plus 0.825 percent of the difference between 20.2 percent and the hospital's disproportionate share patient percentage.

TABLE D-5.—CRITERIA TO QUALIFY FOR DISPROPORTIONATE SHARE ADJUSTMENT AND FORMULAS FOR COMPUTING ADDITIONAL PAYMENT, EFFECTIVE OCTOBER 1, 1993

Type of hospital	Qualifying disproportionate patient percentage (P)	Formula or fixed percentage adjustment
Urban, 100 or more beds	15 percent .....	$(P-15)(.6) .65+2.5.$
Urban, 100 or more beds	20.2 percent .....	$(P-20.2) .8+5.88.$
Urban, 100 or more beds	30 percent of inpatient revenue from State or local indigent care funds.	35 percent.
Urban, under 100 beds .....	40 percent .....	5 percent.
Rural, over 500 beds .....	Not specified in law; regulations set threshold at 15 percent.	Same as urban, 100 or more beds.
Rural, over 100 beds .....	30 percent .....	4 percent.
Rural, under 100 beds .....	45 percent .....	4 percent.
Rural, sole community hospital.	30 percent .....	10 percent.
Rural, rural referral center and—		
(a) not a sole community hospital, 100 or more beds.	30 percent .....	$(P-30)(.6)+4.0.$
(b) not a sole community hospital, under 100 beds.	45 percent .....	$(P-30)(.6)+4.0.$
(c) also a sole community hospital.	30 percent .....	Greater of 10 percent or $(P-30)(.6)+4.0.$

Note.—The disproportionate patient percentage (P) is equal to the sum of (a) the number of Medicare inpatient days provided to Supplemental Security Income recipients divided by total Medicare patient days, and (b) the number of inpatient days provided to Medicaid beneficiaries divided by total inpatient days.

Source: Prospective Payment Assessment Commission.

#### ESRD BENEFICIARY DISCHARGES

Effective with cost reporting periods beginning on or after October 1, 1984, additional payments are made to hospitals for inpatient dialysis provided to end-stage renal disease (ESRD) beneficiaries if total discharges of such beneficiaries from non-ESRD related DRGs account for 10 percent or more of the hospital's total Medicare discharges. A hospital meeting the criteria is paid an additional payment for each ESRD beneficiary discharge based on the

estimated weekly cost of dialysis and the average length of stay of its ESRD beneficiaries.

#### OUTLIERS

Additional amounts are paid to hospitals for atypical cases (known as "outliers") which have either extremely long length of stay (day outliers) or extraordinarily high costs (cost outliers) compared to most discharges classified in the same DRG. The law requires that total outlier payments to all hospitals covered by the system represent no less than 5 percent and no more than 6 percent of the total estimated PPS payments for the fiscal year. Effective with discharges occurring on or after October 1, 1984, a transferring hospital may qualify for an additional payment for extraordinarily high-cost cases meeting the criteria for cost outliers. Outlier payments are financed by an offsetting overall reduction in the Federal portion of the base payment amount per discharge. Effective October 1, 1986, Public Law 99-509 established separate urban and rural set-aside factors for financing outlier payments. The separate set-aside factors for rural and urban hospitals for financing outlier payments ended when the other urban/rural payment differential was eliminated in fiscal year 1995, as enacted in OBRA 1990.

Public Law 100-203 increased payments for outlier cases classified in DRGs relating to patients with burns from April 1, 1988, through September 30, 1989. This legislation also prohibited the Secretary from issuing any final regulations before September 1, 1988, which changed the method of payment for outlier cases (other than burn cases).

The Secretary published new outlier rules on September 30, 1988, effective for discharges on or after October 1, 1988. The new rules modified the thresholds used in determining whether a case is an outlier and increased the allowable payment amounts for cost outliers. The effect of the changes increased the proportion of all outlier payments going to cost outliers. Previously, about 85 percent of outlier payments were made for length-of-stay (LOS) outliers and 15 percent for cost outliers. Under the new rules, 60 percent of payments were made for cost outliers and 40 percent for LOS outliers. (Cases that meet both length-of-stay and cost outlier criteria are paid under the policy that produces the higher payment.)

To determine the amount of additional payments for outlier cases, the LOS for each case in a DRG is first compared against the applicable LOS threshold for the category. If the LOS for a case exceeds the threshold, then the case qualifies as a day outlier. In this instance, the hospital is paid its regular payment rate per discharge (for this DRG), plus the Federal portion of a per diem amount (44 percent of the hospital's Federal per diem rate for the DRG) for each Medicare covered day above the LOS threshold.

If the case does not qualify as a day outlier, then it may qualify as a cost outlier. The case will qualify for extra payments on this basis if the hospital's Medicare covered charges for the case, adjusted to operating costs (and reduced by its indirect teaching and disproportionate share adjustments, if applicable), exceed its cost outlier threshold for the DRG. In this instance, the hospital is paid

its regular payment rate per discharge for the DRG, plus the Federal portion of 75 percent of the difference between its adjusted (and reduced) charges for the case and the cost outlier threshold.

In October 1991, Medicare began a transition from cost-based to prospective payment for hospital capital expenses (see below). In the August 30, 1991, final rule implementing this change, the Secretary established a unified outlier payment system for capital and operating costs. For day outliers, payments for covered days were set equal to a percentage of the combined per diem operating and capital payment rates for the DRG. For cost outliers, payments are made only if the combined operating and capital cost for the case exceed the cost outlier threshold for the DRG. As in the case of operating cost payments, standardized Federal capital payment amounts are reduced to establish a pool for outlier payments.

OBRA 1993 legislated two changes in outlier policy that became effective in fiscal year 1995. First, day outliers are phased out over a period of 4 years. By fiscal year 1999, all outlier payments will be based solely on cost. Second, cost-outlier thresholds are based on a fixed amount beyond the payment rate for each case so that hospitals incur the same loss on every case before outlier payments are applied.

#### **PAYMENT FOR CAPITAL**

Until fiscal year 1992, Medicare paid a share of hospitals' reasonable capital-related costs, based on services used by beneficiaries as a proportion of total services furnished by the hospital. (Payments in recent years have been subject to fixed percentage reductions described below.) Four basic types of costs are allowable for Medicare reimbursement:

1. Interest on mortgages, bonds, or other borrowing used to finance capital investments or current operations. Interest costs are generally offset by any interest income earned by the hospital on investments;
2. Depreciation, figured on a straight line basis, for plant and equipment, but not for land;
3. Rental payments for plant and equipment;
4. Property taxes and insurance premiums related to capital assets.

One other type of capital cost was formerly recognized under Medicare, but has not been reimbursable for hospital services since fiscal year 1989: return on equity for investor-owned hospitals. Return on equity payments provided a return to investors equivalent to what they would have earned if they had used their money for some other purpose.

When the new PPS system was enacted in 1983, Congress excluded capital costs. However, the Secretary was instructed to report to Congress on methods for including capital in PPS and was authorized (but not required) to implement prospective payment for capital on or after October 1, 1986.

The Secretary's authority to include capital in PPS was postponed twice. The Supplemental Appropriations Act of 1986 (Public Law 99-349) delayed prospective capital payment until October 1, 1987. The Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203) delayed prospective payment until October 1, 1991. How-

ever, the Secretary was required, not merely authorized, to implement a prospective system by that date. The system was required to provide that capital payments be made on a per-discharge basis, with adjustments based on each discharge's classification under the DRGs or some similar system. At the Secretary's discretion, the system could include adjustments to reflect variations in costs of construction or borrowing, exceptions (including exceptions for hospitals with existing obligations), and adjustments to reflect hospital occupancy rates.

While prospective payment for capital has been delayed (see below), Congress has included in budget reconciliation legislation fixed percentage reductions in amounts otherwise payable by Medicare for capital costs. These cuts began in fiscal year 1987, with a 3.5-percent reduction. Medicare would compute its share of total costs for each hospital and then reduce that computed share by 3.5 percent. The percentage reduction increased to 7 percent for the first quarter of fiscal year 1988, 12 percent for the rest of that fiscal year, and 15 percent for fiscal year 1989 through fiscal year 1991. Delays in completing budget legislation have meant that there were brief intervals in 1987 and 1989 when no reduction was taken. The reductions originally applied only to capital costs related to inpatient care. Beginning in fiscal year 1990, capital payments for outpatient hospital services were also reduced. The reductions did not apply to certain types of rural hospitals defined in Medicare law, including sole community hospitals, essential access community hospitals, and rural primary care hospitals.

The Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508) continued capital payment reductions through fiscal year 1995, with the reduction percentage lowered to 10 percent for fiscal years 1992 through 1995. Because prospective payment began in fiscal year 1992, the reductions are not applied directly to each hospital's computed capital costs. Instead, the Secretary is required to set payments under the new system (or under the new system and PPS combined) in such a way as to achieve an aggregate inpatient hospital capital spending reduction of 10 percent, as compared to what would have been spent under the reasonable cost system. The Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66) extended the 10-percent reduction in outpatient capital payment through fiscal year 1998.

The administration's proposed rules for prospective payment for capital costs were published in the *Federal Register* on February 28, 1991. After a period for public comment, final rules were published on August 30, 1991. The final rule provides for a 10-year transition to fully prospective payment beginning October 1, 1991.

Under the rule, the Secretary establishes a standard per case capital payment rate, based on average capital costs per case in fiscal year 1989 and updated for inflation and other factors. Through fiscal year 1995, the base rate was adjusted in order to meet the requirement that capital payment rates be set in such a way as to achieve an aggregate saving of 10 percent relative to what would have been paid under a full cost system. Beginning with fiscal year 1996, that requirement expired. As a result, the standardized Federal and hospital-specific payment rates increased by more than 20 percent. For fiscal year 1996 the standardized Federal payment

rate for capital is \$461.96 (\$355.35 in Puerto Rico). Rates are adjusted using the DRG weights and a geographic factor based on area wage indices.

Hospitals in large urban areas receive a 3-percent increase and hospitals in Alaska and Hawaii receive a cost of living adjustment. A disproportionate share adjustment is provided for urban hospitals with more than 100 beds. A hospital receives approximately a 2.1 percent point increase in capital payments for each 10 percent increment in its disproportionate share percentage.

An adjustment is also made for the indirect costs of medical education. This adjustment is based on the ratio of residents to average daily inpatient census. Capital payments increase approximately 2.8 percentage points for each 10 percent increment in the residents to average daily census ratio. Additional capital payments are issued for outlier cases.

During a transition period that ends September 30, 2000, each individual hospital's capital payment rate is a blended rate based partly on its own historic capital costs and partly on the Federal rate. In fiscal year 1996, rates are 50 percent hospital-specific and 50 percent Federal. The hospital-specific portion will drop by 10 percent a year, until fully Federal rates take effect in fiscal year 2001.

The Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66) reduced the Federal rate for inpatient capital expenses by 7.4 percent to correct for inflation forecast errors.

The transition rules include two provisions to assist hospitals most disadvantaged by the shift to prospective payment: a "hold harmless" payment system and exception payments for certain facilities. Hospitals with base year capital costs above average continue to be paid on a cost basis for the portion of their costs related to "old" capital investments (generally assets put in use or obligated by the end of 1990). The rest of the hospital's capital payments are based on the prospective rates. For example, if 75 percent of a hospital's costs are for depreciation and interest on a pre-1990 building, the hospital is paid Medicare's share of those costs (subject to the current 10-percent reduction). For "new" capital, it receives a portion of the prospective rate based on the hospital's own ratio of new to total capital. In this case, because old capital accounts for 75 percent of costs, the hospital's new capital payment is 25 percent of the prospective rate for each case treated. This hold harmless payment system will continue until the end of the 10-year transition, or until a hospital's old capital costs drop to the point at which it is more advantageous for the hospital to shift to fully prospective payment.

Exception payments are made to hospitals whose capital payments under the new system fall significantly short of their actual capital costs. Most hospitals are assured of receiving a minimum of 70 percent of costs. Specified urban hospitals with a disproportionate share of low-income patients receive at least 80 percent of costs, and rural sole community hospitals at least 90 percent. Computation of exception payments is cumulative. If a hospital received more than the minimum in 1 year but a shortfall the next, the surplus from the first year would be applied before any additional payment would be made in the second year.



Table D-6 shows the average capital payments per case received by PPS hospitals in each year since the implementation of PPS for inpatient operating costs in 1984. The decreases in average capital payments per case in 1987 and 1988 reflect the provision in the Omnibus Budget Reconciliation Acts of 1986 and 1987 that reduced Medicare payments below costs. The decrease in 1994 reflects the provision in the Omnibus Budget Reconciliation Act of 1993 that corrected for previous errors in setting the base capital payment rates. Capital payments generally have stayed between 8 and 9 percent of total inpatient payments. The proportion of capital costs covered by those payments fell from 100 percent under cost-based reimbursement to a low of 87.4 percent in 1990. The implementation of capital PPS initially resulted in increased payment to cost ratios, but those fell as the payment rates were adjusted to reflect more accurate data. The elimination of the budget neutrality requirement in 1996, though, will likely push payments above costs for the first time.

TABLE D-6.—PPS CAPITAL PAYMENTS PER CASE, SHARE OF TOTAL PPS INPATIENT PAYMENTS, AND RATIO OF PAYMENTS TO COSTS, 1984-94

Year	Capital pay- ments per case	In percent	
		Share of total PPS inpatient payments	Payment to cost ratio
1984 .....	\$346	8.1	100.0
1985 .....	392	8.7	100.0
1986 .....	443	9.1	99.4
1987 .....	435	9.0	97.5
1988 .....	431	8.5	90.2
1989 .....	471	8.6	88.0
1990 .....	484	8.3	87.4
1991 .....	534	8.4	87.6
1992 .....	595	9.2	96.7
1993 .....	606	9.0	91.3
1994 .....	601	8.6	91.7

Note.—PPS = Prospective payment system. Data on PPS capital costs and payments are for hospital accounting years beginning during each Federal fiscal year. Hospitals in Massachusetts and New York excluded from data in 1984 and 1985; hospitals in New Jersey excluded from data in 1984 through 1988; hospitals in Maryland excluded from data in all years.

Source: Prospective Payment Assessment Commission analysis of Medicare Cost Report data from the Health Care Financing Administration.

The per case capital payment amount varies widely by hospital group, as shown in table D-7. Urban hospitals had an average payment rate of \$655 in 1994, for example, while rural hospitals received only \$391 per case. Major teaching hospitals were paid \$881 for each case, while nonteaching hospitals got \$526. However, the share of total PPS inpatient payments, which include both operating and capital payments, was very similar for different types of hospitals. Moreover, the share of capital costs covered by these payments frequently was higher for groups with lower payment amounts. Despite urban hospitals' much higher average payment,

that amount equalled 91.4 percent of their capital costs, while rural hospitals were paid 93.8 percent of their capital costs.

TABLE D-7.—PROSPECTIVE PAYMENT SYSTEM CAPITAL PAYMENTS PER CASE, SHARE OF TOTAL PPS INPATIENT PAYMENTS, AND RATIO OF PAYMENTS TO COSTS BY HOSPITAL GROUP, 1994

Hospital group	Capital payments per case	In percent	
		Share of total PPS inpatient payments	Payment to cost ratio
All hospitals .....	\$601	8.6	91.7
Urban .....	655	8.6	91.4
Rural .....	391	8.6	93.8
Large urban .....	697	8.5	92.4
Other urban .....	600	8.7	89.7
Rural referral .....	492	8.8	91.2
Sole community .....	379	8.3	99.1
Other rural .....	359	8.6	93.2
Major teaching .....	881	7.6	94.9
Other teaching .....	633	8.4	91.3
Nonteaching .....	526	9.1	90.9
Disproportionate share large urban .....	750	8.2	94.1
Disproportionate share other urban .....	610	8.5	89.5
Disproportionate share rural .....	406	8.7	92.6
Nondisproportionate share .....	548	8.9	91.2
Teaching and disproportionate share .....	729	8.0	92.9
Teaching only .....	641	8.4	91.4
Disproportionate share only .....	557	9.0	90.8
Nonteaching nondisproportionate share .....	504	9.3	91.0
Voluntary .....	609	8.6	91.5
Proprietary .....	711	9.7	92.5
Urban government .....	607	7.7	91.5
Rural government .....	336	8.4	94.4

Note.—PPS = Prospective payment system.

Source: Prospective Payment Assessment Commission analysis of Medicare Cost Report data from the Health Care Financing Administration.

### PAYMENTS ON A REASONABLE COST BASIS

Costs for certain items are excluded from the prospective payment system and thus are not included in the prospective payment rates. As explained in the sections below, Medicare pays for its share of several costs according to the former reasonable cost-based system.

#### PHYSICIANS IN TEACHING HOSPITALS

Physician services in hospitals are paid under the physician fee schedule. If a teaching hospital so elects, the direct medical and

surgical services of physicians in such hospitals would be paid for on the basis of reasonable costs.

#### ORGAN ACQUISITION COSTS

The estimated net expenses associated with Medicare organ acquisition in certified transplantation centers are excluded from the prospective payment system and paid on a reasonable cost basis.

#### PASSTHROUGH PAYMENTS FOR HEMOPHILIA INPATIENTS

OBRA 1989 excluded the cost of administering blood clotting factors for hemophilia inpatients from PPS, for items furnished from June 19, 1990, through December 19, 1991. OBRA 1993 further extended this provision through fiscal year 1994. The price per unit for the blood clotting factors was set at a predetermined rate, in consultation with ProPAC, and the cost of administering the blood clotting factors was determined by multiplying a predetermined price per unit of blood clotting factor by the number of units provided to the individual.

#### BAD DEBTS OF MEDICARE BENEFICIARIES

An additional payment is made to hospitals for bad debts attributable to unpaid deductible and copayment amounts related to covered services received by Medicare beneficiaries.

The Secretary is prohibited from making any change in the policy in effect on August 1, 1987, including changes in hospital documentation requirements. OBRA 1989 prohibited the Secretary from requiring hospitals to change their bad debt collection policy if a fiscal intermediary accepted the policy in accordance with the rules in effect as of August 1, 1987, for indigency determination procedures, for recordkeeping, and for determining whether to refer a claim to an external collection agency. For such facilities, the Secretary also may not collect from the hospital on the basis of an expectation of a change in the hospital's collection policy.

### **SPECIAL TREATMENT OF CERTAIN FACILITIES UNDER PPS**

#### SOLE COMMUNITY HOSPITALS

Sole community hospitals (SCHs) are hospitals that, because of factors such as isolated location, weather conditions, travel conditions, or absence of other hospitals, are the sole source of inpatient services reasonably available in a geographic area, or are located more than 35 road miles from another hospital. In addition, the Secretary is authorized to designate a hospital as an SCH if, by reason of factors such as travel time to the nearest alternative source of appropriate inpatient care, location, weather conditions, travel conditions, or absence of other like hospitals, the Secretary determines that it is the sole source of inpatient hospital services reasonably available to individuals in a geographic area.

OBRA 1989 established new payment provisions that apply to all SCHs for cost reporting periods beginning after April 1, 1990. An SCH may receive the higher of the following rates as the basis of reimbursement: a target amount based on 100 percent hospital-

specific prospective rates based on fiscal year 1982 costs updated to the present; a target amount based on hospital-specific prospective rates based on fiscal year 1987 costs updated to the present; or the Federal PPS rate. Current SCHs not meeting the criteria are allowed to continue to qualify for payments as an SCH.

OBRA 1989 made permanent the provision by which an SCH may request additional payments if the hospital experiences a decrease of more than 5 percent in its total inpatient cases due to circumstances beyond its control. An SCH may receive such payments if it meets sole community hospital criteria but is not being paid as a sole community hospital. As of September 1994, 647 hospitals were classified as sole community providers.

#### MEDICARE DEPENDENT HOSPITALS

OBRA 1989 created a new classification of hospitals termed Medicare dependent hospitals. Medicare dependent hospitals are hospitals that are located in a rural area, have 100 beds or less, are not classified as a sole community provider, and for which not less than 60 percent of inpatient days or discharges in the hospital cost reporting period that began during fiscal year 1987 were attributable to Medicare. These hospitals are reimbursed in the same fashion as sole community providers during cost reporting periods beginning on or after April 1, 1990, and ending on or before March 31, 1993. As of September 1994, there were 393 Medicare dependent hospitals. OBRA 1993 (Public Law 103-66) extended additional payments to Medicare dependent hospitals through September 30, 1994, on a phase-down basis.

