

increase payments to rural hospitals by an average of 2.1 percent. By region, all the rural hospital categories, with the exception of the one rural Puerto Rico hospital, will experience increases in payments due to MGCRB reclassification. Rural hospitals in the East South Central region will experience a 2.9 percent increase in payments and rural hospitals in the Mountain region will experience a 0.5 percent increase in payments. Urban hospitals in New England and the Middle Atlantic will experience an increase in payments of 0.7 percent and 0.1 percent, respectively, largely due to reclassifications of hospitals in Connecticut and New Jersey.

Table 9A listed in section VI. of the Addendum to this proposed rule and available via the Internet reflects the proposed reclassifications for FY 2013.

f. Effects of the Proposed Rural and Imputed Floor, Including Application of National Budget Neutrality (Column 7)

As discussed in section III.B. of the preamble of the FY 2009 IPPS final rule, the FY 2010 IPPS/RY 2010 LTCH PPS final rule, the FY 2011 IPPS/LTCH PPS final rule and this proposed rule, section 4410 of Pub. L. 105-33 established the rural floor by requiring that the wage index for a hospital in any urban area cannot be less than the wage index received by rural hospitals in the same State. We apply a uniform budget neutrality adjustment to the wage index. In addition, the imputed floor, which is budget neutral, was extended in FY 2012 for 2 additional years. The current imputed floor only benefits hospitals located in New Jersey. We note that we have proposed an alternative temporary methodology for the imputed floor that will have a negligible impact on budget neutrality. The impact of this proposal is discussed separately. While it is not

included in the determination of budget neutrality for this proposed rule, if finalized, we intend to include it in the determination of budget neutrality in the final rule. The Affordable Care Act requires that we apply one rural floor budget neutrality factor to the wage index nationally, and the imputed floor is part of the rural floor budget neutrality factor applied to the wage index nationally. The proposed FY 2013 rural floor budget neutrality factor applied to the wage index is 0.992243, which will reduce wage indexes by -0.77 percent.

Column 7 shows the projected impact of the rural floor and imputed floor with the national rural floor budget neutrality factor applied to the wage index. The column compares the proposed post-reclassification FY 2013 wage index of providers before the rural floor and imputed floor adjustment and the proposed post-reclassification FY 2013 wage index of providers with the rural floor and imputed floor adjustment. Only urban hospitals can benefit from the rural floor provision. Because the provision is budget neutral, all other hospitals (that is, all rural hospitals and those urban hospitals to which the adjustment is not made) experience a decrease in payments due to the budget neutrality adjustment applied nationally to their wage index.

We project that, in aggregate, rural hospitals will experience a -0.3 percent decrease in payments as a result of the proposed application of rural floor budget neutrality because the rural hospitals do not benefit from the rural floor, but have their wage indexes downwardly adjusted to ensure that the application of the rural floor is budget neutral overall. We project hospitals located in other urban areas (populations of 1 million or fewer) will experience a 0.1 percent increase in payments because those

providers benefit from the rural floor. Urban hospitals in the New England region can expect a 3.1 percent increase in payments primarily due to the application of the rural floor in Massachusetts and the application of national rural floor budget neutrality as required by the Affordable Care Act. All 60 urban providers in Massachusetts are expected to receive the rural floor wage index value, including rural floor budget neutrality, of 1.3047. During most past years, there have been no IPPS hospitals located in rural areas in Massachusetts. There was one urban IPPS hospital that was reclassified to rural Massachusetts (under section 1886(d)(8)(E) of the Act) which established the Massachusetts rural floor, but the wage index resulting from that hospital's data was not high enough for any urban hospital to benefit from the rural floor policy. However, beginning with the FY 2012 wage index, the rural floor for the State is established by the conversion of a CAH to an IPPS hospital that is geographically located in rural Massachusetts. We estimate that Massachusetts hospitals will receive approximately a 5.5 percent increase in IPPS payments due to the application of rural floor.

Urban Puerto Rico hospitals are expected to experience a 0.2 percent increase in payments as a result of the application of a Puerto Rico rural floor. Urban Puerto Rico hospitals will receive a rural floor as a result of a one IPPS hospital located in rural Puerto Rico setting a rural floor. We are applying a proposed rural floor budget neutrality factor to the Puerto Rico-specific wage index of 0.987885 or -1.2 percent. The Puerto Rico-specific wage index adjusts the Puerto Rico-specific standardized amount, which represents 25 percent of payments to Puerto Rico hospitals.

There are 29 hospitals in New Jersey that benefit from the extension of the imputed floor and will receive the imputed floor wage index value, including rural floor budget neutrality of 1.1010, which we estimate will increase their payments by approximately \$18 million. Urban Middle Atlantic hospitals will experience a -0.2 percent decrease in payments which reflects the increase in payments for New Jersey hospitals receiving the imputed floor and a decrease for all other urban hospitals in the in the Middle Atlantic region.

