§ 412.70 General description.

For discharges occurring on or after April 1, 1988, and before October 1, 1996, payments to a hospital are based on the greater of the national average standardized amount or the sum of 85 percent of the national average standardized amount and 15 percent of the average standardized amount for the region in which the hospital is located.

§ 412.71 Determination of base-year inpatient operating costs.

(a) Base-year costs. (1) For each hospital, the intermediary will estimate the hospital’s Medicare Part A allowable inpatient operating costs, as described in §412.2(c), for the 12-month or longer cost reporting period ending on or after September 30, 1982 and before September 30, 1983.

(2) If the hospital’s last cost reporting period ending before September 30, 1983 is for less than 12 months, the base period will be the hospital’s most recent 12-month or longer cost reporting period ending before such short reporting period, with an appropriate adjustment for inflation. (The rules applicable to new hospitals are set forth in §412.74.)

(b) Modifications to base-year costs. Prior to determining the hospital-specific rate, the intermediary will adjust the hospital’s estimated base-year inpatient operating costs, as necessary, to include malpractice insurance costs in accordance with §413.53(a)(1)(i) of this chapter, and exclude the following:

(1) Medical education costs as described in §413.85 of this chapter.
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§ 412.72 Modification of base-year costs.

(a) Bases for modification of base-year costs. Base-year costs as determined under §412.71(d) may be modified under the following circumstances:

(1) Inadvertent omissions. (i) A hospital that becomes subject to the prospective payment system beginning on or after October 1, 1983 and before November 16, 1983 has until November 15, 1983 to request its intermediary to reestimate its base-period costs to take into account inadvertent omissions in its previous submissions to the intermediary related to changes made by the prospective payment legislation for purposes of estimating the base-period costs.

(ii) The intermediary may also initiate changes to the estimation—

(A) For any reason before the date the hospital becomes subject to prospective payment; and

(B) Before November 16, 1983, for corrections to take into account inadvertent omissions in the hospital's previous submissions related to changes...