#### REFERRAL CENTERS

The Secretary is authorized to provide exceptions and adjustments as appropriate for regional and national referral centers. These centers are defined as:

1. Rural hospitals having 275 or more beds;
2. Hospitals having at least 50 percent of their Medicare patients referred from other hospitals or from physicians not on the hospital's staff, at least 60 percent of their Medicare patients residing more than 25 miles from the hospital, and at least 60 percent of the services furnished to Medicare beneficiaries are furnished to those who live 25 miles or more from the hospital; or
3. Rural hospitals meeting the following criteria for hospital cost reporting periods beginning on or after October 1, 1985:
  - A case mix index equal to or greater than the median case mix for all urban hospitals (the national standard), or the median case mix for urban hospitals located in the same census region, excluding hospitals with approved teaching programs. The case mix index is a measure of the relative costliness of the hospital's mixture of cases among the DRGs compared to the national average mixture of Medicare cases;
  - A minimum of 5,000 discharges, the national discharge criterion (3,000 in the case of osteopathic hospitals), or the median number of discharges in urban hospitals for the region in which the hospital is located; and

—At least one of the following three criteria: more than 50 percent of the hospital's medical staff are specialists, at least 60 percent of discharges are for inpatients who reside more than 25 miles from the hospital, or at least 40 percent of inpatients treated at the hospital have been referred either from physicians not on the hospital's staff or from other hospitals.

Referral centers are paid prospective payments based on the applicable urban payment amount rather than the rural payment amount, as adjusted by the hospital's area wage index. The applicable amount is the "other urban" rate (i.e., the rate for urban areas with 1 million or fewer people) for all referral centers except those (if any) located in MSAs greater than 1 million.

OBRA 1993 extended the classification through fiscal year 1994 for those referral centers classified as of September 30, 1992. As of September 1994, 193 hospitals were qualified as referral centers.

Although referral centers lose some of the benefit of their classification status because of the equalization of the other urban and rural payment rates in fiscal year 1995, referral centers continue to be entitled to preferential consideration before the Medicare Geographic Classification Review Board (see below).

#### HOSPITALS IN RURAL COUNTIES TREATED AS URBAN COUNTIES

Public Law 100-203 provided for the reclassification of rural hospitals as urban if the county in which the hospital was located was adjacent to two or more MSAs and met criteria regarding commuting patterns of its residents to the central counties of the adjacent MSAs.

OBRA 1989 (Public Law 101-239) established the Medicare Geographic Classification Review Board to consider appeals by hospitals for a change in classification from rural to urban, or from one urban area to another urban area. The Board was created to determine whether a hospital should be redesignated to an area with which it has close proximity for purposes of using the other area's standardized amount, wage index, or both. For geographic reclassifications effective for discharges in fiscal year 1994, a hospital may seek reclassification to only one area. Urban hospitals must be no more than 15 miles from the area to which they seek reassignment, and rural hospitals must be no more than 35 miles from such an area.

A hospital may qualify for the payment rate of another area if it proves that its incurred costs are comparable to those of hospitals in that area. To use an area's wage index, a hospital must demonstrate that: (1) its average hourly wage is equal to at least 84 percent of the average hourly wage of hospitals in the area to which it seeks redesignation; and (2) its average hourly wage weighted for occupational categories is at least 90 percent of the average hourly wage of hospitals in the area to which it seeks redesignation. For geographic reclassifications effective for discharges in fiscal year 1994, the wage index guidelines were revised to specify, in addition, that a hospital cannot be reclassified unless its average hourly wage is at least 108 percent of the average hourly wage of the area in which it is located.

Effective for fiscal year 1996, a hospital may not be reclassified for purposes of using another area's standardized amount if the area to which the hospital seeks reclassification does not have a higher standardized amount than that currently received by the hospital. In addition, a hospital that seeks reclassification for the purpose of using another area's wage index may apply for reclassification only to an area that has a higher pre-reclassified average hourly wage than that of the hospital's original geographic area.

For fiscal year 1996, 407 rural hospitals (22 percent) and 195 (7 percent) urban hospitals have been reclassified by the Board.

### **HOSPITALS EXCLUDED FROM THE PROSPECTIVE PAYMENT SYSTEM**

The following hospitals are by law excluded from the prospective payment system and are paid on the basis of reasonable costs, subject to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) rate of increase limits: psychiatric hospitals, rehabilitation hospitals, psychiatric or rehabilitation units which are distinct parts of a hospital, alcohol and drug abuse hospitals and such distinct units of hospitals (for cost reporting periods beginning before October 1, 1987), children's hospitals (with patients averaging under 18 years of age), long-term hospitals (with an average inpatient length of stay greater than 25 days), and cancer hospitals (hospitals extensively involved in treatment for and research on cancer) classified as such before December 31, 1990. In addition, the act provides an exemption for any hospital classified as a cancer hospital before December 31, 1991, that is located in a State that has a PPS waiver under section 1814(b). In addition, there are special cases in which the prospective payment system is not applied, such as emergency services provided to Medicare beneficiaries in hospitals not participating in Medicare and Veterans' Administration hospital services provided to Medicare beneficiaries.

OBRA 1990 increased the cost limits imposed on hospitals exempt from PPS. Under prior law, hospitals with costs in excess of the cost limits imposed by the Tax Equity and Fiscal Responsibility Act (TEFRA) would be reimbursed for their cost up to the TEFRA limit. Under OBRA 1990, hospitals with costs in excess of the cost limits imposed by TEFRA receive 50 percent of the costs that are in excess of the limit, up to a maximum of 110 percent of the limit. In addition, the Secretary is directed to develop a new prospective payment methodology for exempt hospitals, or to substantially modify the current target-rate system.

OBRA 1993 provided for an update factor to the cost limits of market basket minus 1.0 percentage point for fiscal years 1994 through 1997. Hospitals with operating costs in fiscal year 1990 that exceeded the target amount by more than 10 percent are exempt from the update reduction, with partial reductions applied to hospitals near the threshold. Hospitals reimbursed under approved State cost control systems are also excluded from the prospective rates.

Section 1886(c) of the Social Security Act (as added by TEFRA) gave the HHS Secretary discretion to reimburse hospitals in a State according to the State's hospital reimbursement control system rather than according to Medicare's reimbursement methods if

the State requests this change and if HHS determines that the State system meets certain requirements. Currently, only Maryland has a waiver to operate its own system. New York has a waiver covering four counties participating in the Finger Lakes Area Hospital Corporation rural hospital payment demonstration.

Public Laws 98-21 and 98-369 added several more requirements for State systems. According to final regulations published by HHS on April 24, 1986 (51 F.R. 15481) implementing these legislative changes, HHS has the discretion to allow Medicare hospital reimbursement to be made in accordance with a State reimbursement control system if the chief executive officer of the State requests approval of the State system, and provided that the State system:

1. Applies to substantially all non-Federal acute care hospitals in the State;
2. Applies to at least 75 percent of all inpatient revenues or expenses for the State;
3. Provides assurances that payers, hospital employees and patients in the State will be treated equitably under its system;
4. Provides assurances that its system will not result in greater Medicare expenditures over 36-month periods;
5. Does not preclude health maintenance organizations (HMOs) or competitive medical plans (CMPs) from negotiating directly with hospitals concerning payment for inpatient services;
6. Limits hospital charges to Medicare beneficiaries to deductibles, coinsurance, and services for which the beneficiary would not be entitled to have payment made under Medicare part A; and prohibits payment under part B of Medicare for nonphysician services provided to hospital inpatients unless this prohibition is waived.

Public Law 101-239 (OBRA 1989) required the Secretary's test of effectiveness of a State cost containment system to be based on the aggregate rate of increase from October 1, 1984, to the most recent date for which annual data are available. This provision also extends the waiver for the New York rural hospital payment demonstration.

Special provisions apply to States that have existing demonstration projects approved by HCFA under section 402 of the Social Security amendments of 1967 or section 222(a) of the Social Security amendment of 1972 for the operation of State reimbursement control systems. HHS approval of a State's application to continue the operation of a system upon expiration of the demonstration project is mandatory if, and for so long as, the system meets the minimum requirements described in the six items listed above.

Public Law 101-508 revised the Secretary's test of effectiveness of a State cost containment system to be based on the rate of increase in costs per hospital inpatient admission as compared to the rate of increase in such costs with respect to all hospitals between January 1, 1981, and the present. In addition, OBRA 1990 provided that a State no longer qualifying for a PPS waiver be provided with a reasonable period, not to exceed 2 years, for transition from the State system to the national payment system, and required restoration of the waiver if the State returned to compliance during the transition period.

## ADMINISTRATION

### PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

The Prospective Payment Assessment Commission (ProPAC) is a commission composed of 17 independent experts charged with advising the Congress on PPS and Medicare payment policies. The Commission must report to Congress by March 1 of each year its recommendation of an update factor for PPS payment rates and for other changes in reimbursement policy (see Prospective Payment Assessment Commission, 1996a).

The Secretary is required to submit to Congress recommendations that take into account ProPAC's recommendations, and include a written explanation of those recommendations that differ from those of the Commission.

By June 1 of each year, ProPAC also submits a report to Congress which provides background information on trends in health care delivery and financing, including the impact of the prospective payment system on providers and beneficiaries (see Prospective Payment Assessment Commission, 1996b).

### ADMINISTRATIVE AND JUDICIAL REVIEW

Administrative and judicial appeals are allowed under procedures and authorities already established under the Medicare Program. However, the law precludes administrative and judicial review of: (1) the "budget neutrality" adjustment (see above), and (2) the DRG payment amounts, including the establishment of DRGs, the methodology for classifying discharges within DRGs, and the DRG weighting factors.

### REVIEW ACTIVITIES

Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982 (known as TEFRA), replaced the existing Professional Standards Review Organization (PSRO) Program with the Utilization and Quality Control Peer Review Program. The Secretary of the Department of Health and Human Services was required to enter into performance-based contracts with physician-sponsored or physician-access organizations known as Peer Review Organizations (PROs). As a condition of receiving payments under the prospective payment system, hospitals are required to enter into an agreement with a PRO under which the PRO reviews the validity of diagnostic and procedural information provided by the hospitals; the completeness, adequacy and quality of care provided; and the appropriateness of admissions patterns, discharges, lengths of stay, transfers, and services furnished in outlier cases.

Since 1982, the statute governing the PRO Program has been amended numerous times, and as of October 1996 the PROs will be operating under the fifth "scope of work." For a more detailed discussion of PROs, see section 5.



## HISTORICAL TRENDS IN PPS PAYMENTS, COSTS, AND MARGINS

### MEDICARE PAYMENTS TO HOSPITALS

In fiscal year 1996, hospitals will be paid an estimated \$115.9 billion for Medicare-covered services, as shown in table D-8. The largest share of this amount, \$69.1 billion, will be for PPS inpatient operating costs. The Medicare Program will provide about 90 percent of these payments and the other 10 percent will come from beneficiaries for deductibles and coinsurance. PPS hospitals will also receive some \$8.8 billion in capital payments. Another \$12.5 billion will be paid for operating and capital costs related to services provided in PPS-excluded facilities, which include psychiatric and rehabilitation hospitals and distinct-part units as well as long-term and children's hospitals. Payments for Medicare-covered hospital outpatient services will be \$23.2 billion, with almost 40 percent coming from beneficiaries. Hospitals will also receive \$2.3 billion for the direct costs of training programs, including those for interns and residents and for nursing and allied health personnel.

TABLE D-8.—TOTAL MEDICARE PAYMENTS TO HOSPITALS BY PAYMENT TYPE, FISCAL YEAR 1996

Payment category	Amount (in billions)
PPS operating .....	\$69.1
Medicare Program .....	62.4
Beneficiary deductibles and copayments .....	6.7
PPS capital .....	8.8
Non-PPS operating .....	11.5
Medicare Program .....	10.4
Beneficiary deductibles and copayments .....	1.1
Non-PPS capital .....	1.0
Outpatient .....	23.2
Medicare Program .....	14.0
Beneficiary deductibles and copayments <sup>1</sup> .....	9.2
Direct medical education .....	2.3
Interns and residents .....	2.0
Nursing and allied health .....	0.3
Total .....	115.9

<sup>1</sup> Estimate based on Prospective Payment Assessment Commission analysis of data from the Health Care Financing Administration.

Source: Prospective Payment Assessment Commission analysis of Congressional Budget Office March 1996 estimates.

### POLICY CHANGES AND PPS OPERATING PAYMENTS

Since the implementation of PPS, the distribution of Medicare payments to hospitals has changed. Some redistribution has resulted from changes in hospital behavior, but much of it is attrib-

utable to policy decisions. These include the transition to national average payment rates, reductions in teaching hospital payments, the addition of a disproportionate share adjustment and increases in the size of that adjustment for many hospitals, and larger update factors for rural hospitals in recent years.

The PPS update factor and other policy decisions implemented between fiscal years 1984 and 1995 increased per-case PPS operating payment rates by 34.3 percent, as shown in table D-9. These policy decisions have redistributed PPS payments to rural hospitals, particularly to sole community hospitals. Small rural hospitals have been helped much more than large hospitals in any location, while urban hospitals with fewer than 100 beds have received relatively little benefit from payment policy changes. On a regional basis, the hospitals in New England have been helped most by policy changes while those in the Middle Atlantic region gained the least.

TABLE D-9.—CUMULATIVE EFFECTS OF PPS UPDATE FACTORS AND OTHER PAYMENT POLICY CHANGES ON PER-CASE PPS PAYMENTS BY HOSPITAL GROUP, 1984-95

[In percent]

Hospital group	Cumulative PPS policy effect	Cumulative case-mix index increase <sup>1</sup>	Total case-mix and policy effect
All hospitals .....	34.3	29.0	73.3
Urban .....	29.2	30.9	69.1
Rural .....	54.6	18.7	83.4
Large urban .....	29.6	30.0	68.5
Other urban .....	29.0	32.0	70.2
Rural referral .....	38.4	24.7	72.5
Sole community .....	69.8	14.5	94.4
Other rural .....	56.5	15.5	80.8
Major teaching .....	22.5	36.5	67.2
Other teaching .....	27.5	32.6	69.0
Nonteaching .....	38.9	24.9	73.4
Disproportionate share large urban .....	33.9	31.6	76.2
Disproportionate share other urban .....	32.7	32.1	75.3
Disproportionate share rural .....	56.8	19.9	88.0
Nondisproportionate share .....	32.7	27.4	69.1
Teaching and disproportionate share .....	29.4	34.3	73.8
Teaching only .....	23.3	32.6	63.5
Disproportionate share only .....	42.1	25.9	78.9
Nonteaching nondisproportionate share .....	36.4	24.1	69.3
Urban <100 beds .....	27.3	18.3	50.6
Urban 100-199 beds .....	33.4	24.3	65.9
Urban 200-299 beds .....	28.0	29.3	65.4
Urban 300-399 beds .....	29.5	32.5	71.5
Urban 400-499 beds .....	26.0	34.4	69.2
Urban 500+ beds .....	24.2	36.1	69.1
Rural <50 beds .....	61.6	9.0	76.1
Rural 50-99 beds .....	58.7	15.7	83.6
Rural 100-149 beds .....	54.5	19.6	84.8
Rural 150-199 beds .....	45.0	20.6	74.9

TABLE D-9.—CUMULATIVE EFFECTS OF PPS UPDATE FACTORS AND OTHER PAYMENT POLICY CHANGES ON PER-CASE PPS PAYMENTS BY HOSPITAL GROUP, 1984-95—Continued

[In percent]

Hospital group	Cumulative PPS policy effect	Cumulative case-mix index increase <sup>1</sup>	Total case-mix and policy effect
Rural 200+ beds .....	38.6	26.6	75.5
New England .....	40.7	22.3	72.1
Middle Atlantic .....	24.4	27.5	58.6
South Atlantic .....	37.5	31.2	80.4
East North Central .....	27.4	28.4	63.6
East South Central .....	37.0	30.1	78.2
West North Central .....	37.7	28.9	77.5
West South Central .....	36.5	32.6	81.0
Mountain .....	31.7	29.3	70.3
Pacific .....	38.8	27.4	76.9
Voluntary .....	32.4	28.7	70.4
Proprietary .....	34.2	34.7	80.7
Urban government .....	34.0	29.4	73.5
Rural government .....	57.8	14.7	81.0

<sup>1</sup> Case-mix index changes by hospital group for fiscal years 1994 and 1995 estimated based on historical trends.

Note.—PPS = Prospective payment system. Hospitals in Massachusetts and New York excluded from data in 1984 and 1985; hospitals in New Jersey excluded from data in 1984 through 1988; hospitals in Maryland excluded from data in all years.

Source: Estimates based on Prospective Payment Assessment Commission analysis of data from the Health Care Financing Administration.

The Medicare case-mix index (CMI) reflects the mix of each hospital's cases across DRGs. Because hospitals are paid on this basis, an increase in the CMI results in a proportional increase in PPS payments. CMI changes have, in some instances, partially offset the intended effects of policy decisions. For example, case mix change has shifted payments toward urban hospitals and large hospitals.

Over the last 10 years, the combined effects of update factors, policy decisions, and CMI growth increased per case PPS operating payments by 73.3 percent across all hospitals. Overall, rural hospitals, especially sole community hospitals, reaped the greatest gains from these changes, while small urban hospitals and those in the Middle Atlantic region received the smallest cumulative increases in their payments.

#### DISTRIBUTION OF PPS HOSPITALS, CASES, AND OPERATING PAYMENTS

Table D-10 shows PPS operating payment estimates for fiscal year 1996. The distribution of payments varies widely across hospital groups. For example, although 56 percent of all PPS hospitals are located in urban areas, these hospitals account for 80 percent of all PPS discharges and receive 87 percent of all PPS operating payments. By contrast, rural hospitals account for 44 percent of

PPS hospitals, but only 20 percent of PPS discharges and 13 percent of PPS operating payments.

The indirect medical education (IME) adjustment is intended to recognize hospitals' indirect costs of operating approved graduate medical education programs. The disproportionate share (DSH) adjustment is intended to compensate hospitals that treat large proportions of low-income patients. Almost all IME and DSH payments go to hospitals located in urban areas. In fiscal year 1996, urban hospitals will receive 99 percent of IME payments and 95 percent of DSH payments.

Outlier payments are intended to protect hospitals from the risk of financial losses due to cases with exceptionally long stays or high costs. Large urban hospitals and teaching hospitals and those located in the Middle Atlantic region receive the highest proportion of outlier payments. Small urban hospitals and all rural hospitals receive the lowest percentage of outlier payments.

For all PPS hospitals, the basic DRG payment is estimated to account for 83 percent of fiscal year 1996 PPS operating payments. IME, DSH, and outlier payments are expected to account for 17 percent of the total, or about \$11.7 billion. Rural hospitals receive only 6 percent of their total PPS operating payments through these provisions, while urban hospitals count on these mechanisms for 18 percent of their PPS operating payments. This is because teaching and disproportionate share hospitals are much more likely to be located in cities and urban hospitals are much more likely to treat more complex cases that become outliers.

#### TRENDS IN PPS OPERATING PAYMENTS AND COSTS

The increase in PPS operating payments per case has differed from the update factor in every year, as shown in table D-11. In the first 2 years of prospective payment, payments per discharge rose sharply, by 18.5 percent and 10.5 percent, respectively. This is attributable to two factors: overestimation of the base year hospital costs upon which the initial PPS rates were set due to the use of unaudited Medicare Cost Reports, and a large increase in the aggregate CMI in the early years because of more emphasis on accurate DRG coding and complete documentation of the medical record.

From 1986 through 1994, payments per case grew at an annual rate of 5.0 percent. After an increase of 3.4 percent in the third year of PPS, per case operating payments rose by at least 5 percent in each of the following 6 years, as a result of large increases in both the PPS market basket index and the aggregate Medicare case-mix index. In 1993 and 1994, the CMI grew more slowly and the PPS update was lower, resulting in the smallest 2-year increase in payments per case since the beginning of PPS. Despite this better control over payment rates in recent years, chart D-1 indicates that the increase in operating payments per case during the first 13 years of PPS is almost three times as great as the cumulative value of the annual update factor.

