Written requests for copies of the information collection proposal should be sent to Mr. Pearce, WHS/DIOR, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202–4302.

Dated: September 27, 1995.

Patricia L. Toppings,

Alternate OSD Federal Register Liaison

Officer, Department of Defense.

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Office of the Secretary

Civilian Health and Medical Program of the Uniformed Services (CHAMPUS); FY96 DRG Updates

AGENCY: Office of the Secretary, DoD. **ACTION:** Notice of DRG revised rates.

SUMMARY: This notice provides the updated adjusted standardized amounts, DRG relative weights, outlier thresholds, and beneficiary cost-share per diem rates to be used for FY 1996 under the CHAMPUS DRG-based payment system. It also describes the changes made to the CHAMPUS DRG-based payment system in order to conform to changes made to the Medicare Prospective Payment System (PPS).

EFFECTIVE DATES: The rates and weights and Medicare PPS changes which affect the CHAMPUS DRG-based payment system contained in this notice are effective for admissions occurring on or after October 1, 1995.

ADDRESSES: Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS), Program Development Branch, Aurora, CO 80045–6900.

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FOR FURTHER INFORMATION CONTACT: Marty Maxey, Program Development Branch, OCHAMPUS, telephone (303) 361–1227.

To obtain copies of this document, see the ADDRESSES section above. Questions regarding payment of specific claims under the CHAMPUS DRG-based payment system should be addressed to the appropriate CHAMPUS contractor. SUPPLEMENTARY INFORMATION: The final rule published on September 1, 1987 (52 FR 32992) set forth the basic procedures used under the CHAMPUS DRG-based payment system. This was subsequently

amended by final rules published August 31, 1988 (53 FR 33461), October 21, 1988 (53 FR 41331), December 16, 1988 (53 FR 50515), May 30, 1990 (55 FR 21863), and October 22, 1990 (55 FR 42560).

An explicit tenet of these final rules, and one based on the statute authorizing use of DRGs by CHAMPUS, is that the CHAMPUS DRG-based payment system is modeled on the Medicare PPS, and that, whenever practicable, the CHAMPUS system will follow the same rules that apply to the Medicare PPS. HCFA publishes these changes annually in the Federal Register and discusses in detail the impact of the changes.

In addition, this notice updates the rates and weights in accordance with our previous final rules. The actual changes we are making, along with a description of their relationship to the Medicare PPS, are detailed below.

I. Medicare PPS Changes Which Affect the CHAMPUS DRG-Based Payment System

Following is a discussion of the changes the Health Care Financing Administration (HCFA) has made to the Medicare PPS which affect the CHAMPUS DRG-based payment system.

A. DRG Classifications

Under both the Medicare PPS and the CHAMPUS DRG-based payment system, cases are classified into the appropriate DRG by a Grouper program. The Grouper classifies each case into a DRG on the basis of the diagnosis and procedure codes and demographic information (that is, sex, age, and discharge status). The Grouper used for the CHAMPUS DRG-based payment system is the same as the current Medicare Grouper with two modifications. The CHAMPUS system has replaced Medicare DRG 435 with two age-based DRGs (900 and 901), and we have implemented thirty-four (34) neonatal DRGs in place of Medicare DRGs 385 through 390. For admissions occurring on or after October 1, 1995 the CHAMPUS grouper hierarchy logic has been changed so the age split (age (<29 days) and assignments to MDC 15 occur before assignment of the PreMDC DRGs. This will result in all neonate tracheostomies and organ transplants to be grouped to MDC 15 DRGs and not to DRGs 480–483 or 495. Grouping for all other DRGs under the CHAMPUS system is identical to the Medicare PPS.

For FY 1995, HCFA will implement a number of classification changes, including surgical hierarchy changes, revisions to the Major Problem Diagnosis List, and refinements to the Complications and Comorbidities (CC) List. The CHAMPUS Grouper will incorporate all changes made to the Medicare Grouper.

B. Wage Index and Medicare Geographic Classification Review Board Guidelines

CHAMPUS will continue to use the same wage index amounts used for the Medicare PPS. In addition, CHAMPUS will duplicate all changes with regard to the wage index for specific hospitals which are redesignated by the Medicare Geographic Classification Review Board.

C. Hospital Market Basket

We will update the adjusted standardized amounts according to the final updated hospital market basket used for the Medicare PPS according to HCFA's September 1 final rule.

D. Outlier Payments

CHAMPUS is adopting the HCFA outlier thresholds for FY96. The longstay threshold shall equal the lesser of 3.0 standard deviations or 23 days above the DRG's geometric LOS. Long-stay outliers will be reimbursed the DRGbased amount plus 44 percent of the per diem rate for the DRG for each covered day of care beyond the long-stay outlier threshold. The cost outlier will be reimbursed the DRG-based amount plus 80 percent of the standardized costs exceeding the threshold. The cost outlier threshold shall be the DRG payment (wage-adjusted but prior to adjustment for indirect medical education) plus a flat rate of \$13,800.

E. Capital-Related Costs

Effective for discharges occurring on or after October 1, 1995, HCFA will increase its inpatient capital-related prospective payment rate. The major factor contributing to the increase is the expiration of the budget-neutrality requirement that mandated estimated payments for capital costs equal 90% of the amount that would have been payable each year from FY 1992 through FY 1995 on a reasonable cost basis. Since CHAMPUS pays for capitalrelated costs on a retrospective basis based on actual costs instead of prospectively like Medicare, we will reimburse 100% of capital-related costs for CHAMPUS days occurring on or after October 1, 1995.

F. Determination of Number of Beds for Purposes of Calculating the Indirect Medical Education Adjustment

We will clarify our bed counting policy. We will specify that beds or bassinets in a healthy, or regular, baby nursery are excluded from the bed count