§ 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 has until November 16, 1983 to request its intermediary to re-estimate 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 made by the prospective payment legislation for purposes of estimating the base-period costs.

(ii) Such omissions pertain to adjustments to exclude capital-related costs and the direct medical education costs of approved educational activities and to adjustments specified in §412.71(c).

(iv) The intermediary must notify the provider of any change to the hospital-specific amount as a result of the provider’s request within 30 days of receipt of the additional data.

(v) Any change to base-period costs made under this paragraph (a)(1) will be made effective retroactively, beginning with the first day of the affected hospital’s fiscal year.

(2) Correction of mathematical errors of calculations.

(i) The hospital must report mathematical errors of calculations to the intermediary within 90 days of the intermediary’s notification to the hospital of its payments rates.

(ii) The intermediary may also identify such errors and initiate their correction during this period.

(iii) The intermediary will either make an appropriate adjustment or notify the hospital that no adjustment is warranted within 30 days of receipt of the hospital’s report of an error.

(iv) Corrections of errors of calculation will be effective with the first day of the hospital’s first cost reporting period subject to the prospective payment system.

(3) Recognition of additional costs.

(i) The intermediary may adjust base-period costs to take into account additional costs recognized as allowable costs for the hospital’s base year as the result of any of the following:

(A) A reopening and revision of the hospital’s base-year notice of amount of program reimbursement under §§405.1885 through 405.1889 of this chapter.

(B) A prehearing order or finding issued during the provider payment appeals process by the appropriate reviewing authority under §405.1821 or §405.1831 of this chapter that resolved a matter at issue in the hospital’s base-year notice of amount of program reimbursement.

(C) An affirmation, modification, or reversal of a Provider Reimbursement Review Board decision by the Administrator of CMS under §405.1875 of this chapter that resolved a matter at issue in the hospital’s base-year notice of amount of program reimbursement.

(D) An administrative or judicial review decision under §405.1831, §405.1871, or §405.1877 of this chapter that is final and no longer subject to review under applicable law or regulations by a higher reviewing authority, and that resolved a matter at issue in the hospital’s base-year notice of amount of program reimbursement.

(ii) The intermediary will recalculate the hospital’s base-year costs, incorporating the additional costs recognized as allowable for the hospital’s base year. Adjustments to base-year costs to take into account these additional costs—

(A) Will be effective with the first day of the hospital’s first cost reporting period beginning on or after the date of the revision, order or finding, or review decision; and

(B) Will not be used to recalculate the hospital-specific portion as determined for fiscal years beginning before the date of the revision, order or finding, or review decision.

(4) Successful appeal. The intermediary may modify base-year costs to take into account a successful appeal relating to modifications to base-year costs that were made under §412.71(b). If a hospital successfully contests a modification to base-year costs—

(i) The intermediary will recalculate the hospital’s base-year costs to reflect the modification determined appropriate as a result of the appeal; and

(ii) Such adjustments will be effective retroactively to the time of the intermediary’s initial estimation of base-year costs.

(5) Unlawfully claimed costs. The intermediary may modify base-year costs to exclude costs that were unlawfully claimed as determined as a result of criminal conviction, imposition of a civil judgment under the False Claims
§ 412.73  Determination of the hospital-specific rate based on a Federal fiscal year 1982 base period.

(a) Costs on a per discharge basis. The intermediary will determine the hospital’s estimated adjusted base-year operating cost per discharge by dividing the total adjusted operating costs by the number of discharges in the base period.

(b) Case-mix adjustment. The intermediary will divide the adjusted base-year costs by the hospital’s 1981 case-mix index. If the hospital’s case-mix index is statistically unreliable (as determined by CMS), the hospital’s base-year costs will be divided by the lower of the following:

(1) The hospital’s estimated case-mix index.

(2) The average case-mix index for the appropriate classifications of all hospitals subject to cost limits established under § 413.30 of this chapter for cost reporting periods beginning on or after October 1, 1982 and before October 1, 1983.

(c) Updating base-year costs—(1) For Federal fiscal year 1984. The case-mix adjusted base-year cost per discharge will be updated by the applicable updating factor, that is, the rate-of-increase percentage determined under § 413.40(c)(3) of this chapter, as adjusted for budget neutrality.

(2) For Federal fiscal year 1985. The amount determined under paragraph (c)(1) of this section will be updated by the applicable updating factor, as adjusted for budget neutrality.

(3) For Federal fiscal year 1986. (i) The amount determined under paragraph (c)(2) of this section is updated by—

(A) Zero percent for the first seven months of the hospital’s cost reporting period; and

(B) One-half of one percent for the remaining five months of the hospital’s cost reporting period.

(ii) For purposes of determining the updated base-year costs for cost reporting periods beginning in Federal fiscal year 1987 (that is, on or after October 1, 1986 and before October 1, 1987), the update factor for the previous cost reporting period is deemed to have been one-half of one percent.

(4) For Federal fiscal year 1987. The amount determined under paragraph (c)(3)(ii) of this section is updated by 1.15 percent.

(5) For Federal fiscal year 1988. (i) For purposes of determining the prospective payment rates for sole community hospitals under § 412.92(d) for cost reporting periods beginning in Federal fiscal year 1988 (that is, on or after October 1, 1987 and before October 1, 1988),