TABLE D-10.—DISTRIBUTION OF PPS HOSPITALS AND DISCHARGES AND ESTIMATED FISCAL YEAR 1996 PPS OPERATING PAYMENTS BY HOSPITAL GROUP

Hospital group	Number of PPS hospitals	Percent of PPS discharges	Percent of PPS operating payments	PPS operating payments (in billions)			Disproportionate share hospitals
				Total	Outlier	Indirect medical education	
All hospitals	5,153	100	100	\$69.1	\$3.1	\$4.3	\$4.3
Urban	2,893	80	87	60.2	2.9	4.2	4.0
Rural	2,260	20	13	8.9	0.2	0.1	0.2
Large urban	1,618	46	54	37.3	1.8	3.2	2.6
Other urban	1,275	34	33	22.9	1.1	1.0	1.4
Rural referral	139	4	3	2.2	0.1	0.1	0.1
Sole community	636	4	3	1.7	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Other rural	1,485	12	7	4.9	0.1	( <sup>1</sup> )	0.1
Major teaching	246	11	19	13.0	0.6	2.8	1.4
Other teaching	815	32	34	23.7	1.1	1.4	1.4
Nonteaching	4,092	57	47	32.4	1.3	0.0	1.5
Disproportionate share large urban	796	24	32	21.8	1.0	2.4	2.6
Disproportionate share other urban	674	21	22	15.3	0.7	0.8	1.4
Disproportionate share rural	487	6	4	2.9	0.1	( <sup>1</sup> )	0.2
Nondisproportionate share	3,196	48	42	29.1	1.3	1.0	0.0
Teaching and disproportionate share	674	27	36	25.0	1.2	3.2	2.8
Teaching only	387	16	17	11.7	0.6	1.0	0.0
Disproportionate share only	1,283	24	22	15.0	0.6	0.0	1.5
Nonteaching nondisproportionate share	2,809	33	25	17.3	0.7	0.0	0.0
Urban <100 beds	738	5	3	2.3	0.1	( <sup>1</sup> )	( <sup>1</sup> )
Urban 100-199 beds	907	17	16	10.9	0.4	0.2	0.8
Urban 200-299 beds	586	20	20	14.1	0.6	0.5	0.8
Urban 300-399 beds	323	15	17	11.7	0.6	0.7	0.8
Urban 400-499 beds	161	9	11	7.6	0.4	0.8	0.6

TABLE D-10.—DISTRIBUTION OF PPS HOSPITALS AND DISCHARGES AND ESTIMATED FISCAL YEAR 1996 PPS OPERATING PAYMENTS BY HOSPITAL GROUP—Continued

Hospital group	Number of PPS hospitals	Percent of PPS discharges	Percent of PPS operating payments	PPS operating payments (in billions)			Disproportionate share hospitals
				Total	Outlier	Indirect medical education	
Urban 500+ beds .....	178	14	20	13.5	0.7	1.9	1.1
Rural <50 beds .....	1,177	4	2	1.4	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Rural 50-99 beds .....	664	6	4	2.5	0.1	( <sup>1</sup> )	( <sup>1</sup> )
Rural 100-149 beds .....	226	4	3	1.8	( <sup>1</sup> )	( <sup>1</sup> )	0.1
Rural 150-199 beds .....	108	3	2	1.3	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Rural 200+ beds .....	85	3	3	1.8	0.1	0.1	0.1
New England .....	217	6	6	4.3	0.1	0.5	0.1
Middle Atlantic .....	525	17	20	13.6	0.8	1.4	0.9
South Atlantic .....	735	18	17	11.6	0.5	0.5	0.8
East North Central .....	795	18	17	11.9	0.5	0.9	0.5
East South Central .....	442	8	7	4.7	0.2	0.1	0.3
West North Central .....	725	8	7	4.8	0.2	0.3	0.1
West South Central .....	741	10	10	6.6	0.3	0.2	0.5
Mountain .....	346	4	4	2.7	0.1	0.1	0.1
Pacific .....	627	11	13	8.9	0.3	0.4	0.8
Voluntary .....	3,018	75	76	52.7	2.4	3.4	2.8
Proprietary .....	706	11	10	7.1	0.3	0.1	0.5
Urban government .....	416	8	10	6.8	0.3	0.7	0.9
Rural government .....	953	6	4	2.5	0.1	( <sup>1</sup> )	0.1

<sup>1</sup> Less than \$0.05 billion.

Note.—PPS = Prospective payment system. PPS payments estimated using rules in effect on October 1, 1995. Excludes hospitals in Maryland.

Source: Estimates based on Prospective Payment Assessment Commission analysis of data from the Health Care Financing Administration and Congressional Budget Office March 1996 Medicare baseline estimates.

TABLE D-11.—ANNUAL CHANGE IN PPS OPERATING COSTS AND PAYMENTS, 1984-94  
[In percent]

Year <sup>1</sup>	PPS costs and payments						Consumer price index
	Operating costs	Operating payments	Operating costs per case	Operating payments per case	Market basket index	Update factor <sup>2</sup>	
1984 ...	-4.6	11.0	1.8	18.5	4.9	4.7	4.1
1985 ...	4.7	4.2	11.0	10.5	3.9	4.5	3.7
1986 ...	5.6	-0.5	9.7	3.4	3.9	0.5	2.5
1987 ...	7.4	3.9	8.9	5.3	3.5	1.2	2.9
1988 ...	9.8	6.7	9.0	6.0	4.7	1.5	4.1
1989 ...	10.4	7.7	9.3	6.6	5.5	3.3	4.7
1990 ...	10.5	8.2	8.6	6.3	4.6	4.7	5.0
1991 ...	9.0	8.0	6.9	5.8	4.3	3.4	5.1
1992 ...	7.0	7.3	4.9	5.2	3.1	3.0	3.0
1993 ...	3.5	5.9	1.3	3.6	3.0	2.7	3.1
1994 ...	0.3	5.2	-1.3	3.5	2.4	2.0	2.6

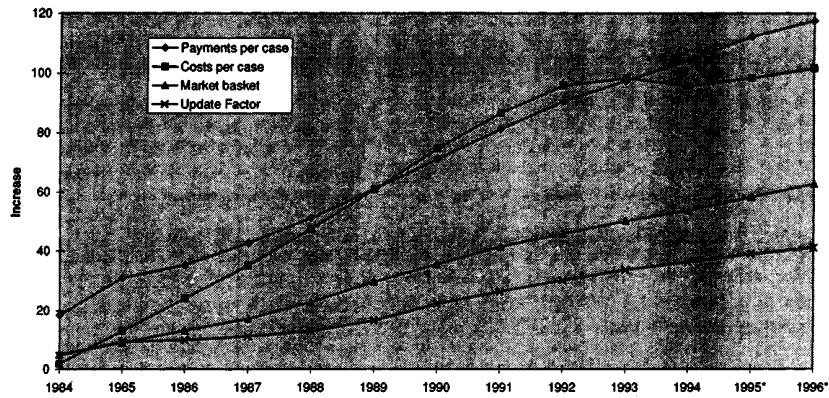
<sup>1</sup> Data on PPS operating costs and payments are for hospital accounting years beginning during each Federal fiscal year. Data on the market basket and update factor are for the corresponding Federal fiscal year.

<sup>2</sup> Update factor for 1990 adjusted for 1.22 percent across-the-board reduction in diagnosis-related group weights.

Note.—PPS = Prospective payment system. Changes based on cohorts of hospitals with Medicare Cost Reports in two consecutive years. Hospitals in Massachusetts and New York excluded from data in 1984 and 1985; hospitals in New Jersey excluded from data in 1984 through 1988; hospitals in Maryland excluded from data in all years.

Source: Prospective Payment Assessment Commission analysis of Medicare Cost Report data from the Health Care Financing Administration.

CHART D-1. CUMULATIVE INCREASES IN PPS MARKET BASKET, UPDATE FACTOR, AND PAYMENTS AND COSTS PER CASE, FIRST 13 YEARS OF PPS (IN PERCENT)



\* Costs and payments are estimated for 1995 and 1996.

Source: Prospective Payment Assessment Commission analysis of Medicare Cost Report data from the Health Care Financing Administration.

Following an increase of only 1.8 percent in the first year of PPS, PPS operating costs per discharge rose by about 10 percent per year during the second and third years, and about 9 percent from 1987 through 1990. However, the 6.9-percent growth in operating costs per case in 1991 was the smallest since the first year of PPS, and the rise of 1.3 percent in 1993 was below general inflation. Costs actually decreased by 1.3 percent in 1994.

Cost growth experience has not been uniform across hospitals, as shown in table D-12. Through 1990, urban and rural hospitals had about the same rate of increase. In the first year, both groups reacted to prospective payment by holding their cost growth far below the rates prevailing before PPS, while annual cost increases in the following 6 years were much higher for both groups. From 1991 through 1994, however, urban hospitals held their cost growth to 2.7 percent annually, while rural hospital costs rose at a 3.9-percent rate.

The recent low rate of cost growth among hospitals in large urban areas may reflect the fact that the most rapid changes in the health care system appear to be occurring in the largest cities. From 1991 through 1994, these hospitals' costs per discharge rose at a rate 1.0 percentage points below that for other urban hospitals and 1.5 percentage points below that for rural hospitals.

The pattern of cost increases also varies substantially by ownership. In the first year of PPS, when hospitals perceived potential pressure to control costs, proprietary facilities had by far the smallest increase—only about one-fourth as great as any of the other groups. Once this pressure lessened, costs increased sharply through the seventh year for all groups, including the proprietaries. However, from the eighth year on, proprietary hospitals reined in their costs to a far greater extent than the other groups.

#### PPS INPATIENT MARGINS

The PPS inpatient margin compares combined Medicare operating and capital payments with the corresponding costs. In 1994, the aggregate PPS margin rose for the third consecutive year to 4.7 percent, as shown in table D-13. This contrasts with a declining trend through the first 8 years of prospective payment, during which the margin fell to a low of -2.5 percent. The turnaround is attributable to the sharp slowdown in hospital cost growth. If current trends continue, the aggregate PPS inpatient margin for 1996 would rise to 8.8 percent. This would be the highest PPS inpatient margin since 1985.

Table D-14 shows that, even in 1994, almost half of all PPS hospitals have negative PPS inpatient margins. The PPS margin, however, does not represent the bottom line for the hospital industry. The total margin, which includes expenses and revenues related to Medicare and other inpatient and outpatient care as well as other facility activities, increased steadily from the early 1970s to the early 1980s, peaking in 1984. In subsequent years—as Medicare tightened its control over inpatient payment rate increases—the total margin began to fall. In the late 1980s, however, this decline leveled off at 3.3 percent, and by 1991 the total margin had risen to 4.3 percent. It remained steady through 1993, and then in-



creased to 4.8 percent in 1994, the highest level since 1986 and above levels experienced before PPS began.

TABLE D-12.—ANNUAL RATE OF CHANGE IN PPS OPERATING COSTS PER CASE BY HOSPITAL GROUP AND PERIOD, 1984-94

[In percent]

Hospital group	Period		
	1984	1985 through 1990	1991 through 1994
All hospitals .....	1.8	9.4	2.9
Urban .....	1.7	9.3	2.7
Rural .....	1.6	9.1	3.9
Large urban .....	0.6	9.1	2.3
Other urban .....	3.2	9.7	3.4
Rural referral .....	1.7	10.0	3.9
Sole community .....	2.1	8.3	3.7
Other rural .....	1.3	8.9	3.9
Major teaching .....	1.4	9.2	2.7
Other teaching .....	1.3	9.2	2.8
Nonteaching .....	2.0	9.4	2.9
Disproportionate share large urban .....	-0.3	9.0	2.2
Disproportionate share other urban .....	3.3	9.8	3.7
Disproportionate share rural .....	1.2	9.6	4.2
Nondisproportionate share .....	2.4	9.5	2.8
Teaching and disproportionate share .....	0.6	9.1	2.8
Teaching only .....	2.8	9.4	2.9
Disproportionate share only .....	1.8	9.5	3.0
Nonteaching nondisproportionate share .....	2.0	9.4	2.7
Voluntary .....	1.8	9.2	3.0
Proprietary .....	0.5	10.0	1.0
Urban government .....	2.4	9.5	3.1
Rural government .....	1.8	9.2	4.4

Note.—PPS = Prospective payment system. Data on PPS operating costs and payments are for hospital accounting years beginning during each Federal fiscal year. Changes based on cohorts of hospitals with Medicare Cost Reports in two consecutive years. Hospitals in Massachusetts and New York excluded from data in 1984 and 1985; hospitals in New Jersey excluded from data in 1984 through 1988; hospitals in Maryland excluded from data in all years.

Source: Prospective Payment Assessment Commission analysis of Medicare Cost Report data from the Health Care Financing Administration.

#### MARGINS BY HOSPITAL TYPE

PPS inpatient margins vary by hospital group. The margin for urban hospitals was 14.3 percent in the first year—exceeding that for rural hospitals by 6.6 percentage points. Beginning in fiscal year 1986, the Congress enacted a series of policy changes designed to increase payment for rural hospitals. By 1988, although the difference between the two groups had decreased to 4.6 percentage points, rural hospitals had negative margins while urban ones were still receiving payments that exceeded their costs. The disparity narrowed to 0.4 percentage points by 1992 year, but widened in the

following 2 years, as urban hospitals constrained their costs more than rural hospitals.

Major teaching hospitals still have the highest aggregate inpatient margin of any hospital group. Moreover, the difference in the margins for major teaching and nonteaching hospitals has expanded. For major teaching hospitals, the inpatient margin fell from 18.1 percent in the first year of PPS to a low of 7.1 percent in 1990, while the drop for other teaching and nonteaching hospitals was much sharper. By 1994, all three groups had higher margins, with the largest increase seen in the major teaching group. Their margin was 15.6 percent—10.8 percentage points higher than for other teaching hospitals and 15.2 percentage points higher than for the nonteaching group. These differences had been 3.3 percentage points and 6.9 percentage points, respectively, in the first PPS year.

The trend in inpatient margins by ownership category also reflects changes in payment policy and degree of success in controlling costs. In the first year, voluntary, proprietary, and urban government hospitals all had inpatient margins between 13 and 14 percent, while rural government hospitals lagged behind. In 1990, the inpatient margin for the proprietary group, which had fallen by more than 18 percentage points since the beginning of PPS to -5.4 percent, was the lowest of the four groups. However, as these hospitals held down their cost growth, their margin increased by 14 percentage points, to 8.7 percent in 1994.

#### ADDITIONAL HOSPITAL DATA

Table D-15 displays summary characteristics of hospitals participating in the Medicare prospective payment system. These data are derived from PPS payment simulations by CBO. Table D-16 provides historical trends in factors affecting PPS rates and average payments per case, based on data and estimates provided by HCFA's Office of the Actuary.

TABLE D-13.—PPS INPATIENT (OPERATING PLUS CAPITAL) MARGINS BY HOSPITAL GROUP, 1984-94  
[In percent]

Hospital group	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
All hospitals .....	13.3	12.7	8.6	5.7	2.7	0.1	-1.6	-2.5	-1.2	0.2	4.7
Urban .....	14.3	13.6	9.6	6.6	3.3	0.6	-1.3	-2.3	-1.2	0.4	5.4
Rural .....	7.7	7.3	2.2	0.2	-1.3	-2.9	-3.8	-3.8	-1.6	-1.0	0.6
Large urban .....	15.0	13.5	9.8	6.6	3.0	0.4	-0.8	-1.5	0.1	1.9	7.3
Other urban .....	13.4	13.7	9.3	6.6	3.6	0.9	-2.0	-3.5	-3.2	-1.9	2.3
Rural referral .....	9.5	12.4	7.9	5.5	3.3	0.5	-1.1	-1.5	1.4	0.6	3.1
Sole community .....	8.2	6.5	2.0	0.4	-1.3	-2.6	-1.0	-0.6	2.8	4.4	5.5
Other rural .....	7.0	5.9	0.1	-2.0	-3.2	-4.4	-5.8	-5.9	-4.4	-3.8	-2.5
Major teaching .....	18.1	18.1	14.9	12.5	10.3	7.2	7.1	7.5	8.8	10.1	15.6
Other teaching .....	14.8	14.6	10.4	7.2	3.8	1.5	-0.9	-2.1	-1.3	0.3	4.8
Nonteaching .....	11.2	10.0	5.2	2.5	-0.7	-3.3	-5.2	-6.4	-5.0	-3.7	0.4
Disproportionate share large urban .....	15.4	13.7	10.3	8.1	5.7	3.4	3.1	2.9	4.8	7.1	12.8
Disproportionate share other urban .....	13.4	14.3	10.1	7.9	5.2	2.5	0.1	-1.3	-1.1	0.3	4.4
Disproportionate share rural .....	8.3	8.7	3.4	0.9	-0.2	-2.4	-3.3	-2.9	-1.2	-1.4	0.7
Nondisproportionate share .....	12.4	11.6	7.1	3.5	-0.5	-3.1	-5.6	-6.8	-5.6	-4.6	-0.6
Teaching and disproportionate share .....	15.9	15.6	12.1	10.0	7.8	5.3	4.3	3.8	4.8	6.6	11.7
Teaching only .....	15.3	15.6	11.3	6.7	1.9	-0.7	-3.5	-4.2	-3.2	-2.3	2.0
Disproportionate share only .....	11.5	10.7	6.0	3.6	0.9	-1.6	-3.1	-4.0	-2.4	-0.8	3.5
Nonteaching nondisproportionate share .....	10.9	9.4	4.5	1.5	-2.0	-4.6	-6.9	-8.5	-7.2	-6.2	-2.2
Voluntary .....	13.8	13.4	9.4	6.4	3.1	0.7	-1.4	-2.5	-1.4	-0.1	4.1
Proprietary .....	13.0	11.2	6.6	3.7	0.0	-3.7	-5.4	-4.3	-1.9	1.0	8.7
Urban government .....	13.0	12.7	8.1	6.2	4.9	1.9	2.2	1.1	1.9	3.7	9.4
Rural government .....	6.6	4.9	-0.8	-2.6	-2.7	-4.1	-4.5	-4.7	-2.9	-2.8	-2.7

Note.—PPS = Prospective payment system. Data on PPS operating and capital costs and payments are for hospital accounting years beginning during each Federal fiscal year. Hospitals in Massachusetts and New York excluded from data in 1984 and 1985; hospitals in New Jersey excluded from data in 1984 through 1988; hospitals in Maryland excluded from data in all years.

Source: Prospective Payment Assessment Commission analysis of Medicare Cost Report data from the Health Care Financing Administration.

TABLE D-14.—DISTRIBUTION OF PPS INPATIENT (OPERATING PLUS CAPITAL) MARGINS AND PERCENT OF HOSPITALS WITH NEGATIVE MARGIN, 1984–94

Percentile <sup>1</sup>	Year										
	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
10th .....	-6.1	-8.7	-16.0	-19.4	-23.5	-25.4	-26.5	-27.0	-27.2	-25.2	-23.1
25th .....	3.0	1.2	-4.4	-7.1	-10.1	-12.3	-13.8	-15.5	-14.6	-13.0	-10.2
Median .....	10.3	9.1	4.5	2.5	0.4	-1.8	-3.4	-4.6	-2.9	-1.3	1.2
75th .....	16.2	15.9	11.7	10.3	9.2	7.7	6.5	5.7	7.5	9.0	12.0
90th .....	21.4	22.1	18.0	17.3	17.4	16.1	15.5	14.9	16.6	19.0	22.5
Percent with negative PPS in-patient margin	18.3	22.1	35.6	42.5	48.7	55.1	59.3	61.6	57.7	53.3	46.9

<sup>1</sup> Table entries are the margins of hospitals at the 10th percentile, 25th percentile, median, 75th percentile, and 90th percentile.

Note.—PPS = Prospective payment system. Data on PPS operating and capital costs and payments are for hospital accounting years beginning during each Federal fiscal year. Hospitals in Massachusetts and New York excluded from data in 1984 and 1985; hospitals in New Jersey excluded from data in 1984 through 1988; hospitals in Maryland excluded from data in all years.

Source: Prospective Payment Assessment Commission analysis of Medicare Cost Report data from the Health Care Financing Administration.

