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United States General Accounting Office  
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B-291645

November 12, 2002

The Honorable Max Baucus  
Chairman  
The Honorable Chuck Grassley  
Ranking Minority Member  
Committee on Finance  
United States Senate

The Honorable W.J. "Billy" Tauzin  
Chairman  
The Honorable John D. Dingell  
Ranking Minority Member  
Committee on Energy and Commerce  
House of Representatives

The Honorable Bill Thomas  
Chairman  
The Honorable Charles B. Rangel  
Ranking Minority Member  
Committee on Ways and Means  
House of Representatives

Subject: *Department of Health and Human Services, Centers for Medicare and Medicaid Services: Medicare Program; Changes to the Hospital Outpatient Prospective Payment System and Calendar Year 2003 Payment Rates; and Changes to Payment Suspension for Unfiled Cost Reports*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), entitled "Medicare Program; Changes to the Hospital Outpatient Prospective Payment System and Calendar Year 2003 Payment Rates; and Changes to Payment Suspension for Unfiled Cost Reports" (RIN: 0938-AL19 and 0938-AK59). We received the rule on November 1, 2002. It was published in the Federal Register as a final rule with comment period on November 1, 2002. 67 Fed. Reg. 66718.

The final rule revises the Medicare hospital outpatient prospective payment system to implement applicable statutory requirements and changes arising from CMS's continuing experience with the system. It describes changes to the amounts and

factors used to determine the payment rates for the system for services furnished on or after January 1, 2003. The rule also allows the Secretary of Health and Human Services to suspend Medicare payments “in whole or in part” if a provider fails to file a timely and acceptable cost report.

Enclosed is our assessment of the CMS’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that the CMS complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is William Scanlon, Managing Director, Health Care. Mr. Scanlon can be reached at (202) 512-7114.

signed

Kathleen E. Wannisky  
Managing Associate General Counsel

Enclosure

cc: Ann Stallion  
Regulations Coordinator  
Department of Health and  
Human Services

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE  
ISSUED BY THE  
DEPARTMENT OF HEALTH AND HUMAN SERVICES,  
CENTERS FOR MEDICARE AND MEDICAID SERVICES  
ENTITLED  
"MEDICARE PROGRAM; CHANGES TO THE HOSPITAL OUTPATIENT  
PROSPECTIVE PAYMENT SYSTEM AND CALENDAR YEAR 2003  
PAYMENT RATES; AND CHANGES TO PAYMENT SUSPENSION  
FOR UNFILED COST REPORTS"  
(RIN: 0938-AL19 AND 0938-AK59)

(i) Cost-benefit analysis

CMS estimates the total increase (from changes in the final rule as well as enrollment, utilization, and case mix changes) in expenditures under the Outpatient Prospective Payment System for calendar year 2003 compared to calendar year 2002 to be approximately \$1.372 billion.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

CMS has determined that approximately 37 percent of hospitals are considered small entities under the Regulatory Flexibility Act and that the final rule will have a significant impact on a substantial number of these small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As defined in title II, the final rule does not contain either an intergovernmental or private sector mandate of more than \$100 million in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued using the notice and comment procedures contained at 5 U.S.C. 553. On August 9, 2002, CMS published an Notice of Proposed Rulemaking in the Federal Register. 67 Fed. Reg. 52092. In response, CMS received approximately 1,000 items of correspondence containing multiple comments, which are discussed in the preamble to the final rule.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule does not contain any information collections that are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act.

Statutory authorization for the rule

The final rule is promulgated under the authority contained in sections 1102, 1815, 1833, 1833(t), 1842, 1866, 1870, 1871, 1879, and 1892 of the Social Security Act (42 U.S.C. 1302, 1395g, 1395l, 1395(t), 1395u, 1395cc, 1395gg, 1395hh, 1395pp, and 1395ccc) and 31 U.S.C. 3711.

Executive Order No. 12866

The final rule was reviewed by OMB and found to be an “economically significant” regulatory action under the order.

Executive Order No. 13132 (Federalism)

CMS states that the final rule does not have sufficient federalism implications to warrant the preparation of a federalism assessment.