We note that the impact of the proposal under section III.G.2.b. of the preamble of this proposed rule to establish an alternative temporary methodology for the imputed floor is not included in the table. Based on FY 2012 wage data, we estimate that four Rhode Island hospitals will benefit from this alternative temporary methodology for the imputed floor and receive an additional \$4.8 million in payments.

In response to a public comment addressed in the FY 2012 IPPS/LTCH PPS final rule (76 FR 51593), we are providing the proposed payment impact of the rural floor and imputed floor with budget neutrality at the State level. Column 1 of the table below displays the number of IPPS hospitals located in each State. Column 2 displays the number of hospitals in each State that would receive the rural floor or imputed floor wage index for FY 2013. Column 3 displays the percentage of total payments each State would receive or contribute to fund the proposed rural floor and imputed floor with national budget neutrality. The column compares the proposed post-reclassification FY 2013 wage index of providers before the rural floor and imputed floor adjustment and the proposed post-reclassification FY 2013 wage index of providers with the rural floor and

imputed floor adjustment. Column 4 displays the proposed estimated payment amount that each State would gain or lose due to the proposed application of the rural floor and imputed floor with national budget neutrality. Again, we note that the proposal under section III.G.2.b. to establish an alternative temporary methodology for the imputed floor that would benefit four hospitals located in Rhode Island is not included in this table.

FY 2013 IPPS Proposed Estimated Payments due to Rural Floor and Imputed Floor with National Budget Neutrality

State	Number of Hospitals (1)	Proposed Number of Hospitals Receiving Rural Floor or Imputed Floor (2)	Proposed Percent Change in Payments due to Application of Rural Floor and Imputed Floor with Budget Neutrality (3)	Proposed Difference (in millions) (4)
Alabama	95	4	-0.4	-\$7.1
Alaska	6	4	1.6	\$2.1
Arizona	56	8	-0.4	-\$6.1
Arkansas	45	0	-0.4	-\$4.5
California	308	178	1.3	\$113.9
Colorado	46	7	0.7	\$6.3
Connecticut	32	9	-0	-\$0.3
Delaware	5	0	-0.4	-\$1.8
Florida	166	8	-0.3	-\$23.3
Georgia	108	0	-0.4	-\$11.0
Hawaii	14	0	-0.3	-\$0.8
Idaho	14	0	-0.3	-\$0.7
Illinois	129	1	-0.4	-\$22.8
Indiana	89	0	-0.4	-\$10.0
Iowa	34	0	-0.4	-\$3.8
Kansas	55	0	-0.3	-\$2.6
Kentucky	65	0	-0.4	-\$7.4
Louisiana	97	6	-0.4	-\$6.2
Maine	20	0	-0.4	-\$2.1
Massachusetts	61	60	5.6	\$182.7
Michigan	96	0	-0.4	-\$18.6
Minnesota	51	0	-0.4	-\$7.3
Mississippi	64	0	-0.4	-\$4.7
Missouri	76	2	-0.4	-\$8.5

State	Number of Hospitals (1)	Proposed Number of Hospitals Receiving Rural Floor or Imputed Floor (2)	Proposed Percent Change in Payments due to Application of Rural Floor and Imputed Floor with Budget Neutrality (3)	Proposed Difference (in millions) (4)
Montana	12	1	-0.2	-\$0.5
Nebraska	23	0	-0.3	-\$1.8
Nevada	24	0	-0.4	-\$2.9
New Hampshire	13	9	0.8	\$3.6
New Jersey	65	29	0.5	\$17.7
New Mexico	27	0	-0.3	-\$1.2
New York	168	0	-0.5	-\$41.0
North Carolina	87	0	-0.4	-\$13.9
North Dakota	6	0	-0.3	-\$0.6
Ohio	137	11	-0.3	-\$13.1
Oklahoma	85	0	-0.4	-\$4.8
Oregon	33	0	-0.4	-\$3.0
Pennsylvania	154	14	-0.3	-\$13.8
Puerto Rico	52	13	0.2	\$0.2
Rhode Island	11	0	-0.5	-\$1.9
South Carolina	56	7	-0.3	-\$5.0
South Dakota	18	0	-0.2	-\$0.6
Tennessee	97	10	-0.3	-\$6.5
Texas	324	2	-0.4	-\$28.3
Utah	32	0	-0.3	-\$1.2
Vermont	6	0	-0.3	-\$0.6
Virginia	79	1	-0.4	-\$9.5
Washington	48	6	-0.4	-\$5.8
Washington, D.C.	7	0	-0.4	-\$1.9
West Virginia	33	2	-0.3	-\$2.6
Wisconsin	65	5	-0.3	-\$4.6
Wyoming	11	0	-0.1	-\$0.1

g. Effects of the Proposed Application of the Frontier State Wage Index (Column 8)

Section 10324(a) of Affordable Care Act requires that we establish a minimum post-reclassified wage-index of 1.00 for all hospitals located in “frontier States.” The term “frontier States” is defined in the statute as States in which at least 50 percent of