TABLE D-15.—SUMMARY CHARACTERISTICS OF PPS HOSPITALS, BY HOSPITAL GROUP

Hospital group	Number of hospitals <sup>1</sup>	Estimated Medicare discharges (thousands, 1997)	Average number of beds (1995)	Estimated average case mix (1997) <sup>2</sup>	Average wage index (1996) <sup>3</sup>	Estimated PPS payment (dollars per case, 1997) <sup>4</sup>
All .....	5,248	10,318	148	1.49	0.99	7,000
Urban .....	2,947	8,293	211	1.54	1.02	7,550
Rural .....	2,301	2,025	67	1.24	0.82	4,710
Large MSA <sup>5</sup> .....	1,644	4,786	227	1.54	1.09	8,120
Other urban .....	1,303	3,507	190	1.54	0.93	6,770
Rural referral .....	129	382	185	1.41	0.84	5,610
Rural sole community <sup>6</sup> .....	640	426	54	1.20	0.82	5,190
Other rural .....	1,532	1,218	63	1.20	0.82	4,270
Major teaching <sup>7</sup> .....	251	1,166	437	1.71	1.11	12,050
Other teaching .....	821	3,276	279	1.57	0.99	7,540
Nonteaching .....	4,176	5,876	105	1.36	0.94	5,690
Disproportionate share: <sup>8</sup>						
Large MSA .....	844	2,603	272	1.56	1.10	9,180
Other urban .....	711	2,275	265	1.56	0.92	7,170
Rural .....	588	714	94	1.25	0.81	4,880
Nondisproportionate share .....	3,105	4,725	105	1.43	0.97	6,030
Urban, 50 or fewer beds .....	349	121	33	1.17	0.98	4,850
Urban, 51–100 beds .....	444	402	76	1.27	0.98	5,190
Urban, 101–200 beds .....	903	1,745	145	1.39	1.02	6,390
Urban, 201–400 beds .....	914	3,668	281	1.53	1.01	7,270
Urban, 401 or more beds .....	337	2,358	558	1.69	1.04	9,390
Rural, 50 or fewer beds .....	1,245	416	32	1.09	0.80	3,930
Rural, 51–100 beds .....	644	611	72	1.19	0.81	4,410
Rural, 101–200 beds .....	327	664	137	1.28	0.83	4,930
Rural, 201 or more beds .....	85	334	276	1.42	0.85	5,820
New England .....	217	578	167	1.48	1.15	7,800

TABLE D-15.—SUMMARY CHARACTERISTICS OF PPS HOSPITALS, BY HOSPITAL GROUP—Continued

Hospital group	Number of hospitals <sup>1</sup>	Estimated Medicare discharges (thousands, 1997)	Average number of beds (1995)	Estimated average case mix (1997) <sup>2</sup>	Average wage index (1996) <sup>3</sup>	Estimated PPS payment (dollars per case, 1997) <sup>4</sup>
Middle Atlantic .....	520	1,756	252	1.48	1.11	8,090
South Atlantic .....	740	1,813	175	1.51	0.92	6,650
East North Central .....	803	1,819	165	1.48	0.97	6,770
East South Central .....	443	860	139	1.43	0.83	5,720
West North Central .....	722	800	89	1.50	0.89	6,200
West South Central .....	748	1,075	121	1.49	0.87	6,350
Mountain .....	367	429	93	1.51	0.96	6,780
Pacific .....	635	1,090	140	1.53	1.21	8,450
Puerto Rico .....	53	99	153	1.32	0.46	2,760
Government, Urban <sup>9</sup> .....	430	843	200	1.54	0.99	8,430
Government, Rural .....	987	601	53	1.17	0.79	4,340
Voluntary, Urban .....	1,912	6,450	234	1.54	1.03	7,580
Voluntary, Rural .....	1,112	1,209	78	1.27	0.83	4,890
Proprietary, Urban .....	543	984	154	1.49	0.97	6,630
Proprietary, Rural .....	183	213	82	1.27	0.84	4,770

<sup>1</sup> Number of hospitals for which data were available.

<sup>2</sup> Weighted by case-mix-adjusted PPS payments.

<sup>3</sup> Weighted by wage-index-adjusted PPS payments.

<sup>4</sup> Incurred payments (including copayments) divided by the number of Medicare discharges.

<sup>5</sup> Hospitals located in metropolitan statistical areas with more than 1 million people or New England County metropolitan areas with more than 970,000 people.

<sup>6</sup> Sole community hospitals that are also rural referral centers are included in the rural referral category.

<sup>7</sup> Teaching hospitals for which the ratio of the number of full-time-equivalent interns and residents to the number of beds is 0.25 or larger.

<sup>8</sup> Hospitals that receive a disproportionate share adjustment for a relatively high proportion of low-income patients.

<sup>9</sup> Ownership type was not available for 82 hospitals.

Note.—PPS = Prospective payment system. Years refer to Federal fiscal years. Urban and rural categories are based on hospitals' geographic locations.

Source: Congressional Budget Office estimates based on data from the Health Care Financing Administration.

TABLE D-16.—TRENDS IN FACTORS AFFECTING PPS RATES AND AVERAGE PAYMENTS PER CASE, FISCAL YEARS 1983-97  
 [Percentage change from previous year]

Rate impact factor	Fiscal year—														
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Market basket index <sup>1</sup> .....	5.5	4.9	4.1	2.9	3.2	4.7	5.4	5.5	5.2	2.4	3.4	4.3	4.3	3.5	3.6
Annual update factor <sup>5</sup> .....						1.7	3.33	5.71	2.83	2.90	2.75	2.11	2.00	1.84	3.10
Case mix index <sup>6</sup> .....			3.1	2.5	2.1	3.2	2.5	0.85	2.5	1.5	0.85	0.85	1.00	1.00	1.00
Average payments per discharge <sup>7</sup> .....	10.2	10.8	15.0	8.0	3.6	5.0	10.1	8.4	5.0	7.3	5.3	4.8	8.3	4.7	5.2
Average payments per beneficiary <sup>7</sup> .....	11.4	7.8	6.6	1.5	-0.3	3.9	8.5	8.0	4.1	8.2	5.8	5.8	6.0	6.0	6.5

<sup>1</sup> Estimates as published in the Federal Register for fiscal year 1983-96; fiscal year 1997 President's Budget assumptions shown for fiscal year 1997.  
<sup>2</sup> 4.7 for hospitals excluded from the prospective payment system.  
<sup>3</sup> 4.2 for hospitals excluded from the prospective payment system.  
<sup>4</sup> 3.7 for hospitals excluded from the prospective payment system.  
<sup>5</sup> Estimates as published in the Federal Register for fiscal years 1989-96; fiscal year 1997 President's Budget assumptions used for fiscal year 1997.  
<sup>6</sup> Estimates based on historical data for fiscal years 1985-96; fiscal year 1997 President's Budget assumptions shown for fiscal years 1996-97.  
<sup>7</sup> Estimates based on historical data and fiscal year 1997 President's Budget assumptions; estimates for fiscal years 1989 and 1990 include the effect of provisions of the Medicare Catastrophic Coverage Act of 1988.

Note.—PPS = Prospective payment system.  
 Source: Health Care Financing Administration, Office of the Actuary.

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996

Urban area (constituent counties or county equivalents)	Wage index
Abilene, TX (Taylor, TX) .....	0.8546
Aguadilla, PR (Aguada, PR, Aguadilla, PR, Moca, PR) .....	0.4744
Akron, OH (Portage, OH, Summit, OH) .....	0.9578
Albany, GA (Dougherty, GA, Lee, GA) .....	0.8608
Albany-Schenectady-Troy, NY (Albany, NY, Montgomery, NY, Rensselaer, NY, Saratoga, NY, Schenectady, NY, Schoharie, NY) .....	0.8818
Albuquerque, NM (Bernalillo, NM, Sandoval, NM, Valencia, NM) .....	0.9542
Alexandria, LA (Rapides, LA) .....	0.8010
Allentown-Bethlehem-Easton, PA (Carbon, PA, Lehigh, PA, Northampton, PA) .....	1.0198
Altoona, PA (Blair, PA) .....	0.9007
Amarillo, TX (Potter, TX, Randall, TX) .....	0.8759
Anchorage, AK (Anchorage, AK) .....	1.3373
Ann Arbor, MI (Lenawee, MI, Livingston, MI, Washtenaw, MI) .....	1.2116
Anniston, AL (Calhoun, AL) .....	0.8158
Appleton-Oshkosh-Neenah, WI (Calumet, WI, Outagamie, WI, Winnebago, WI) .....	0.8844
Arecibo, PR (Arecibo, PR, Camuy, PR, Hatillo, PR) .....	0.4498
Asheville, NC (Buncombe, NC, Madison, NC) .....	0.9218
Athens, GA (Clarke, GA, Madison, GA, Oconee, GA) .....	0.9097
Atlanta, GA (Barrow, GA, Bartow, GA, Carroll, GA, Cherokee, GA, Clayton, GA, Cobb, GA, Coweta, GA, DeKalb, GA, Douglas, GA, Fayette, GA, Forsyth, GA, Fulton, GA, Gwinnett, GA, Henry, GA, Newton, GA, Paulding, GA, Pickens, GA, Rockdale, GA, Spalding, GA, Walton, GA) .....	1.0069
Atlantic City-Cape May, NJ (Atlantic City, NJ, Cape May, NJ) .....	1.0935
Augusta-Aiken, GA-SC (Columbia, GA, McDuffie, GA, Richmond, GA, Aiken, SC, Edgefield, SC) .....	0.8955
Austin-San Marcos, TX (Bastrop, TX, Caldwell, TX, Hays, TX, Travis, TX, Williamson, TX) .....	0.9255
Bakersfield, CA (Kern, CA) .....	1.0502
Baltimore, MD (Anne Arundel, MD, Baltimore, MD, Baltimore City, MD, Carroll, MD, Harford, MD, Howard, MD, Queen Annes, MD) .....	0.9866
Bangor, ME (Penobscot, ME) .....	0.9360
Barnstable-Yarmouth, MA (Barnstable, MA) .....	1.3457
Baton Rouge, LA (Ascension, LA, East Baton Rouge, LA, Livingston, LA, West Baton Rouge, LA) .....	0.8670
Beaumont-Port Arthur, TX (Hardin, TX, Jefferson, TX, Orange, TX) .....	0.8603
Bellingham, WA (Whatcom, WA) .....	1.2681
Benton Harbor, MI (Berrien, MI) .....	0.8304
Bergen-Passaic, NJ (Bergen, NJ, Passaic, NJ) .....	1.1474
Billings, MT (Yellowstone, MT) .....	0.8705
Biloxi-Gulfport-Pascagoula, MS (Hancock, MS, Harrison, MS, Jackson, MS) .....	0.8448
Binghamton, NY (Broome, NY, Tioga, NY) .....	0.9005
Birmingham, AL (Blount, AL, Jefferson, AL, St. Clair, AL, Shelby, AL) .....	0.9144
Bismark, ND (Burleigh, ND, Morton, ND) .....	0.8299
Bloomington, IN (Monroe, IN) .....	0.8429
Bloomington-Normal, IL (McLean, IL) .....	0.8740
Boise City, ID (Ada, ID, Canyon, ID) .....	0.9150



TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
Boston-Brockton-Nashua, MA-NH (Bristol, MA, Essex, MA, Middlesex, MA, Norfolk, MA, Plymouth, MA, Suffolk, MA, Worcester, MA, Hillsborough, NH, Merrimack, NH, Rockingham, NH, Strafford, NH) .....	1.1685
Boulder-Longmont, CO (Boulder, CO) .....	0.9780
Brazoria, TX (Brazoria, TX) .....	0.8584
Bremerton, WA (Kitsap, WA) .....	1.0295
Brownsville-Harlingen-San Benito, TX (Cameron, TX) .....	0.8650
Bryan-College Station, TX (Brazos, TX) .....	0.8987
Buffalo-Niagara Falls, NY (Erie, NY, Niagara, NY) .....	0.9186
Burlington, VT (Chittenden, VT, Franklin, VT, Grand Isle, VT) .....	0.9252
Caguas, PR (Caguas, PR, Cayey, PR, Cidra, PR, Gurabo, PR, San Lorenzo, PR) .....	0.4706
Canton, OH (Carroll, OH, Stark, OH) .....	0.8749
Casper, WY (Natrona, WY) .....	0.8662
Cedar Rapids, IA (Linn, IA) .....	0.8359
Champaign-Urbana, IL (Champaign, IL) .....	0.8867
Charleston-North Charleston, SC (Berkeley, SC, Charleston, SC, Dorchester, SC) .....	0.8930
Charleston, WV (Kanawha, WV, Putnam, WV) .....	0.9498
Charlotte-Gastonia-Rock Hill, NC-SC (Cabarrus, NC, Gaston, NC, Lincoln, NC, Mecklenburg, NC, Rowan, NC, Union, NC, York, SC) .....	0.9668
Charlottesville, VA (Albemarle, VA, Charlottesville City, VA, Fluvanna, VA, Greene, VA) .....	0.9179
Chattanooga, TN-GA (Catoosa, GA, Dade, GA, Walker, GA, Hamilton, TN, Marion, TN) .....	0.9129
Cheyenne, WY (Laramie, WY) .....	0.7935
Chicago, IL (Cook, IL, DeKalb, IL, Du Page, IL, Grundy, IL, Kane, IL, Kendall, IL, Lake, IL, McHenry, IL, Will, IL) .....	1.0632
Chico-Paradise, CA (Butte, CA) .....	1.0531
Cincinnati, OH-KY-IN (Dearborn, IN, Ohio, IN, Boone, KY, Campbell, KY, Gallatin, KY, Grant, KY, Kenton, KY, Pendleton, KY, Brown, OH, Clermont, OH, Hamilton, OH, Warren, OH) .....	0.9418
Clarksville-Hopkinsville, TN-KY (Christian, KY, Montgomery, TN) .....	0.7542
Cleveland-Lorain-Elyria, OH (Ashtabula, OH, Cuyahoga, OH, Geauga, OH, Lake, OH, Lorain, OH, Medina, OH) .....	0.9835
Colorado Springs, CO (El Paso, CO) .....	0.9294
Columbia, MO (Boone, MO) .....	0.9461
Columbia, SC (Lexington, SC, Richland, SC) .....	0.9033
Columbus, GA-AL (Russel, AL, Chattahoochee, GA, Harris, GA, Muscogee GA) .....	0.7756
Columbus, OH (Delaware, OH, Fairfield, OH, Franklin, OH, Licking, OH, Madison, OH, Pickaway, OH) .....	0.9734
Corpus Christi, TX (Nueces, TX, San Patricio, TX) .....	0.8941
Cumberland, MD-WV (Allegany, MD, Mineral, WV) .....	0.8372
Dallas, TX (Collin, TX, Dallas, TX, Denton, TX, Ellis, TX, Henderson, TX, Hunt, TX, Kaufman, TX, Rockwall, TX) .....	0.9804
Danville, VA (Danville City, VA, Pittsylvania, VA) .....	0.8465
Davenport-Rock Island—Moline, IA-IL (Scott, IA, Henry, IL, Rock Island, IL) .....	0.8347

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
Dayton-Springfield, OH (Clark, OH, Greene, OH, Miami, OH, Montgomery, OH) .....	0.9428
Daytona Beach, FL (Flagler, FL, Volusia, FL) .....	0.8902
Decatur, AL (Lawrence, AL, Morgan, AL) .....	0.8180
Decatur, IL (Macon, IL) .....	0.7790
Denver, CO (Adams, CO, Arapahoe, CO, Denver, CO, Douglas, CO, Jefferson, CO) .....	1.0447
Des Moines, IA (Dallas, IA, Polk, IA, Warren, IA) .....	0.8792
Detroit, MI (Lapeer, MI, Macomb, MI, Monroe, MI, Oakland, MI, St. Clair, MI, Wayne, MI) .....	1.0834
Dothan, AL (Dale, AL, Houston, AL) .....	0.7751
Dover, DE (Kent, DE) .....	0.8960
Dubuque, IA (Dubuque, IA) .....	0.8054
Duluth-Superior, MN-WI (St. Louis, MN, Douglas, WI) .....	0.9660
Dutchess, County, NY (Dutchess, NY) .....	1.0697
Eau Claire, WI (Chippewa, WI, Eau Claire, WI) .....	0.8660
El Paso, TX (El Paso, TX) .....	0.9266
Elkhart-Goshen, IN (Elkhart, IN) .....	0.8806
Elmira, NY (Chemung, NY) .....	0.8460
Enid, OK (Garfield, OK) .....	0.8170
Erie, PA (Erie, PA) .....	0.9196
Eugene-Springfield, OR (Lane, OR) .....	1.1184
Evansville, IN-KY (Posey, IN, Vanderburgh, IN, Warrick, IN, Henderson, KY) .....	0.8899
Fargo-Moorhead, ND-MN (Clay, MN, Cass, ND) .....	0.8912
Fayetteville, NC (Cumberland, NC) .....	0.8843
Fayetteville-Springdale-Rogers, AR (Benton, AR, Washington, AR) .....	0.7090
Flagstaff, AZ-UT (Coconino, AZ, Kane, UT) .....	0.8619
Flint, MI (Genesee, MI) .....	1.0738
Florence, AL (Colbert, AL, Lauderdale, AL) .....	0.7970
Florence, SC (Florence, SC) .....	0.8537
Fort Collins-Loveland, CO (Larimer, CO) .....	1.0595
Fort Lauderdale, FL (Broward, FL) .....	1.0952
Fort Myers-Cape Coral, FL (Lee, FL) .....	0.9666
Fort Pierce-Port St. Lucie, FL (Martin, FL, St. Lucie, FL) .....	1.0401
Fort Smith, AR-OK (Crawford, AR, Sebastian, AR, Sequoyah, OK) .....	0.7608
Fort Walton Beach, FL (Okaloosa, FL) .....	0.8705
Fort Wayne, IN (Adams, IN, Allen, IN, De Kalb, IN, Huntington, IN, Wells, IN, Whitley, IN) .....	0.8691
Fort Worth-Arlington, TX (Hood, TX, Johnson, TX, Parker, TX, Tarrant, TX) .....	1.0052
Fresno, CA (Fresno, CA, Madera, CA) .....	1.0522
Gadsden, AL (Etowah, AL) .....	0.8568
Gainesville, FL (Alachua, FL) .....	0.9007
Galveston-Texas City, TX (Galveston, TX) .....	1.0304
Gary, IN (Lake, IN, Porter, IN) .....	0.9452
Glens Falls, NY (Warren, NY, Washington, NY) .....	0.9276
Goldsboro, NC (Wayne, NC) .....	0.8165
Grand Forks, ND-MN (Polk, MN, Grand Forks, ND) .....	0.8983
Grand Junction, CO (Mesa, CO) .....	0.7988

