Beginning with discharges occurring on or after October 1, 1987, hospitals located in Puerto Rico are subject to the rules governing the prospective payment system for inpatient operating costs. Except as provided in this subpart, the provisions of subparts A, B, C, F, G, and H of this part apply to hospitals located in Puerto Rico. Except for §412.60, which deals with DRG classification and weighting factors, the provisions of subparts D and E, which describe the methodology used to determine prospective payment rates for inpatient operating costs for hospitals, do not apply to hospitals located in Puerto Rico. Instead, the methodology for determining prospective payment rates for these hospitals is set forth in §§412.204 through 412.212.

§412.204 Payment to hospitals located in Puerto Rico.

(a) FY 1988 through FY 1997. For discharges occurring on or after October 1, 1987 and before October 1, 1997, payments for inpatient operating costs to hospitals located in Puerto Rico that are paid under the prospective payment system are equal to the sum of—

1. 75 percent of the Puerto Rico prospective payment rate for inpatient operating costs, as determined under §412.208 or §412.210; and
2. 25 percent of a national prospective payment rate for inpatient operating costs, as determined under §412.212.

(b) FY 1998 through March 31, 2004. For discharges occurring on or after October 1, 1997 and before April 1, 2004, payments for inpatient operating costs to hospitals located in Puerto Rico that are paid under the prospective payment system are equal to the sum of—

1. 50 percent of the Puerto Rico prospective payment rate for inpatient operating costs, as determined under §412.208 or §412.210; and
2. 25 percent of a national prospective payment rate for inpatient operating costs, as determined under §412.212.

(c) Period of April 1, 2004 through September 31, 2004. For discharges occurring on or after April 1, 2004 and before October 1, 2004, payment for inpatient operating costs to hospitals located in Puerto Rico that are paid under the prospective payment system are equal to the sum of—

1. 37.5 percent of the Puerto Rico prospective payment rate for inpatient operating costs, as determined under §412.208 or §412.210; and
2. 62.5 percent of a national prospective payment rate for inpatient operating costs, as determined under §412.212.

(d) FY 2005 and thereafter. For discharges occurring on or after October 1, 2004, payments for inpatient operating costs to hospitals located in Puerto Rico that are paid under the prospective payment system are equal to the sum of—

1. 25 percent of the Puerto Rico prospective payment rate for inpatient operating costs, as determined under §412.208 or §412.211; and
2. 75 percent of a national prospective payment rate for inpatient operating costs, as determined under §412.212.


(a) General rule. CMS determines the Puerto Rico adjusted DRG prospective payment rate for inpatient operating costs for each inpatient hospital discharge occurring in Federal fiscal year 1988 for a prospective payment hospital. These rates are determined as described in paragraphs (b) through (i) of this section.

(b) Determining target amounts. For each hospital subject to the prospective payment system for inpatient operating costs, CMS determines the Medicare target amount, as described in §413.40(c) of this chapter, for the hospital’s cost reporting period beginning in fiscal year 1987. Revisions in the target amounts made subsequent to establishment of the standardized amounts under paragraph (d) of this section do not affect the standardized amounts.

(c) Updating the target amounts for fiscal year 1988. CMS updates each target amount determined under paragraph...