495.104 Incentive payments to eligible hospitals.

(a) General rule. A qualifying hospital (as defined in this subpart) must receive the special incentive payment as determined under the formulas described in paragraph (c) of this section for the period specified in paragraph (b) of this section.

(b) Transition periods. Subject to paragraph (d) of this section and the payment formula specified in paragraph (c) of this section, qualifying hospitals may receive incentive payments during transition periods which comprise the following fiscal years:

(1) Hospitals whose first payment year is FY 2011 may receive such payments for FYs 2011 through 2014.

(2) Hospitals whose first payment year is FY 2012 may receive such payments for FYs 2012 through 2015.

(3) Hospitals whose first payment year is FY 2013 may receive such payments for FYs 2013 through 2016.

(4) Hospitals whose first payment year is FY 2014 may receive such payments for FY 2014 through 2016.

(5) Hospitals whose first payment year is FY 2015 may receive such payments for FY 2015 through 2016.

(6) Puerto Rico eligible hospitals whose first payment year is FY 2016 may receive such payments for FYs 2016 through 2019.

(7) Puerto Rico eligible hospitals whose first payment year is FY 2017 may receive such payments for FYs 2017 through 2020.

(8) Puerto Rico eligible hospitals whose first payment year is FY 2018 may receive such payments for FYs 2018 through 2021.

(9) Puerto Rico eligible hospitals whose first payment year is FY 2019 may receive such payments for FYs 2019 through 2021.

(10) Puerto Rico eligible hospitals whose first payment year is FY 2020 may receive such payments for FYs 2020 through 2021.

(c) Payment methodology. (1) The incentive payment for each payment year is calculated as the product of the following:

(i) The initial amount determined under paragraph (c)(3) of this section.

(ii) The Medicare share fraction determined under paragraph (c)(4) of this section.

(iii) The transition factor determined under paragraph (c)(5) of this section.

(2) Interim and final payments. CMS uses data on hospital acute care inpatient discharges, Medicare Part A acute care inpatient bed-days, Medicare Part C acute care inpatient bed-days, and total acute care inpatient bed-days from the latest submitted 12-month hospital cost report as the basis for making preliminary incentive payments. Final payments are determined at the time of settling the first 12-month hospital cost report for the hospital fiscal year that begins on or after the first day of the payment year, and settled on the basis of data from that cost reporting period. In cases where there is no 12-month hospital cost report period beginning on or after the first day of the payment year, final payments may be determined and settled on the basis of data from the most recently submitted 12-month hospital cost report.

(3) Initial amount. The initial amount is equal to one of the following:

(i) For each hospital with 1,149 acute care inpatient discharges or fewer, $2,000,000.

(ii) For each hospital with at least 1,150 but no more than 23,000 acute care inpatient discharges, $2,000,000 + [$200 × (n − 1,149)], where n is the number of discharges for the hospital.

(iii) For each hospital with more than 23,000 acute care inpatient discharges, $6,370,200.

(4) Medicare share fraction - (i) General. (A) CMS determines the Medicare share fraction for an eligible hospital by using the number of Medicare Part A, Medicare Part C, and total acute care inpatient-bed-days using data from the Medicare cost report as specified by CMS.

(B) CMS computes the denominator of the Medicare share fraction using the charity care charges reported on the hospital's Medicare cost report.

(ii) The Medicare share fraction is the ratio of -

(A) A numerator which is the sum of -

(1) The number of inpatient-bed-days which are attributable to individuals with respect to whom payment may be made under Part A, including individuals enrolled in section 1876 Medicare cost plans; and

(2) The number of inpatient-bed-days which are attributable to individuals who are enrolled with a Medicare Advantage organization (as defined in § 422.2 of this chapter).

(B) A denominator which is the product of -

(1) The total number of acute care inpatient-bed-days; and

(2) The total amount of the eligible hospital's charges, not including any charges that are attributable to charity care, divided by the estimated total amount of the hospitals charges.

(5) Transition factor. For purposes of the payment formula, the transition factor is as follows:

(i) For hospitals whose first payment year is FY 2011 -

(A) 1 for FY 2011;

(B) 3/4 for FY 2012;

(C) 1/2 for FY 2013; and

(D) 1/4 for FY 2014.

(ii) For hospitals whose first payment year is FY 2012 -

(A) 1 for FY 2012;

(B) 3/4 for FY 2013;

(C) 1/2 for FY 2014; and

(D) 1/4 for FY 2015;

(iii) For hospitals whose first payment year is FY 2013 -

(A) 1 for FY 2013;

(B) 3/4 for FY 2014;

(C) 1/2 for FY 2015; and

(D) 1/4 for FY 2016.

(iv) For hospitals whose first payment year is FY 2014 -

(A) 3/4 for FY 2014;

(B) 1/2 for FY 2015; and

(C) 1/4 for FY 2016.

(v) For hospitals whose first payment year is FY 2015 -

(A) 1/2 for FY 2015; and

(B) 1/4 for FY 2016.

(vi) For Puerto Rico eligible hospitals whose first payment year is FY 2016 -

(A) 1 for FY 2016;

(B) 3/4 for FY 2017;

(C) 1/2 for FY 2018; and

(D) 1/4 for FY 2019.

(vii) For Puerto Rico eligible hospitals whose first payment year is FY 2017 -

(A) 1 for FY 2017;

(B) 3/4 for FY 2018;

(C) 1/2 for FY 2019; and

(D) 1/4 for FY 2020;

(viii) For Puerto Rico eligible hospitals whose first payment year is FY 2018 -

(A) 1 for FY 2018;

(B) 3/4 for FY 2019;

(C) 1/2 for FY 2020; and

(D) 1/4 for FY 2021.

(ix) For Puerto Rico eligible hospitals whose first payment year is FY 2019 -

(A) 3/4 for FY 2019;

(B) 1/2 for FY 2020; and

(C) 1/4 for FY 2021.

(x) For Puerto Rico eligible hospitals whose first payment year is FY 2020 -

(A) 1/2 for FY 2020; and

(B) 1/4 for FY 2021.

(d) No incentive payment for nonqualifying hospitals. After the first payment year, an eligible hospital will not receive an incentive payment for any payment year during which it is not a qualifying hospital.