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
Grand Rapids-Muskegon-Holland, MI (Allegan, MI, Kent, MI, Muskegon, MI, Ottawa, MI) .....	1.0055
Great Falls, MT (Cascade, MT) .....	0.9039
Greeley, CO (Weld, CO) .....	0.9146
Green Bay, WI (Brown, WI) .....	0.9190
Greensboro-Winston-Salem-High Point, NC (Alamance, NC, Davidson, NC, Davie, NC, Forsyth, NC, Guilford, NC, Randolph, NC, Stokes, NC, Yadkin, NC) .....	0.9160
Greenville, NC (Pitt, NC) .....	0.9102
Greenville-Spartanburg-Andersen, SC (Anderson, SC, Cherokee, SC, Greenville, SC, Pickens, SC, Spartanburg, SC) .....	0.9047
Hagerstown, MD (Washington, MD) .....	0.9074
Hamilton-Middletown, OH (Butler, OH) .....	0.8782
Harrisburg-Lebanon-Carlisle, PA (Cumberland, PA, Dauphin, PA, Lebanon, PA, Perry, PA) .....	0.9972
Hartford, CT (Hartford, CT, Litchfield, CT, Middlesex, CT, Tolland, CT) .....	1.2391
Hattiesburg, MS (Forrest, MS, Lamar, MS) .....	0.7245
Hickory-Morganton, NC (Alexander, NC, Burke, NC, Caldwell, NC, Catawba, NC) .....	0.7983
Honolulu, HI (Honolulu, HI) .....	1.1212
Houma, LA (Lafourche, LA, Terrebonne, LA) .....	0.7596
Houston, TX (Chambers, TX, Fort Bend, TX, Harris, TX, Liberty, TX, Montgomery, TX, Waller, TX) .....	0.9874
Huntington-Ashland, WV-KY-OH (Boyd, KY, Carter, KY, Greenup, KY, Lawrence, OH, Cabell, WV, Wayne, WV) .....	0.8997
Huntsville, AL (Limestone, AL, Madison, AL) .....	0.8113
Indianapolis, IN (Boone, IN, Hamilton, IN, Hancock, IN, Hendrick, IN, Johnson, IN, Madison, IN, Marion, IN, Morgan, IN, Shelby, IN) .....	0.9757
Iowa City, IA (Johnson, IA) .....	0.9371
Jackson, MI (Jackson, MI) .....	0.9132
Jackson, MS (Hinds, MS, Madison, MS, Rankin, MS) .....	0.7642
Jackson, TN (Madison, TN) .....	0.8511
Jacksonville, FL (Clay, FL, Duval, FL, Nassau, FL, St. Johns, FL) .....	0.8953
Jacksonville, NC (Onslow, NC) .....	0.6926
Jamestown, NY (Chautauqua, NY) .....	0.7535
Janesville-Beloit, WI (Rock, WI) .....	0.8786
Jersey City, NJ (Hudson, NJ) .....	1.1039
Johnson City-Kingsport-Bristol, TN-VA (Carter, TN, Hawkins, TN, Sullivan, TN, Unicoi, TN, Washington, TN, Bristol City, VA, Scott, VA, Washington, VA) .....	0.8769
Johnstown, PA (Cambria, PA, Somerset, PA) .....	0.8521
Joplin, MO (Jasper, MO, Newton, MO) .....	0.7923
Kalamazoo-Battlecreek, MI (Calhoun, MI, Kalamazoo, MI, Van Buren, MI) .....	1.0657
Kankakee, IL (Kankakee, IL) .....	0.9114
Kansas City, KS-MO (Johnson, KS, Leavenworth, KS, Miami, KS, Wyandotte, KS, Cass, MO, Clay, MO, Clinton, MO, Jackson, MO, Lafayette, MO, Platte, MO, Ray, MO) .....	0.9351
Kenosha, WI (Kenosha, WI) .....	0.8872
Killeen-Temple, TX (Bell, TX, Coryell, TX) .....	1.0526

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
Knoxville, TN (Anderson, TN, Blount, TN, Knox, TN, Loudon, TN, Sevier, TN, Union, TN) .....	0.8518
Kokomo, IN (Howard, IN, Tipton, IN) .....	0.8834
La Crosse, WI-MN (Houston, MN, La Crosse, WI) .....	0.8519
LaFayette, LA (Acadia, LA, Lafayette, LA, St. Landry, LA, St. Martin, LA) .....	0.8498
LaFayette, IN (Clinton, IN, Tippecanoe, IN) .....	0.8328
Lake Charles, LA (Calcasieu, LA) .....	0.8094
Lakeland-Winter Haven, FL (Polk, FL) .....	0.8668
Lancaster, PA (Lancaster, PA) .....	0.9569
Lansing-East Lansing, MI (Clinton, MI, Eaton, MI, Ingham, MI) .....	1.0105
Laredo, TX (Webb, TX) .....	0.6750
Las Cruces, NM (Dona Ana, NM) .....	0.8861
Las Vegas, NV-AZ (Mohave, AZ, Clark, NV, Nye, NV) .....	1.0934
Lawrence, KS (Douglas, KS) .....	0.8549
Lawton, OK (Comanche, OK) .....	0.8594
Lewiston-Auburn, ME (Androscoggin, ME) .....	0.9433
Lexington, KY (Bourbon, KY, Clark, KY, Fayette, KY, Jessamine, KY, Madison, KY, Scott, KY, Woodford, KY) .....	0.8348
Lima, OH (Allen, OH, Auglaize, OH) .....	0.8863
Lincoln, NE (Lancaster, NE) .....	0.9093
Little Rock-North Little Rock, AR (Faulkner, AR, Lonoke, AR, Pulaski, AR, Saline, AR) .....	0.8527
Longview-Marshall, TX (Gregg, TX, Harrison, TX, Upshur, TX) .....	0.8653
Los Angeles-Long Beach, CA (Los Angeles, CA) .....	1.2461
Louisville, KY-IN (Clark, IN, Floyd, IN, Harrison, IN, Scott, IN, Bullitt, KY, Jefferson, KY, Oldham, KY) .....	0.9327
Lubbock, TX (Lubbock, TX) .....	0.8443
Lynchburg, VA (Amherst, VA, Bedford City, VA, Bedford, VA, Campbell, VA, Lynchburg City, VA) .....	0.8205
Macon, GA (Bibb, GA, Houston, GA, Jones, GA, Peach, GA, Twiggs, GA) ...	0.8991
Madison, WI (Dane, WI) .....	1.0055
Mansfield, OH (Crawford, OH, Richfield, OH) .....	0.8373
Mayaguez, PR (Anasco, PR, Cabo Rojo, PR, Hormigueros, PR, Mayaguez, PR, Sabana Grande, PR, San German, PR) .....	0.4644
McAllen-Edinburg-Mission, TX (Hidalgo, TX) .....	0.8669
Medford-Ashland, OR (Jackson, OR) .....	1.0162
Melbourne-Titusville-Palm Bay, FL (Brevard, FL) .....	0.9323
Memphis, TN-AR-MS (Crittenden, AR, De Soto, MS, Fayette, TN, Shelby, TN, Tipton, TN) .....	0.8399
Merced, CA (Merced, CA) .....	1.0877
Miami, FL (Dade, FL) .....	0.9552
Middlesex-Somerset-Hunterdon, NJ (Hunterdon, NJ, Middlesex, NJ, Somerset, NJ) .....	1.0583
Milwaukee, WI (Milwaukee, WI, Ozaukee, WI, Washington, WI, Waukesha, WI) .....	0.9498
Minneapolis-St Paul, MN-WI (Anoka, MN, Carver, MN, Chisago, MN, Dakota, MN, Hennepin, MN, Isanti, MN, Ramsey, MN, Scott, MN, Sherburne, MN, Washington, MN, Wright, MN, Pierce, WI, St. Croix, WI) .....	1.0744
Mobile, AL (Baldwin, AL, Mobile, AL) .....	0.7706

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
Modesto, CA (Stanislaus, CA) .....	1.0658
Monmouth-Ocean, NJ (Monmouth, NJ, Ocean, NJ) .....	1.0562
Monroe, LA (Ouachita, LA) .....	0.7948
Montgomery, AL (Autauga, AL, Elmore, AL, Montgomery, AL) .....	0.7901
Muncie, IN (Delaware, IN) .....	0.9125
Myrtle Beach, SC (Horry, SC) .....	0.7961
Naples, FL (Collier, FL) .....	0.9871
Nashville, TN (Cheatham, TN, Davidson, TN, Dickson, TN, Robertson, TN, Rutherford, TN, Summer, TN, Williamson, TN, Wilson, TN) .....	0.9266
Nassau-Suffolk, NY (Nassau, NY, Suffolk, NY) .....	1.3128
New Haven-Bridgeport-Stamford-Danbury-Waterbury, CT (Fairfield, CT, New Haven, CT) .....	1.2534
New London-Norwich, CT (New London, CT) .....	1.2088
New Orleans, LA (Jefferson, LA, Orleans, LA, Plaquemines, LA, St. Ber- nard, LA, St. Charles, LA, St. James, LA, St John the Baptist, LA, St. Tammany, LA) .....	0.9454
New York, NY (Bronx, NY, Kings, NY, New York, NY, Putnam, NY, Queens, NY, Richmond, NY, Rockland, NY, Westchester, NY) .....	1.3852
Newark, NJ (Essex, NJ, Morris, NJ, Sussex, NJ, Union, NJ, Warren, NJ) .....	1.1241
Newburgh, NY-PA (Orange, NY, Pike, PA) .....	1.0619
Norfolk-Virginia Beach-Newport News, VA-NC (Currituck, NC, Ches- apeake City, VA, Gloucester, VA, Hampton City, VA, Isle of Wight, VA, James City, VA, Mathews, VA, Newport News City, VA, Norfolk City, VA, Poquoson City, VA, Portsmouth City, VA, Suffolk City, VA, Virginia Beach City, VA Williamsburg City, VA, York, VA) .....	0.8411
Oakland, CA (Alameda, CA, Contra Costa, CA) .....	1.5203
Ocala, FL (Marion, FL) .....	0.8942
Odessa-Midland, TX (Ector, TX, Midland, TX) .....	0.8753
Oklahoma City, OK (Canadian, OK, Cleveland, OK, Logan, OK, McClain, OK, Oklahoma, OK, Pottawatomie, OK) .....	0.8358
Olympia, WA (Thurston, WA) .....	1.1109
Omaha, NE-IA (Pottawattamie, IA, Cass, NE, Douglas, NE, Sarpy, NE, Washington, NE) .....	0.9794
Orange County, CA (Orange, CA) .....	1.2299
Orlando, FL (Lake, FL, Orange, FL, Osceola, FL, Seminole, FL) .....	0.9515
Owensboro, KY (Daviess, KY) .....	0.7498
Panama City, FL (Bay, FL) .....	0.8182
Parkersburg-Marietta, WV-OH (Washington, OH, Wood, WV) .....	0.7751
Pensacola, FL (Escambia, FL, Santa Rosa, FL) .....	0.8183
Peoria-Pekin, IL (Peoria, IL, Tazewell, IL, Woodford, IL) .....	0.8619
Philadelphia, PA-NJ (Burlington, NJ, Camden, NJ, Gloucester, NJ, Salem, NJ, Bucks, PA, Chester, PA, Delaware, PA, Montgomery, PA, Philadel- phia, PA) .....	1.1098
Phoenix-Mesa, AZ (Maricopa, AZ, Pinal, AZ) .....	0.9808
Pine Bluff, AR (Jefferson, AR) .....	0.7985
Pittsburgh, PA (Allegheny, PA, Beaver, PA, Butler, PA, Fayette, PA, Wash- ington, PA, Westmoreland, PA) .....	0.9743
Pittsfield, MA (Berkshire, MA) .....	1.0838
Ponce, PR (Guayanilla, PR, Juana Diaz, PR, Penuelas, PR, Ponce, PR, Villalba, PR, Yauco, PR) .....	0.4780

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
Portland, ME (Cumberland, ME, Sagadahoc, ME, York, ME) .....	0.9744
Portland-Vancouver, OR-WA (Clackamas, OR, Columbia, OR, Multnomah, OR, Washington, OR, Yamhill, OR, Clark, WA) .....	1.1248
Providence-Warwick, RI (Bristol, RI, Kent, RI, Newport, RI, Providence, RI, Washington, RI) .....	1.1027
Provo-Orem, UT (Utah, UT) .....	0.9843
Pueblo, CO (Pueblo, CO) .....	0.8508
Punta Gorda, FL (Charlotte, FL) .....	0.8806
Racine, WI (Racine, WI) .....	0.8704
Raleigh-Durham-Chapel Hill, NC (Chatham, NC, Durham, NC, Franklin, NC, Johnston, NC, Orange, NC, Wake, NC) .....	0.9539
Rapid City, SD (Pennington, SD) .....	0.8267
Reading, PA (Berks, PA) .....	0.9570
Redding, CA (Shasta, CA) .....	1.1796
Reno, NV (Washoe, NV) .....	1,1087
Richland-Kennewick-Pasco, WA (Benton, WA, Franklin, WA) .....	1,0011
Richmond-Petersburg, VA (Charles City County, VA, Chesterfield, VA, Co- lonial Heights City, VA, Dinwiddie, VA, Goochland, VA, Hanover, VA, Henrico, VA, Hopewell City, VA, New Kent, VA, Petersburg City, VA, Powhatan, VA, Prince George, VA, Richmond City, VA) .....	0.9055
Riverside-San Bernardino, CA (Riverside, CA, San Bernardino, CA) .....	1.1489
Roanoke, VA (Botetourt, VA, Roanoke, VA, Roanoke City, VA, Salem City, VA) .....	0.8570
Rochester, MN (Olmstead, MN) .....	1.0545
Rochester, NY (Genesee, NY, Livingston, NY, Monroe, NY, Ontario, NY, Orleans, NY, Wayne, NY) .....	0.9585
Rockford, IL (Boone, IL, Ogle, IL, Winnebago, IL) .....	0.8872
Rocky Mount, NC (Edgecombe, NC, Nash, NC) .....	0.8836
Sacramento, CA (El Dorado, CA, Placer, CA, Sacramento, CA) .....	1.2539
Saginaw-Bay City-Midland, MI (Bay, MI, Midland, MI, Saginaw, MI) .....	0.9489
St. Cloud, MN (Benton, MN, Stearns, MN) .....	0.9549
St. Joseph, MO (Andrews, MO, Buchanan, MO) .....	0.8457
St. Louis, MO-IL (Clinton, IL, Jersey, IL, Madison, IL, Monroe, IL, St. Clair, IL, Franklin, MO, Jefferson, MO, Lincoln, MO, St. Charles, MO, St. Louis, MO, St. Louis City, MO, Warren, MO) .....	0.8880
Salem, OR (Marion, OR, Polk, OR) .....	0.9575
Salinas, CA (Monterey, CA) .....	1.4263
Salt Lake City-Ogden, UT (Davis, UT, Salt Lake, UT, Weber, UT) .....	0.9681
San Angelo, TX (Tom Green, TX) .....	0.7777
San Antonio, TX (Bexar, TX, Comal, TX, Guadalupe, TX, Wilson, TX) .....	0.8414
San Diego, CA (San Diego, CA) .....	1.1856
San Francisco, CA (Marin, CA, San Francisco, CA, San Mateo, CA) .....	1.4288
San Jose, CA (Santa Clara, CA) .....	1.4455
San Juan-Bayamon, PR (Aguas Buenas, PR, Barceloneta, PR, Bayamon, PR, Canovanas, PR, Carolina, PR, Catano, PR, Ceiba, PR, Comerio, PR, Corozal, PR, Dorado, PR, Fajardo, PR, Florida, PR, Guaynabo, PR, Humacao, PR, Juncos, PR, Los Piedras, PR, Loiza, PR, Luguillo, PR, Manati, PR, Naranjito, PR, Rio Grande, PR, San Juan, PR, Toa Alta, PR, Toa Baja, PR, Trujillo Alto, PR, Vega Alta, PR, Vega Baja, PR, Yabucoa, PR) .....	0.4514

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
San Luis Obispo-Atascadero-Pasa Robles, CA (San Luis Obispo, CA) .....	1.1405
Santa Barbara-Santa Maria-Lompoc, CA (Santa Barbara, CA) .....	1.1136
Santa Cruz-Watsonville, CA (Santa Cruz, CA) .....	1.3944
Santa Fe, NM (Los Alamos, NM, Santa Fe, NM) .....	1.1108
Santa Rosa, CA (Sonoma, CA) .....	1.2693
Sarasota-Bradenton, FL (Manatee, FL, Sarasota, FL) .....	0.9824
Savannah, GA (Bryan, GA, Chatham, GA, Effingham, GA) .....	0.8968
Scranton-Wilkes Barre-Hazleton, PA (Columbia, PA, Lackawanna, PA, Luzerne, PA, Wyoming, PA) .....	0.8724
Seattle-Bellevue-Everett, WA (Island, WA, King, WA, Snohomish, WA) .....	1.1307
Sharon, PA (Mercer, PA) .....	0.9093
Sheboygan, WI (Sheboygan, WI) .....	0.7981
Sherman-Denison, TX (Grayson, TX) .....	0.8780
Shreveport-Bossier City, LA (Bossier, LA, Caddo, LA, Webster, LA) .....	0.9007
Sioux City, IA-NE (Woodbury, IA, Dakota, NE) .....	0.8436
Sioux Falls, SD (Lincoln, SD, Minnehaha, SD) .....	0.8761
South Bend, IN (St. Joseph, IN) .....	0.9475
Spokane, WA (Spokane, WA) .....	1.0377
Springfield, IL (Menard, IL, Sangamon, IL) .....	0.8940
Springfield, MO (Christian, MO, Greene, MO, Webster, MO) .....	0.7896
Springfield, MA (Hampden, MA, Hampshire, MA) .....	1.0517
State College, PA (Centre, PA) .....	1.0162
Steubenville-Weirton, OH-WV (Jefferson, OH, Brook, WV, Hancock, WV) ...	0.8455
Stockton-Lodi, CA (San Joaquin, CA) .....	1.1672
Sumter, SC (Sumter, SC) .....	0.8344
Syracuse, NY (Cayuga, NY, Madison, NY, Onondaga, NY, Oswego, NY) ....	0.9531
Tacoma, WA (Pierce, WA) .....	1.0828
Tallahassee, FL (Gadsden, FL, Leon, FL) .....	0.8321
Tampa-St. Petersburg-Clearwater, FL (Hernando, FL, Hillsborough, FL, Pasco, FL, Pinellas, FL) .....	0.9311
Terre-Haute, IN (Clay, IN, Vermillion, IN, Vigo, IN) .....	0.8672
Texarkana, AK-Texarkana, TX (Miller, AR, Bowie, TX) .....	0.8257
Toledo, OH (Fulton, OH, Lucas, OH, Wood, OH) .....	1.0330
Topeka, KS (Shawnee, KS) .....	0.9735
Trenton, NJ (Mercer, NJ) .....	1.0033
Tucson, AZ (Pima, AZ) .....	0.9291
Tulsa, OK (Creek, OK, Osage, OK, Rogers, OK, Tulsa, OK, Wagoner, OK)	0.8245
Tuscaloosa, AL (Tuscaloosa, AL) .....	0.8090
Tyler, TX (Smith, TX) .....	0.9430
Utica-Rome, NY (Herkimer, NY, Oneida, NY) .....	0.8514
Vallejo-Fairfield-Napa, CA (Napa, CA, Solano, CA) .....	1.3040
Ventura, CA (Ventura, CA) .....	1.2330
Victoria, TX (Victoria, TX) .....	0.8435
Vineland-Millville-Bridgeton, NJ (Cumberland, NJ) .....	0.9966
Visalia-Tulare-Porterville, CA (Tulare, CA) .....	1.0446
Waco, TX (McLennan, TX) .....	0.7898

TABLE D-17.—WAGE INDEX FOR URBAN AREAS, FISCAL YEAR 1996—Continued

Urban area (constituent counties or county equivalents)	Wage index
Washington, DC—MD—VA—WV (District of Columbia, DC, Calvert, MD, Charles, MD, Frederick, MD, Montgomery, MD, Prince Georges, MD, Alexandria City, VA, Arlington, VA, Clarke, VA, Culpepper, VA, Fairfax, VA, Fairfax City, VA, Falls Church City, VA, Fauquier, VA, Fredericksburg City, VA, King George, VA, Loudoun, VA, Manassas City, VA, Manassas Park City, VA, Prince William, VA, Spotsylvania, VA, Stafford, VA, Warren, VA, Berkeley, WV, Jefferson, WV) .....	1.1075
Waterloo-Cedar Falls, IA (Black Hawk, IA) .....	0.8638
Wausau, WI (Marathon, WI) .....	1.0034
West Palm Beach-Boca Raton, FL (Palm Beach, FL) .....	1.0096
Wheeling, OH-WV (Belmont, OH, Marshall, WV, Ohio, WV) .....	0.7518
Wichita, KS (Butler, KS, Harvey, KS, Segwick, KS) .....	0.9562
Wichita Falls, TX (Archer, TX, Wichita, TX) .....	0.7763
Williamsport, PA (Lycoming, PA) .....	0.8508
Wilmington-Newark, DE—MD (New Castle, DE, Cecil, MD) .....	1.1539
Wilmington, NC (New Hanover, NC, Brunswick, NC) .....	0.9299
Yakima, WA (Yakima, WA) .....	0.9951
Yolo, CA (Yolo, CA) .....	1.1615
York, PA (York, PA) .....	0.9165
Youngstown-Warren, OH (Columbiana, OH, Mahoning, OH, Trumbull, OH) .....	0.9555
Yuba City, CA (Sutter, CA, Yuba, CA) .....	1.0611
Yuma, AZ (Yuma, AZ) .....	0.9769

Source: Prospective Payment Assessment Commission.



TABLE D-18.—WAGE INDEX FOR RURAL AREAS, FISCAL YEAR 1996

State	Wage index	State	Wage index
Alabama .....	0.7183	Nebraska .....	0.7219
Alaska .....	1.2034	Nevada .....	0.8788
Arizona .....	0.7995	New Hampshire .....	1.0013
Arkansas .....	0.6901	New Mexico .....	0.8329
California .....	1.0096	New Jersey .....	(1)
Colorado .....	0.7988	New York .....	0.8647
Connecticut .....	1.3117	North Carolina .....	0.7983
Delaware .....	0.9019	North Dakota .....	0.7265
Florida .....	0.8668	Ohio .....	0.8286
Georgia .....	0.7721	Oklahoma .....	0.6985
Hawaii .....	0.9847	Oregon .....	0.9486
Idaho .....	0.8378	Pennsylvania .....	0.8521
Illinois .....	0.7497	Puerto Rico .....	0.4326
Indiana .....	0.8067	Rhode Island .....	(1)
Iowa .....	0.7352	South Carolina .....	0.7738
Kansas .....	0.7229	South Dakota .....	0.6987
Kentucky .....	0.7660	Tennessee .....	0.7409
Louisiana .....	0.7275	Texas .....	0.7302
Maine .....	0.8425	Utah .....	0.8652
Maryland .....	0.8463	Vermont .....	0.9043
Massachusetts .....	1.0577	Virginia .....	0.7801
Michigan .....	0.8744	Washington .....	0.9775
Minnesota .....	0.8129	West Virginia .....	0.8069
Mississippi .....	0.6697	Wisconsin .....	0.8391
Missouri .....	0.7187	Wyoming .....	0.8013
Montana .....	0.8091		

<sup>1</sup> All counties within this State are classified as urban.

Source: Health Care Financing Administration.

TABLE D-19.—WAGE INDEX FOR HOSPITALS THAT ARE RECLASSIFIED, FISCAL YEAR  
1996

Area reclassified to	Wage index
Abilene, TX .....	0.8546
Albuquerque, NM .....	0.9542
Alexandria, LA .....	0.8010
Allentown-Bethlehem-Easton, PA .....	1.0198
Amarillo, TX .....	0.8759
Anchorage, AK .....	1.3373
Asheville, NC .....	0.9218
Atlanta, GA .....	1.0069
Augusta-Aiken, GA-SC .....	0.8955
Baton Rouge, LA .....	0.8670
Benton Harbor, MI .....	0.8304
Bergen-Passaic, NJ .....	1.1329
Biloxi-Gulfport-Pascagoula, MS .....	0.8448
Birmingham, AL .....	0.9144
Bismarck, ND .....	0.8172
Boise City, ID .....	0.9150
Boston-Brockton-Nashua, MA-NH .....	1.1685
Brazoria, TX .....	0.7724
Casper, WY .....	0.8662
Champaign-Urbana, IL .....	0.8664
Charleston-North Charleston, SC .....	0.8930
Charleston, WV .....	0.9317
Charlotte-Gastonia-Rock Hill, NC .....	0.9668
Charlottesville, VA .....	0.9030
Chattanooga, TN-GA .....	0.9015
Chicago, IL .....	1.0511
Cincinnati, OH-KY-IN .....	0.9418
Cleveland-Lorain-Elyria, OH .....	0.9835
Columbia, MO .....	0.9151
Columbus, GA-AL .....	0.7756
Columbus, OH .....	0.9734
Dallas, TX .....	0.9804
Davenport-Moline-Rock Island, IA-IL .....	0.8347
Dayton-Springfield, OH .....	0.9428
Denver, CO .....	1.0447
Des Moines, IA .....	0.8684
Detroit, MI .....	1.0834
Duluth-Superior, MN-WI .....	0.9660
Dutchess County NY .....	1.0546
Eau Claire, WI .....	0.8660
Elkart-Goshen, IN .....	0.8806
Eugene-Springfield, OR .....	1.1184
Fargo-Moorhead, ND-MN .....	0.8912
Fayetteville, NC .....	0.8504
Flint, MI .....	1.0738
Florence, AL .....	0.7970
Florence, SC .....	0.8537
Fort Lauderdale, FL .....	1.0952
Fort Pierce-Port St. Lucie, FL .....	1.0069

TABLE D-19.—WAGE INDEX FOR HOSPITALS THAT ARE RECLASSIFIED, FISCAL YEAR  
1996—Continued

Area reclassified to	Wage index
Fort Smith, AR-OK .....	0.7608
Fort Walton Beach, FL .....	0.8705
Fort Worth-Arlington, TX .....	1.0052
Gadsden, AL .....	0.8568
Grand Forks, ND-MN .....	0.8983
Great Falls, MT .....	0.9039
Greeley, CO .....	0.8993
Green Bay, WI .....	0.9190
Greenville-Spartanburg-Anderson .....	0.9047
Harrisburg-Lebanon-Carlisle, PA .....	0.9972
Hartford, CT .....	1.2228
Honolulu, HI .....	1.1212
Houston, TX .....	0.9874
Huntington-Ashland, WV-KY-OH .....	0.8997
Huntsville, AL .....	0.7948
Indianapolis, IN .....	0.9647
Jackson, MS .....	0.7642
Jacksonville, FL .....	0.8953
Johnson City-Kingsport-Bristol, TN .....	0.8769
Joplin, MO .....	0.7923
Kalamazoo-Battle Creek, MI .....	1.0449
Kansas City, MO-KS .....	0.9351
Knoxville, TN .....	0.8518
Lafayette, LA .....	0.8498
Lansing-East Lansing, MI .....	1.0105
Las Vegas, NV-AZ .....	1.0934
Lexington, KY .....	0.8348
Lima, OH .....	0.8863
Lincoln, NE .....	0.8885
Little Rock-North Little Rock, .....	0.8527
Longview-Marshall, TX .....	0.8479
Los Angeles-Long Beach, CA .....	1.2461
Louisville, KY-IN .....	0.9327
Lubbock, TX .....	0.8443
Madison, WI .....	1.0055
Mansfield, OH .....	0.8373
Medford-Ashland, OR .....	1.0162
Memphis, TN-AR-MS .....	0.8292
Middlesex-Somerset-Hunterdon, NJ .....	1.0355
Milwaukee-Waukesha, WI .....	0.9498
Minneapolis-St.Paul, MN-WI .....	1.0744
Modesto, CA .....	1.0658
Monroe, LA .....	0.7948
Montgomery, AL .....	0.7901
Nashville, TN .....	0.9266
New London-Norwich, CT .....	1.2088
New Orleans, LA .....	0.9454
New York-Newark, NY-NJ-PA .....	1.3852
Newark, NJ .....	1.1241

TABLE D-19.—WAGE INDEX FOR HOSPITALS THAT ARE RECLASSIFIED, FISCAL YEAR  
1996—Continued

Area reclassified to	Wage index
Newburgh, NY-PA .....	1.0619
Oakland, CA .....	1.5203
Odessa-Midland, TX .....	0.8753
Oklahoma City, OK .....	0.8358
Omaha, NE-IA .....	0.9794
Orange County, CA .....	1.5593
Peoria-Pekin, IL .....	0.8619
Philadelphia, PA-NJ .....	1.1098
Pittsburgh, PA .....	0.9743
Portland, ME .....	0.9744
Portland-Vancouver, OR-WA .....	1.1248
Provo-Orem, UT .....	0.9646
Raleigh-Durham-Chapel Hill, NC .....	0.9539
Rapid City, SD .....	0.8267
Richland-Kennewick-Pasco, WA .....	0.9768
Roanoke, VA .....	0.8570
Rochester, MN .....	1.0545
Rockford, IL .....	0.8872
Rock Mount, NC .....	0.8836
Sacramento, CA .....	1.2539
Saginaw-Bay City-Midland, MI .....	0.9489
St. Cloud, MN .....	0.9549
St. Louis, MO-IL .....	0.8880
Salem, OR .....	0.9575
Salinas, CA .....	1.4141
Salt Lake City-Ogden, UT .....	0.9681
San Diego, CA .....	1.1856
San Francisco, CA .....	1.4288
San Jose, CA .....	1.4455
Santa Rosa, CA .....	1.2574
Sarasota-Bradenton, FL .....	0.9824
Savannah, GA .....	0.8968
Seattle-Bellevue-Everett, WA .....	1.1307
Sharon, PA .....	0.9093
Sherman-Denison, TX .....	0.8436
Sioux Falls, SD .....	0.8761
South Bend, IN .....	0.9475
Springfield, IL .....	0.8836
Springfield, MO .....	0.7896
Stockton-Lodi, CA .....	1.1672
Syracuse, NY .....	0.9531
Tampa-St. Petersburg-Clearwater, FL .....	0.9311
Texarkana, TX-Texarkana, AR .....	0.8257
Topeka, KS .....	0.9401
Trenton, NJ .....	1.2599
Tucson, AZ .....	0.9291
Tulsa, OK .....	0.8245
Tyler, TX .....	0.9164
Ventura, CA .....	1.2330

TABLE D-19.—WAGE INDEX FOR HOSPITALS THAT ARE RECLASSIFIED, FISCAL YEAR  
1996—Continued

Area reclassified to	Wage index
Victoria, TX .....	0.8435
Waco, TX .....	0.7898
Washington, DC—MD—VA—WV .....	1.1075
Waterloo-Cedar Falls, IA .....	0.8638
Wausau, WI .....	0.9679
Wichita, KS .....	0.9309
Abilene, TX .....	0.8546
Rural Alabama .....	0.7183
Rural Arkansas .....	0.6901
Rural Florida .....	0.8668
Rural Kentucky .....	0.7660
Rural Louisiana .....	0.7275
Rural Michigan .....	0.8744
Rural Minnesota .....	0.8129
Rural Missouri .....	0.7187
Rural New Hampshire .....	1.0013
Rural North Carolina .....	0.7983
Rural Virginia .....	0.7801
Rural West Virginia .....	0.8069
Rural Wyoming .....	0.8013

Source: Health Care Financing Administration.

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
1	1	SURG	Craniotomy age >17 except for trauma	3.1565	3.0932	-2.0
2	1	SURG	Craniotomy for trauma age >17	3.0968	3.0095	-2.8
3	1	SURG <sup>1</sup>	Craniotomy age 0-17	3.0398	1.8848	-38.0
4	1	SURG	Spinal procedures	2.3292	2.3296	0.0
5	1	SURG	Extracranial vascular procedures	1.5601	1.5798	1.3
6	1	SURG	Carpal tunnel release	0.6339	0.8124	28.2
7	1	SURG	Periph and Cranial nerve and other nerv syst proc with CC	2.5005	2.6017	4.0
8	1	SURG	Periph and cranial nerve and other nerv syst proc w/o CC	0.9185	1.1794	28.4
9	1	MED	Spinal disorders and injuries	1.2553	1.3047	3.9
10	1	MED	Nervous system neoplasms with CC	1.2618	1.2299	-2.5
11	1	MED	Nervous system neoplasms w/o CC	0.7734	0.8000	3.4
12	1	MED	Degenerative nervous system disorders	0.9574	0.9891	3.3
13	1	MED	Multiple sclerosis and cerebellar ataxia	0.7813	0.7858	0.6
14	1	MED	Specific cerebrovascular disorders except TIA	1.1956	1.2065	0.9
15	1	MED	Transient ischemic attack and precebral occlusions	0.6909	0.7227	4.6
16	1	MED	Nonspecific cerebrovascular disorders with CC	1.0488	1.0639	1.4
17	1	MED	Nonspecific cerebrovascular disorders w/o CC	0.6195	0.6026	-2.7
18	1	MED	Cranial and peripheral nerve disorders with CC	0.9126	0.9242	1.3
19	1	MED	Cranial and peripheral nerve disorders w/o CC	0.5925	0.5990	1.1
20	1	MED	Nervous system infection except viral meningitis	2.0828	2.1157	1.6
21	1	MED	Viral meningitis	1.4342	1.5350	7.0
22	1	MED	Hypertensive encephalopathy	0.7806	0.8127	4.1
23	1	MED	Nontraumatic stupor and coma	0.8004	0.8090	1.1
24	1	MED	Seizure and headache age >17 with CC	0.9647	0.9908	2.7
25	1	MED	Seizure and headache age >17 w/o CC	0.5515	0.5681	3.0
26	1	MED	Seizure and headache age 0-17	0.6270	0.8993	43.4

27	1	MED	Traumatic stupor and coma, coma >1 HR .....	1.3476	0.1
28	1	MED	Traumatic stupor and coma, coma <1 HR age >17 with CC .....	1.2001	-1.4
29	1	MED	Traumatic stupor and coma, coma <1 HR age >17 w/o CC .....	0.6217	0.3
30	1	MED <sup>1</sup>	Traumatic stupor and coma, coma <1 HR age 0-17 .....	0.3187	-13.6
31	1	MED	Concussion age >17 with CC .....	0.7934	4.0
32	1	MED	Concussion age >17 w/o CC .....	0.4819	4.0
33	1	MED <sup>1</sup>	Concussion age 0-17 .....	0.2003	-21.7
34	1	MED	Other disorders of nervous system with CC .....	1.0569	-2.7
35	1	MED	Other disorders of nervous system, w/o CC .....	0.5914	0.8
36	2	SURG	Retinal procedures .....	0.5989	-1.0
37	2	SURG	Orbital procedures .....	0.8089	9.0
38	2	SURG	Primary iris procedures .....	0.4243	5.9
39	2	SURG	Lens procedures with or without vitrectomy .....	0.5036	-0.4
40	2	SURG	Extraocular procedures except orbit age >17 .....	0.7000	12.2
41	2	SURG	Extraocular procedures except orbit age 0-17 .....	0.3244	-14.9
42	2	SURG	Introcular procedures except retina, iris and lens .....	0.5687	-1.3
43	2	MED	HypHEMA .....	0.3400	7.8
44	2	MED	Acute major eye infections .....	0.3665	7.8
45	2	MED	Neurological eye disorders .....	0.6150	6.9
46	2	MED	Other disorders of the eye age >17 with CC .....	0.6460	4.0
47	2	MED	Other disorders of the eye age >17 w/o CC .....	0.7593	0.5
48	2	MED	Other disorders of the eye age 0-17 .....	0.4539	4.8
49	3	SURG	Major head and neck procedures .....	0.2859	-31.7
50	3	SURG	Sialoadenectomy .....	1.7701	3.5
51	3	SURG	Salivary gland procedures except sialoadenectomy .....	0.7131	5.5
52	3	SURG	Cleft lip and palate repair .....	0.7325	7.1
53	3	SURG	Sinus and mastoid procedures age >17 .....	0.8492	-7.2
54	3	SURG	Sinus and mastoid procedures age 0-17 .....	0.9392	8.6
55	3	SURG	Miscellaneous ear, nose, mouth and throat procedures .....	0.4634	-35.4
56	3	SURG	Rhinoplasty .....	0.7238	12.1
57	3	SURG	T&A proc, except tonsillectomy and/or adenoidectomy only age >17 .....	0.7684	6.7
58	3	SURG	T&A proc, except tonsillectomy and/or adenoidectomy only age 0-17 .....	1.0174	2.7
				0.3227	-18.5

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
59	3	SURG	Tonsillectomy and/or adenoidectomy only, age >17 .....	0.4602	0.5963	29.6
60	3	SURG	Tonsillectomy and/or adenoidectomy only, age 0-17 .....	0.2724	0.2004	-26.4
61	3	SURG	Myringotomy w tube insertion age >17 .....	1.0019	1.2221	22.0
62	3	SURG	Myringotomy w tube insertion age 0-17 .....	0.3217	0.2837	-11.8
63	3	SURG	Other ear, nose, mouth and throat O.R. procedures .....	1.1047	1.1462	3.8
64	3	MED	Ear, nose, mouth and throat malignancy .....	1.1419	1.1887	4.1
65	3	MED	Dysequilibrium .....	0.5067	0.5162	1.9
66	3	MED	Epistaxis .....	0.5076	0.5306	4.5
67	3	MED	Epiglottitis .....	0.8381	0.8060	-3.8
68	3	MED	Otitis media and uri age >17 with CC .....	0.7100	0.7094	-0.1
69	3	MED	Otitis media and uri age >17 w/o CC .....	0.5133	0.5270	2.7
70	3	MED	Otitis media and uri age 0-17 .....	0.5812	0.3129	-46.2
71	3	MED	Laryngotracheitis .....	0.6508	0.7206	10.7
72	3	MED	Nasal trauma and deformity .....	0.6160	0.6419	4.2
73	3	MED	Other ear, nose, mouth and throat diagnoses age >17 .....	0.7616	0.7730	1.5
74	3	MED <sup>1</sup>	Other ear, nose, mouth and throat diagnoses age 0-17 .....	0.3571	0.3223	-9.7
75	4	SURG	Major chest procedures .....	3.0551	3.1034	1.6
76	4	SURG	Other resp system O.R. procedures with CC .....	2.5126	2.5601	1.9
77	4	SURG	Other resp system O.R. procedures w/o CC .....	1.0630	1.1219	5.5
78	4	MED	Pulmonary embolism .....	1.4211	1.4136	-0.5
79	4	MED	Respiratory infections and inflammations age 17 with CC .....	1.6955	1.6625	-1.9
80	4	MED	Respiratory infections and inflammations age 17 w/o CC .....	0.9259	0.9508	2.7
81	4	MED	Respiratory infections and inflammations age 0-17 .....	1.4323	0.9558	-33.3
82	4	MED	Respiratory neoplasms .....	1.3237	1.3166	-0.5
83	4	MED	Major chest trauma with CC .....	0.9530	0.9557	0.3
84	4	MED	Major chest trauma w/o CC .....	0.4996	0.5002	0.1



85	4	MED	Pleural effusion with CC .....	1.1890	1.1917	0.2
86	4	MED	Pleural effusion w/o CC .....	0.6753	0.6848	1.4
87	4	MED	Pulmonary edema and respiratory failure .....	1.3306	1.3589	2.1
88	4	MED	Chronic obstructive pulmonary disease .....	1.0053	1.0018	-0.3
89	4	MED	Simple pneumonia and pleurisy age >17 with CC .....	1.1317	1.1211	-0.9
90	4	MED	Simple pneumonia and pleurisy age >17 w/o CC .....	0.6924	0.6996	1.0
91	4	MED	Simple pneumonia and pleurisy age 0-17 .....	0.6834	0.8366	22.4
92	4	MED	Interstitial lung diseases with CC .....	1.2084	1.2000	-0.7
93	4	MED	Interstitial lung disease w/o CC .....	0.7700	0.7550	-1.9
94	4	MED	Pneumothorax with CC .....	1.2427	1.2378	-0.4
95	4	MED	Pneumothorax w/o CC .....	0.6146	0.6242	1.6
96	4	MED	Bronchitis and asthma age >17 with CC .....	0.8488	0.8390	-1.2
97	4	MED	Bronchitis and asthma age >17 w/o CC .....	0.6122	0.6089	-0.5
98	4	MED	Bronchitis and asthma age 0-17 .....	0.5356	0.6696	25.0
99	4	MED	Respiratory signs and symptoms with CC .....	0.7019	0.6959	-0.9
100	4	MED	Respiratory signs and symptoms w/o CC .....	0.5051	0.5034	-0.3
101	4	MED	Other respiratory system diagnoses w CC .....	0.9055	0.9120	0.7
102	4	MED	Other respiratory system diagnoses w/o CC .....	0.5339	0.5595	4.8
103	5	SURG	Heart transplant .....	13.5495	13.8273	2.1
104	5	SURG	Cardiac valve procedures with cardiac cath .....	7.6076	7.3143	-3.9
105	5	SURG	Cardiac valve procedures w/o cardiac cath .....	5.7656	5.6310	-2.3
106	5	SURG	Coronary bypass with cardiac cath .....	5.6683	5.6187	-0.9
107	5	SURG	Coronary bypass w/o cardiac cath .....	4.1974	4.1803	-0.4
108	5	SURG	Other cardiothoracic procedures .....	6.1081	5.9455	-2.77
109	.....		no longer valid .....			
110	5	SURG	Major cardiovascular procedures with CC .....	4.0796	4.1308	1.3
111	5	SURG	Major cardiovascular procedures w/o CC .....	2.3024	2.2584	-1.9
112	5	SURG	Percutaneous cardiovascular procedures .....	1.9881	1.9922	0.2
113	5	SURG	Amputation for circ system disorders except upper limb and toe .....	2.7765	2.7536	-0.8
114	5	SURG	Upper limb and toe amputation for circ system disorders .....	1.5385	1.5383	0.0
115	5	SURG	Perm cardiac pacemaker implant with ami, Heart failure or shock .....	3.5936	3.5513	-1.2
116	5	SURG	Oth perm cardiac pacemaker implant or aicd lead or generator proc .....	2.4514	2.3949	-2.3

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
117	5	SURG	Cardiac pacemaker revision except device replacement	1.1671	1.1454	-1.9
118	5	SURG	Cardiac pacemaker device replacement	1.5582	1.5260	-2.1
119	5	SURG	Vein ligation and stripping	0.9949	1.1247	13.0
120	5	SURG	Other circulatory system O.R. procedures	1.9616	1.9531	-0.4
121	5	MED	Circulatory disorders with ami and c.v. comp disch alive	1.6022	1.6459	2.7
122	5	MED	Circulatory disorders with ami w/o c.v. comp disch alive	1.1292	1.1614	2.9
123	5	MED	Circulatory disorders with ami, expired	1.4286	1.4370	0.6
124	5	MED	Circulatory disorders except ami, with card cath and complex diag	1.2657	1.2933	2.2
125	5	MED	Circulatory disorders except ami, with card cath w/o complex diag	0.8451	0.8767	3.7
126	5	MED	Acute and subacute endocarditis	2.7724	2.6049	-6.0
127	5	MED	Heart failure and shock	1.0239	1.0302	0.6
128	5	MED	Deep vein thrombophlebitis	0.7820	0.7929	1.4
129	5	MED	Cardiac arrest, unexplained	1.1308	1.1376	0.6
130	5	MED	Peripheral vascular disorders with CC	0.9177	0.9384	2.3
131	5	MED	Peripheral vascular disorders w/o CC	0.5889	0.6002	1.9
132	5	MED	Atherosclerosis with CC	0.7296	0.6861	-6.0
133	5	MED	Atherosclerosis w/o CC	0.5348	0.5347	0.0
134	5	MED	Hypertension	0.5761	0.5800	0.7
135	5	MED	Cardiac congenital and valvular disorders age 17 with CC	0.8507	0.8988	5.7
136	5	MED	Cardiac congenital and valvular disorders age 17 w/o CC	0.5600	0.5789	3.4
137	5	MED <sup>1</sup>	Cardiac congenital and valvular disorders age 0-17	0.6578	0.7866	19.6
138	5	MED	Cardiac arrhythmia and conduction disorders with CC	0.7964	0.8049	1.1
139	5	MED	Cardiac arrhythmia and conduction disorders w/o CC	0.4939	0.4945	0.1
140	5	MED	Angina pectoris	0.6258	0.6312	0.9
141	5	MED	Syncope and collapse with CC	0.7025	0.7149	1.8
142	5	MED	Syncope and collapse w/o CC	0.5174	0.5216	0.8

143	5	MED	Chest pain .....	0.5169	0.5159	-0.2
144	5	MED	Other circulatory system diagnoses with CC .....	1.0580	1.0689	1.0
145	5	MED	Other circulatory system diagnoses w/o CC .....	0.6155	0.6204	0.8
146	6	SURG	Rectal resection with CC .....	2.5367	2.5898	2.1
147	6	SURG	Rectal resection w/o CC .....	1.5469	1.5368	-0.7
148	6	SURG	Major small and large bowel procedures with CC .....	3.2220	3.3264	3.2
149	6	SURG	Major small and large bowel procedures w/o CC .....	1.5022	1.5654	4.2
150	6	SURG	Peritoneal adhesiolysis with CC .....	2.5652	2.6561	3.5
151	6	SURG	Peritoneal adhesiolysis w/o CC .....	1.1814	1.2606	6.7
152	6	SURG	Minor small and large bowel procedures with CC .....	1.7829	1.8860	5.8
153	6	SURG	Minor small and large bowel procedures w/o CC .....	1.1151	1.1257	1.0
154	6	SURG	Stomach, esophageal and duodenal procedures age >17 with CC .....	4.1740	4.2102	0.9
155	6	SURG	Stomach, esophageal and duodenal procedures age >17 w/o CC .....	1.3898	1.3885	-0.1
156	6	SURG <sup>1</sup>	Stomach, esophageal and duodenal procedures age 0-17 .....	0.8732	0.8101	-7.2
157	6	SURG	Anal and stomal procedures with CC .....	1.0320	1.1048	7.1
158	6	SURG	Anal and stomal procedures w/o CC .....	0.5445	0.5789	6.3
159	6	SURG	Hernia procedures except inguinal and femoral age >17 with CC .....	1.1066	1.1707	5.8
160	6	SURG	Hernia procedures except inguinal and femoral age >17 w/o CC .....	0.6574	0.6746	2.6
161	6	SURG	Inguinal and femoral hernia procedures age >17 with CC .....	0.9053	0.9554	5.5
162	6	SURG	Inguinal and femoral hernia procedures age >17 w/o CC .....	0.5156	0.5365	4.1
163	6	SURG	Hernia procedures age 0-17 .....	0.7275	0.7578	4.2
164	6	SURG	Appendectomy with complicated principal diag with CC .....	2.1645	2.2374	3.4
165	6	SURG	Appendectomy with complicated principal diag w/o CC .....	1.1976	1.2365	3.2
166	6	SURG	Appendectomy w/o complicated principal diag with CC .....	1.3465	1.3695	1.7
167	6	SURG	Appendectomy w/o complicated principal diag w/o CC .....	0.7828	0.7892	0.8
168	3	SURG	Mouth procedures with CC .....	1.0856	1.1761	8.3
169	3	SURG	Mouth procedures w/o CC .....	0.6149	0.6434	4.6
170	6	SURG	Other digestive system O.R. procedures with CC .....	2.7813	2.7116	-2.5
171	6	SURG	Other digestive system O.R. procedures w/o CC .....	1.0638	1.1628	9.3
172	6	MED	Digestive malignancy with CC .....	1.2990	1.2898	-0.7
173	6	MED	Digestive malignancy w/o CC .....	0.6262	0.6569	4.9
174	6	MED	G.I. Hemorrhage with CC .....	0.9726	0.9880	1.6

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
175	6	MED	G.I. Hemorrhage w/o CC	0.5359	0.5457	1.8
176	6	MED	Complicated peptic ulcer	1.0436	1.0563	1.2
177	6	MED	Uncomplicated peptic ulcer with CC	0.8062	0.8270	2.6
178	6	MED	Uncomplicated peptic ulcer w/o CC	0.5807	0.5990	3.2
179	6	MED	Inflammatory bowel disease	1.1143	1.0993	-1.3
180	6	MED	G.I. obstruction with CC	0.9139	0.9240	1.1
181	6	MED	G.I. obstruction w/o CC	0.4975	0.5231	5.1
182	6	MED	Esophagitis, gastroent and misc digest disorders age >17 with CC	0.7685	0.7794	1.4
183	6	MED	Esophagitis, gastroent and misc digest disorders age >17 w/o CC	0.5356	0.5480	2.3
184	6	MED	Esophagitis, gastroent and misc digest disorders age 0-17	0.4240	0.3910	-7.8
185	3	MED	Dental and oral dis except extractions and restorations, age >17	0.8312	0.8892	7.0
186	3	MED <sup>1</sup>	Dental and oral dis except extractions and restorations, age 0-17	0.4282	0.3088	-27.9
187	3	MED	Dental extractions and restorations	0.6350	0.6473	1.9
188	6	MED	Other digestive system diagnoses age >17 with CC	1.0201	1.0458	2.5
189	6	MED	Other digestive system diagnoses age >17 w/o CC	0.5027	0.5438	8.2
190	6	MED	Other digestive system diagnoses age 0-17	0.6707	1.2379	84.6
191	7	SURG	Pancreas, liver and shunt procedures with CC	4.4176	4.4495	0.7
192	7	SURG	Pancreas, liver and shunt procedures w/o CC	1.7609	1.7103	-2.9
193	7	SURG	Biliary tract proc except only cholecyst with or w/o C.D.E. with CC	3.1497	3.2131	2.0
194	7	SURG	Biliary tract proc except only cholecyst with or w/o C.D.E. w/o CC	1.6562	1.6937	2.3
195	7	SURG	Cholecystectomy with C.D.E. with CC	2.4576	2.6147	6.4
196	7	SURG	Cholecystectomy with C.D.E. w/o CC	1.4861	1.5695	5.6
197	7	SURG	Cholecystectomy except by laparoscope w/o C.D.E. with CC	2.0796	2.2034	6.0
198	7	SURG	Cholecystectomy except by laparoscope w/o C.D.E. w/o CC	1.0930	1.1355	3.9
199	7	SURG	Hepatobiliary diagnostic procedure for malignancy	2.3603	2.3309	-1.2
200	7	SURG	Hepatobiliary diagnostic procedure for nonmalignancy	2.9698	3.0158	1.5

201	7	SURG	Other hepatobiliary or pancreas O.R. procedures .....	3.2322	3.2951	1.9
202	7	MED	Cirrhosis and alcoholic hepatitis .....	1.3087	1.3177	0.7
203	7	MED	Malignancy of hepatobiliary system or pancreas .....	1.2384	1.2187	-1.6
204	7	MED	Disorders of pancreas except malignancy .....	1.1376	1.2020	5.7
205	7	MED	Disorders of liver except malign, cirr, alc hepa with CC .....	1.2284	1.2276	-0.1
206	7	MED	Disorders of liver except malign, cirr, alc hepa w/o CC .....	0.6220	0.6801	9.3
207	7	MED	Disorders of the biliary tract with CC .....	1.0063	1.0287	2.2
208	7	MED	Disorders of the biliary tract w/o CC .....	0.5661	0.5943	5.0
209	8	SURG	Major joint and limb reattachment procedures of lower extremity .....	2.3173	2.2707	-2.0
210	8	SURG	Hip and femur procedures except major joint age >17 with CC .....	1.8427	1.8616	1.0
211	8	SURG	Hip and femur procedures except major joint age >17 w/o CC .....	1.2990	1.2893	-0.7
212	8	SURG	Hip and femur procedures except major joint age 0-17 .....	0.9084	1.1296	24.4
213	8	SURG	Amputation for musculoskeletal system and conn tissue disorders .....	1.7234	1.7196	-0.2
214	8	SURG	Back and neck procedures with CC .....	1.9237	1.9184	-0.3
215	8	SURG	Back and neck procedures w/o CC .....	1.0977	1.0924	-0.5
216	8	SURG	Biopsies of musculoskeletal system and connective tissue .....	2.1046	2.1075	0.1
217	8	SURG	WND debrid and skin graft except hand, for musculet and conn tiss dis .....	3.0084	2.8975	-3.7
218	8	SURG	Lower extrem and humer proc except hip, foot, femur age >17 with CC .....	1.4028	1.4231	1.4
219	8	SURG	Lower extrem and humer proc except hip, foot, femur age >17 w/o CC .....	0.9132	0.9179	0.5
220	8	SURG	Lower extrem and humer proc except hip, foot, femur age 0-17 .....	0.9626	0.5611	-41.7
221	8	SURG	Knee procedures with CC .....	1.7911	1.8463	3.1
222	8	SURG	Knee procedures w/o CC .....	0.9852	0.9747	-1.1
223	8	SURG	Major shoulder/elbow proc, or other upper extremity proc with CC .....	0.8162	0.8364	2.5
224	8	SURG	Shoulder, elbow or forearm proc, exc major joint proc, w/o CC .....	0.6932	0.6983	0.7
225	8	SURG	Foot procedures .....	0.9006	0.9504	5.5
226	8	SURG	Soft tissue procedures with CC .....	1.3381	1.3656	2.1
227	8	SURG	Soft tissue procedures w/o CC .....	0.6999	0.7273	3.9
228	8	SURG	Major thumb or joint proc, or oth hand or wrist proc with CC .....	0.8409	0.9315	10.8
229	8	SURG	Hand or wrist proc, except major joint proc, w/o CC .....	0.5964	0.5965	0.0
230	8	SURG	Local excision and removal of int fix devices of hip and femur .....	0.9145	1.0399	13.7
231	8	SURG	Local excision and removal of int fix devices except hip and femur .....	1.1275	1.2131	7.6
232	8	SURG	Arthroscopy .....	1.1560	1.0578	-8.5

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
233	8	SURG	Other musculoskelet sys and conn tiss O.R. proc w/o CC	1.9051	1.9275	1.2
234	8	SURG	Other musculoskelet sys and conn tiss O.R. proc w/o CC	0.9529	1.0039	5.4
235	8	MED	Fractures of femur	0.8964	0.8501	-5.2
236	8	MED	Fractures of hip and pelvis	0.7772	0.7818	0.6
237	8	MED	Sprains, strains and dislocations of hip, pelvis and thigh	0.5535	0.5711	3.2
238	8	MED	Osteomyelitis	1.4939	1.4356	-3.9
239	8	MED	Pathological fractures and musculoskeletal and conn tiss malignancy	1.0338	1.0219	-1.2
240	8	MED	Connective tissue disorders with CC	1.1889	1.1900	0.1
241	8	MED	Connective tissue disorders w/o CC	0.5835	0.5986	2.6
242	8	MED	Septic arthritis	1.1440	1.1295	-1.3
243	8	MED	Medical back problems	0.7122	0.7248	1.8
244	8	MED	Bone diseases and specific arthropathies with CC	0.7346	0.7446	1.4
245	8	MED	Bone disease and specific arthropathies w/o CC	0.4813	0.5050	4.9
246	8	MED	Nonspecific arthropathies	0.5529	0.5646	2.1
247	8	MED	Signs and symptoms of musculoskeletal system and conn tissue	0.5532	0.5534	0.0
248	8	MED	Tendonitis, myositis and bursitis	0.7117	0.7275	2.2
249	8	MED	Aftercare, musculoskeletal system and connective tissue	0.6486	0.6558	1.1
250	8	MED	FX, sprn, strn and disl of forearm, hand, foot age >17 with CC	0.6950	0.7193	3.5
251	8	MED	FX, sprn, strn and disl of forearm, hand, foot age >17 w/o CC	0.4510	0.4423	-1.9
252	8	MED	FX, sprn, strn and disl of forearm, hand, foot age 0-17	0.3642	0.2438	-33.1
253	8	MED	FX, sprn, strn and disl of uparm, lowleg ex foot age >17 with CC	0.7617	0.7637	0.3
254	8	MED	FX, sprn, strn, and disl of uparm, lowleg ex foot age >17 w/o CC	0.4324	0.4365	0.9
255	8	MED	FX, sprn, strn and disl of uparm, lowleg ex foot age 0-17	0.4831	0.2838	-41.3
256	8	MED	Other musculoskeletal system and connective tissue diagnoses	0.6397	0.6419	0.3
257	9	SURG	Total mastectomy for malignancy with CC	0.8843	0.8997	1.7
258	9	SURG	Total mastectomy for malignancy w/o CC	0.6989	0.6965	-0.3

259	9	SURG	Subtotal mastectomy for malignancy with CC .....	0.8291	0.8765	5.7
260	9	SURG	Subtotal mastectomy for malignancy w/o CC .....	0.5840	0.5749	-1.6
261	9	SURG	Breast proc for nonmalignancy except biopsy and local excision .....	0.7432	0.8080	8.7
262	9	SURG	Breast biopsy and local excision for nonmalignancy .....	0.6491	0.7115	9.6
263	9	SURG	Skin graft and/or debrid for skn ulcer or cellulitis with CC .....	2.3540	2.2344	-5.1
264	9	SURG	Skin graft and/or debrid for skin ulcer or cellulitis w/o CC .....	1.1663	1.1633	-0.3
265	9	SURG	Skin graft and/or debrid except skin ulcer or cellulitis with CC .....	1.3953	1.4131	1.3
266	9	SURG	Skin graft and/or debrid except for skin ulcer or cellulitis w/o CC .....	0.7358	0.7451	1.3
267	9	SURG	Perianal and pilonidal procedures .....	0.6935	0.8022	15.7
268	9	SURG	Skin, subcutaneous tissue and breast plastic procedures .....	0.8356	0.9068	8.5
269	9	SURG	Other skin, subcut tiss and breast proc with CC .....	1.7025	1.6495	-3.1
270	9	SURG	Other skin, subcut tiss and breast proc w/o CC .....	0.6610	0.6796	2.8
271	9	MED	Skin ulcers .....	1.1343	1.1157	-1.6
272	9	MED	Major skin disorders with CC .....	1.0072	1.0208	1.4
273	9	MED	Major skin disorders w/o CC .....	0.6339	0.6403	1.0
274	9	MED	Malignant breast disorders with CC .....	1.1084	1.0741	-3.1
275	9	MED	Malignant breast disorders w/o CC .....	0.5132	0.4845	-5.6
276	9	MED	Nonmalignant breast disorders .....	0.6137	0.6418	4.6
277	9	MED	Cellulitis age >17 with CC .....	0.8804	0.8703	-1.1
278	9	MED	Cellulitis age >17 w/o CC .....	0.5850	0.5822	-0.5
279	9	MED	Cellulitis age 0-17 .....	0.6708	0.7070	5.4
280	9	MED	Trauma to the skin subcut tiss & breast age >17 with CC .....	0.6729	0.6847	1.8
281	9	MED	Trauma to the skin subcut tiss & breast age >17 w/o CC .....	0.4344	0.4523	4.1
282	9	MED	Trauma to the skin subcut tiss & breast age 0-17 .....	0.3566	0.2467	-30.8
283	9	MED	Minor skin disorders with CC .....	0.7155	0.7171	0.2
284	9	MED	Minor skin disorders w/o CC .....	0.4342	0.4307	-0.8
285	10	SURG	Amputat of lower limb for endocrine, nutrit and metabol disorders .....	2.5270	2.3880	-5.5
286	10	SURG	Adrenal and pituitary procedures .....	2.2621	2.3163	2.4
287	10	SURG	Skin grafts and wound debrid for endoc, nutrit and metab disorders .....	2.1035	2.1126	0.4
288	10	SURG	O.R. procedures for obesity .....	1.9030	2.0397	7.2
289	10	SURG	Parathyroid procedures .....	1.0063	1.0385	3.2
290	10	SURG	Thyroid procedures .....	0.7931	0.8537	7.6

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
291	10	SURG	Thyroglossal procedures	0.5102	0.4657	-8.7
292	10	SURG	Other endocrine, nutrit and metab. O.R. proc with CC	2.7197	2.6301	-3.3
293	10	SURG	Other endocrine, nutrit and metab. O.R. proc w/o CC	1.1604	1.1866	2.3
294	10	MED	Diabetes age >35	0.7463	0.7579	1.6
295	10	MED	Diabetes age 0-35	0.7433	0.7634	2.7
296	10	MED	Nutritional and misc metabolic disorders age >17 with CC	0.9179	0.9166	-0.1
297	10	MED	Nutritional and misc metabolic disorders age >17 w/o CC	0.5305	0.5353	0.9
298	10	MED	Nutritional and misc metabolic disorders age 0-17	0.5421	0.4756	-12.3
299	10	MED	Inborn errors of metabolism	0.8118	0.9790	20.6
300	10	MED	Endocrine disorders with CC	1.0982	1.0919	-0.6
301	10	MED	Endocrine disorders w/o CC	0.6003	0.6181	3.0
302	11	SURG	Kidney transplant	4.1394	4.1370	-0.1
303	11	SURG	Kidney, ureter and major bladder procedures for neoplasm	2.5739	2.6171	1.7
304	11	SURG	Kidney, ureter and major bladder procedures for nonneopl with CC	2.3313	2.3715	1.7
305	11	SURG	Kidney, ureter and major bladder procedures for nonneopl w/o CC	1.1366	1.1600	2.1
306	11	SURG	Prostatectomy w CC	1.2101	1.2441	2.8
307	11	SURG	Prostatectomy w/o CC	0.6619	0.6639	0.3
308	11	SURG	Minor bladder procedures with CC	1.4465	1.4848	2.6
309	11	SURG	Minor bladder procedures w/o CC	0.7971	0.8061	1.1
310	11	SURG	Transurethral procedures with CC	0.9159	0.9694	5.8
311	11	SURG	Transurethral procedures w/o CC	0.5395	0.5486	1.7
312	11	SURG	Urethral procedures, age >17 with CC	0.8458	0.8891	5.1
313	11	SURG	Urethral procedures, age >17 w/o CC	0.4774	0.5008	4.9
314	11	SURG	Urethral procedures, age 0-17	0.4503	0.4756	5.6
315	11	SURG	Other kidney and urinary tract O.R. procedures	2.0323	2.0612	1.4
316	11	MED	Renal failure	1.2840	1.2996	1.2



317	11	MED	Admit for renal dialysis .....	0.5149	0.6556	27.3
318	11	MED	Kidney and urinary tract neoplasms with CC .....	1.1196	1.1007	-1.7
319	11	MED	Kidney and urinary tract neoplasms w/o CC .....	0.5530	0.5432	-1.8
320	11	MED	Kidney and urinary tract infections age 17W CC .....	0.9451	0.9320	-1.4
321	11	MED	Kidney and urinary tract infections age >17 w/o CC .....	0.6109	0.6104	-0.1
322	11	MED	Kidney and urinary tract infections age 0-17 .....	0.5464	0.6651	21.7
323	11	MED	Urinary stones with CC, and/or ESW lithotripsy .....	0.7221	0.7281	0.8
324	11	MED	Urinary stones w/o CC .....	0.3872	0.3992	3.1
325	11	MED	Kidney and urinary tract signs and symptoms age >17 with CC .....	0.6476	0.6436	-0.6
326	11	MED	Kidney and urinary tract signs and symptoms age >17 w/o CC .....	0.4186	0.4233	1.1
327	11	MED	Kidney and urinary tract signs and symptoms age 0-17 .....	0.7222	0.2302	-68.1
328	11	MED	Urethral stricture age >17 with CC .....	0.6732	0.6672	-0.9
329	11	MED	Urethral stricture age >17 w/o CC .....	0.4291	0.4233	-1.4
330	11	MED	Urethral stricture age 0-17 .....	0.2903	0.3063	5.5
331	11	MED	Other kidney and urinary tract diagnoses age >17 with CC .....	0.9943	1.0122	1.8
332	11	MED	Other kidney and urinary tract diagnoses age >17 w/o CC .....	0.6019	0.6176	2.6
333	11	MED	Other kidney and urinary tract diagnoses age 0-17 .....	1.0377	0.8701	-16.2
334	12	SURG	Major male pelvic procedures with CC .....	1.7172	1.6948	-1.3
335	12	SURG	Major male pelvic procedures w/o CC .....	1.3447	1.3044	-3.0
336	12	SURG	Transurethral prostatectomy with CC .....	0.8523	0.8802	3.3
337	12	SURG	Transurethral prostatectomy w/o CC .....	0.6130	0.6128	0.0
338	12	SURG	Testes procedures, for malignancy .....	0.9738	1.0260	5.4
339	12	SURG	Testes procedures, nonmalignancy age >17 .....	0.8265	0.9330	1.29
340	12	SURG	Testes procedures, nonmalignancy age 0-17 .....	0.4516	0.2723	-39.7
341	12	SURG	Penis procedures .....	1.0192	1.0699	5.0
342	12	SURG	Circumcision age 17 .....	0.6689	0.7360	10.0
343	12	SURG <sup>1</sup>	Circumcision age 0-17 .....	0.3945	0.1479	-62.5
344	12	SURG	Other male reproductive system O.R. procedures for malignancy .....	0.9941	1.0209	2.7
345	12	SURG	Other male reproductive system O.R. proc except for malignancy .....	0.7521	0.8435	12.2
346	12	MED	Malignancy, male reproductive system, with CC .....	0.9598	0.9626	0.3
347	12	MED	Malignancy, male reproductive system, w/o CC .....	0.4899	0.4853	0.9
348	12	MED	Benign prostatic hypertrophy with CC .....	0.6724	0.7106	5.7

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
349	12	MED	Benign prostatic hypertrophy w/o CC	0.4094	0.4241	3.6
350	12	MED	Inflammation of the male reproductive system	0.6787	0.6810	0.3
351	12	MED <sup>1</sup>	Sterilization, male	0.3472	0.2271	-34.6
352	12	MED	Other male reproductive system diagnoses	0.5807	0.5932	.....
353	13	SURG	Pelvic evisceration, radical hysterectomy and radical vulvectomy	1.8865	1.9483	3.3
354	13	SURG	Uterine, adnexa proc for nonovarian/adnexal malign with CC	1.3747	1.4609	6.3
355	13	SURG	Uterine, adnexa proc for nonovarian/adnexal malign w/o CC	0.8773	0.8881	1.2
356	13	SURG	Female reproductive system reconstructive procedures	0.7162	0.7323	2.2
357	13	SURG	Uterine and adnexa proc for ovarian or adnexal malignancy	2.2834	2.3679	3.7
358	13	SURG	Uterine and adnexa proc for nonmalignancy with CC	1.1018	1.1458	4.0
359	13	SURG	Uterine and adnexa proc for nonmalignancy w/o CC	0.7987	0.8072	1.1
360	13	SURG	Vagina, cervix and vulva procedures	0.8186	0.8739	6.8
361	13	SURG	Laparoscopy and incisional tubal interruption	1.1047	1.1984	8.5
362	13	SURG <sup>1</sup>	Endoscopic tubal interruption	0.5189	0.2902	-44.1
363	13	SURG	D&C, conization and radio-implant for malignancy	0.6470	0.6881	6.4
364	13	SURG	D&C, conization except for malignancy	0.6239	0.6667	6.9
365	13	SURG	Other female reproductive system O.R. procedures	1.7127	1.7739	3.6
366	13	MED	Malignancy, female reproductive system with CC	1.2111	1.1405	-5.8
367	13	MED	Malignancy, female reproductive system w/o CC	0.4486	0.5179	15.4
368	13	MED	Infections, female reproductive system	0.9704	0.9841	1.4
369	13	MED	Menstrual and other female reproductive system disorders	0.5095	0.5130	0.7
370	14	SURG	Cesarean section with CC	0.8976	0.9573	6.7
371	14	SURG	Cesarean section w/o CC	0.6340	0.6531	3.0
372	14	MED	Vaginal delivery with complicating diagnoses	0.4902	0.5558	13.4
373	14	MED	Vaginal delivery w/o complicating diagnoses	0.3387	0.3446	1.7
374	14	SURG	Vaginal delivery with sterilization and diagnoses and/or D&C	0.6152	0.6721	9.2

375	14	SURG	Vaginal Delivery with O.R. proc except steril and/or D&C .....	0.7101	0.6587	-7.2
376	14	MED	Postpartum and post abortion diagnoses w/o O.R. procedure .....	0.3513	0.4418	25.8
377	14	SURG	Postpartum and post abortion diagnosis with O.R. procedure .....	0.9762	0.8181	-16.2
378	14	MED	Ectopic pregnancy .....	0.7052	0.7409	5.1
379	14	MED	Threatened abortion .....	0.3204	0.3962	23.7
380	14	MED	Abortion w/o D&C .....	0.3481	0.3742	7.5
381	14	SURG	Abortion with D&C, aspiration curettage or hysterotomy .....	0.4063	0.4673	15.0
382	14	MED	False labor .....	0.1856	0.1922	3.6
383	14	MED	Other antepartum diagnoses with medical complications .....	0.4060	0.4587	13.0
384	14	MED	Other antepartum diagnosis w/o medical complications .....	0.2909	0.2818	-3.1
385	15	(1)	Neonates, died or transferred to another acute care facility .....	1.2741	1.3219	3.8
386	15	(1)	Extreme immaturity or respiratory distress syndrome, neonate .....	3.7999	4.3591	14.7
387	15	(1)	Prematurity with major problems .....	1.9028	2.9772	56.5
388	15	(1)	Prematurity w/o major problems .....	1.2053	1.7964	49.0
389	15		Full term neonate with major problems .....	1.2972	2.3785	83.4
390	15		Neonate with other significant problems .....	0.5385	0.6218	15.5
391	15	(1)	Normal newborn .....	0.2311	0.1465	-36.6
392	16	SURG	Splenectomy age >17 .....	3.2021	3.1908	-0.4
393	16	SURG <sup>1</sup>	Splenectomy age 0-17 .....	1.5839	1.2949	-18.2
394	16	SURG	Other O.R. procedures of the blood and blood forming organs .....	1.5713	1.6252	3.4
395	16	MED	Red blood cell disorders age >17 .....	0.8118	0.8359	3.0
396	16	MED	Red blood cell disorders age 0-17 .....	0.2859	0.5980	109.2
397	16	MED	Coagulation disorders .....	1.2490	1.2825	2.7
398	16	MED	Reticuloendothelial and immunity disorders with CC .....	1.2139	1.2360	1.8
399	16	MED	Reticuloendothelial and immunity disorders w/o CC .....	0.6723	0.6934	3.1
400	17	SURG	Lymphoma and leukemia with major O.R. procedure .....	2.5674	2.6034	1.4
401	17	SURG	Lymphoma and nonacute leukemia with other O.R. proc with CC .....	2.4043	2.4533	2.0
402	17	SURG	Lymphoma and nonacute leukemia with other O.R. proc w/o CC .....	0.9212	0.9428	2.3
403	17	MED	Lymphoma and nonacute leukemia with CC .....	1.6956	1.6823	-0.8
404	17	MED	Lymphoma and nonacute leukemia w/o CC .....	0.7571	0.8140	7.5
405	17	(1)	Acute leukemia w/o major O.R. procedure age 0-17 .....	1.0840	1.8358	69.4
406	17	SURG	Myeloprolif disord or poorly diff neopl with maj O.R. proc with CC .....	2.6496	2.6558	0.2

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
407	17	SURG	Myeloprofil disord or poorly diff neopl with maj O.R. proc w/o CC	1.1262	1.1626	3.2
408	17	SURG	Myeloprofil disord or poorly diff neopl with other O.R. proc	1.5586	1.6840	8.0
409	17	MED	Radiotherapy	0.9785	0.9475	-3.2
410	17	MED	Chemotherapy w/o acute leukemia as secondary diagnosis	0.6749	0.7172	6.3
411	17	MED	History of malignancy w/o endoscopy	0.4476	0.5015	12.0
412	17	MED	History of malignancy W endoscopy	0.4515	0.4530	0.3
413	17	MED	Other myeloprofil dis or poorly diff neopl diag with CC	1.3595	1.3422	-1.3
414	17	MED	Other myeloprofil dis or poorly diff neopl diag w/o CC	0.6704	0.7285	8.7
415	18	SURG	O.R. procedure for infectious and parasitic diseases	3.5136	3.4769	-1.0
416	18	MED	Septicemia age >17	1.4927	1.4770	-1.1
417	18	MED	Septicemia age 0-17	1.4250	0.8764	-38.5
418	18	MED	Postoperative and post-traumatic infections	0.9628	0.9777	1.5
419	18	MED	Fever of unknown origin age >17 with CC	0.9293	0.9223	-0.8
420	18	MED	Fever of unknown origin age >17 w/o CC	0.6368	0.6258	-1.7
421	18	MED	Viral illness age >17	0.6868	0.6982	1.7
422	18	MED	Viral illness and fever of unknown origin age 0-17	0.5859	0.5446	-7.0
423	18	MED	Other infectious and parasitic diseases diagnoses	1.5846	1.5828	-0.1
424	19	SURG	O.R. procedure with principal diagnoses of mental illness	2.5573	2.4543	-4.0
425	19	MED	Acute adjust react and disturbances of psychosocial dysfunction	0.7079	0.7129	0.7
426	19	MED	Depressive neuroses	0.5960	0.5949	-0.2
427	19	MED	Neuroses except depressive	0.5969	0.5794	-2.9
428	19	MED	Disorders of personality and impulse control	0.7521	0.6847	-9.0
429	19	MED	Organic disturbances and mental retardation	0.9269	0.9537	2.9
430	19	MED	Psychoses	0.8980	0.8670	-3.5
431	19	MED	Childhood mental disorders	0.6316	0.6362	0.7
432	19	MED	Other mental disorder diagnoses	0.7538	0.7018	-6.9

433	20	Alcohol/drug abuse or dependence, left AMA .....	0.3080	-8.2
434	20	Alc/drug abuse or depend, detox or oth sympt treat with CC .....	0.7373	1.9
435	20	Alc/drug abuse or depend, detox or oth sympt treat w/o CC .....	0.4249	-2.8
436	20	Alc/drug dependence with rehabilitation therapy .....	0.8384	-8.4
437	20	Alc/drug dependence, combined rehab and detox therapy .....	0.7972	-11.6
438	.....	No longer valid .....	.....	.....
439	21	Skin grafts for injuries .....	1.6599	24.9
440	21	Wound debridements for injuries .....	1.7792	1.7
441	21	Hand procedures for injuries .....	0.8785	12.1
442	21	Other O.R. procedures for injuries with CC .....	2.0836	3.5
443	21	Other O.R. procedures for injuries w/o CC .....	0.8130	7.7
444	21	Traumatic injury age >17 with CC .....	0.7290	-1.5
445	21	Traumatic injury age >17 w/o CC .....	0.4664	0.5
446	21	Traumatic injury age 0-17 .....	0.2846	-43.0
447	21	Allergic reactions age >17 .....	0.4976	6.4
448	21	Allergic reactions age 0-17 .....	0.0896	-75.2
449	21	Poisoning and toxic effects of drugs age >17 with CC .....	0.7886	1.1
450	21	Poisoning and toxic effects of drugs age >17 w/o CC .....	0.4329	3.9
451	21	Poisoning and toxic effects of drugs age 0-17 .....	1.0341	-75.6
452	21	Complications of treatment with CC .....	0.9127	6.4
453	21	Complications of treatment w/o CC .....	0.4752	9.1
454	21	Other injury, poisoning and toxic effect diag with CC .....	0.8906	0.5
455	21	Other injury, poisoning and toxic effect diag w/o CC .....	0.4689	7.1
456	22	Burns, transferred to another acute care facility .....	1.9410	-10.6
457	22	Extensive burns w/o O.R. procedure .....	1.5849	-2.8
458	22	Nonextensive burns with skin graft .....	3.4645	-1.3
459	22	Nonextensive burns with wound debridement or other O.R. proc .....	1.9398	10.6
460	22	Nonextensive burns w/o O.R. procedure .....	1.0023	-6.5
461	23	O.R. proc with diagnoses of other contact with health services .....	1.0104	7.1
462	23	Rehabilitation .....	1.6623	-11.4
463	23	Signs and symptoms with CC .....	1.4731	3.4
464	23	Signs and symptoms w/o CC .....	0.7416	4.9
			0.4740	
			0.3356	
			0.7235	
			0.4372	
			0.9156	
			0.9021	
			1.3295	
			1.7495	
			0.7840	
			2.0135	
			0.7547	
			0.7399	
			0.4640	
			0.4995	
			0.4676	
			0.3614	
			0.7801	
			0.4188	
			1.0341	
			0.8577	
			0.4355	
			0.8864	
			0.4379	
			2.1721	
			1.6307	
			3.5089	
			1.7543	
			1.0023	
			0.9432	
			1.6623	
			0.7170	
			0.4740	

TABLE D-20.—DIAGNOSIS-RELATED GROUPS RELATIVE WEIGHTS, FISCAL YEARS 1995 AND 1996—Continued

DRG	MDC	Type	Title	Relative weight		Percent change
				1995	1996	
465	23	MED	Aftercare w/ history of malignancy as secondary diagnosis	0.4464	0.4362	-2.3
466	23	MED	Aftercare w/o history of malignancy as secondary diagnosis	0.5319	0.5601	5.3
467	23	MED	Other factors influencing health status	0.3722	0.4291	15.3
468	.....	.....	Extensive O.R. procedure unrelated to principal diagnosis	3.5769	3.5391	-1.1
469	.....	.....	Principal diagnosis invalid as discharge diagnosis	.....	.....	.....
470	.....	.....	Ungroupable	.....	.....	.....
471	8	SURG	Bilateral or multiple major joint proc of lower extremity	3.7499	3.6458	-2.8
472	22	SURG	Extensive burns with O.R. procedure	11.6375	10.6993	-8.1
473	17	.....	Acute leukemia w/o major O.R. procedure age >17	3.6120	3.4797	-3.7
474	.....	.....	No longer valid	.....	.....	.....
475	4	MED	Respiratory system diagnosis with ventilator support	3.7005	3.7015	0.0
476	.....	SURG	Prostatic O.R. procedure unrelated to principal diagnosis	2.2327	2.2703	1.7
477	.....	SURG	Nonextensive O.R. procedure unrelated to principal diagnosis	1.5221	1.5682	3.0
478	5	SURG	Other vascular procedures with CC	2.2227	2.2709	2.2
479	5	SURG	Other vascular procedures w/o CC	1.3503	1.3864	2.7
480	.....	SURG	Liver transplant	18.2581	16.3066	-10.7
481	.....	SURG	Bone marrow transplant	15.3076	11.6796	-23.7
482	.....	SURG	Tracheostomy for face, mouth and neck diagnoses	3.6730	3.6620	-0.3
483	.....	SURG	Tracheostomy except for face, mouth and neck diagnoses	16.8772	16.1090	-4.6
484	24	SURG	Craniotomy for multiple significant trauma	5.9807	5.4488	-8.9
485	24	SURG	Limb reattachment, hip and femur proc for multiple significant TR	3.1540	3.2610	3.4
486	24	SURG	Other O.R. procedures for multiple significant trauma	4.9514	4.8763	-1.5
487	24	MED	Other multiple significant trauma	1.9336	1.9932	3.1
488	25	SURG	HIV with extensive O.R. procedure	4.3854	4.2177	-3.8
489	25	MED	HIV with major related condition	1.8158	1.7856	-1.7
490	25	MED	HIV with or w/o other related condition	1.0630	1.0476	-1.4

491	8	SURG	Major joint and limb reattachment procedures of upper extremity .....	1.6235	1.6088	-0.9
492	17	MED	Chemotherapy with acute leukemia as secondary diagnosis .....	3.6804	4.1529	12.8
493	7	SURG	Laparoscopic cholecystectomy w/o C.D.E. with CC .....	1.5813	1.6501	4.4
494	7	SURG	Laparoscopic cholecystectomy w/o C.D.E. w/o CC .....	0.8462	0.8769	3.6
495	.....	SURG	Lung transplant .....	12.8346	9.5678	-25.5

<sup>1</sup> Medicare data for low-volume DRGs have been supplemented by data for non-Medicare patients from 19 States.

<sup>2</sup> DRGs 469 and 470 contain cases that could not be assigned to valid DRGs.

Note.—Abbreviations are as follows:

- aicd = automatic implantable cardioverter
- defibrillator
- alc hepa = alcoholic hepatitis
- AMA = against medical advice
- ami = anterior myocardial infarction
- amputat = amputation
- cath = catheterization
- CC = complication or comorbidity
- C.D.E. = common duct exploration
- cholecyst = cholecystectomy
- circ = circulatory
- cirr = cirrhosis
- comp = complication
- conn = connective
- c.v. = cardiovascular
- D&C = dilation & curettage
- debrid = debridement
- detox = detoxification
- diag. = diagnosis
- diff = differentiated
- digest = digestive
- dis = diseases
- disch = discharge
- dist = dislocation
- disord = disorder
- endoc = endocrine
- ESW = extracorporeal shock wave
- extrem = extremity
- fix = fixation
- FX = fracture
- gastroent = gastroenteritis
- G.I. = gastrointestinal
- HIV = human immunodeficiency virus
- HR = hour
- humer = humerus
- int = internal
- lowleg = lower leg
- malign = malignancy
- MDC = major diagnostic category
- med = medical
- metabol = metabolic
- muscskelet = musculoskeletal
- myeloprolif = myeloproliferative
- neopl = neoplasm
- nonneopl = nonneoplasm
- nutrit = nutritional
- OR = operating room
- proc = procedures
- sprn = sprain
- strn = strain
- subcut = subcutaneous
- surg = surgical
- syst = system
- T&A = tonsillectomy and/or adenoidectomy
- TIA = transient ischemic attack
- TR = trauma
- uparm = upper arm
- WND = wound

Source: Health Care Financing Administration.

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