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Medicare Program; Home Health Prospective Payment System Rate Update for Calendar Year 2005; Final Rule

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

42 CFR Part 484

[CMS–1265–F]

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Medicare Program; Home Health Prospective Payment System Rate Update for Calendar Year 2005

AGENCY: Centers for Medicare & Medicaid Services (CMS), HHS.

ACTION: Final rule.

SUMMARY: This final rule sets forth an update to the 60-day national episode rates and the national per-visit amounts under the Medicare prospective payment system for home health agencies. As part of this final rule, we are also rebasing and revising the home health market basket to ensure it continues to adequately reflect the price changes of efficiently providing home health services. In addition, we are revising the fixed dollar loss ratio, which is used in the calculation of outlier payments. This final rule will be the first update of the home health prospective payment system (HH PPS) rates on a calendar year update cycle. HH PPS was moved to a calendar year update cycle as a result of the provisions of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

EFFECTIVE DATE: These regulations are effective on January 1, 2005.

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I. Background

A. Statutory Background

The Balanced Budget Act of 1997 (BBA), (Pub. L. 105–33), enacted on August 5, 1997, significantly changed the way Medicare pays for Medicare home health services. Until the implementation of a home health prospective payment system (HH PPS) on October 1, 2000, home health agencies (HHAs) received payment under a cost-based reimbursement system. Section 4603 of the BBA governed the development of the HH PPS.

Section 4603(a) of the BBA provides the authority for the development of a PPS for all Medicare-covered home health services provided under a plan of care that were paid on a reasonable cost basis by adding section 1895, entitled ''Prospective Payment For Home Health Services,'' to the Social Security Act (the Act).

Section 1895(b)(1) of the Act requires the Secretary to establish a PPS for all costs of home health services paid under Medicare.

Section 1895(b)(3)(A) of the Act requires that (1) the computation of a standard prospective payment amount include all costs of home health services covered and paid for on a reasonable cost basis and be initially based on the most recent audited cost report data available to the Secretary, and (2) the prospective payment amounts be standardized to eliminate the effects of case-mix and wage levels among HHAs.

Section 1895(b)(3)(B) of the Act addresses the annual update to the standard prospective payment amounts by the home health applicable increase percentage as specified in the statute.

Section 1895(b)(4) of the Act governs the payment computation. Sections 1895(b)(4)(A)(i) and (b)(4)(A)(ii) of the Act require the standard prospective payment amount to be adjusted for case-mix and geographic differences in wage levels. Section 1895(b)(4)(B) of the Act requires the establishment of an appropriate case-mix adjustment factor that explains a significant amount of the variation in cost among different units of services. Similarly, section 1895(b)(4)(C) of the Act requires the establishment of wage adjustment factors that reflect the relative level of wages and wage-related costs applicable to the furnishing of home health services in a geographic area compared to the national average applicable level. These wage-adjustment factors may be the factors used by the Secretary for the different area wage levels for purposes of section 1886(d)(3)(E) of the Act.

Section 1895(b)(5) of the Act gives the Secretary the option to grant additions or adjustments to the payment amount otherwise made in the case of outliers because of unusual variations in the type or amount of medically necessary care. Total outlier payments in a given fiscal year cannot exceed 5 percent of total payments projected or estimated.

B. Updates

On July 3, 2000, we published a final rule (65 FR 41128) in the **Federal Register** to implement the HH PPS legislation. That final rule established requirements for the new PPS for HHAs as required by section 4603 of the BBA, and as subsequently amended by section 5101 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act (OCESAA) for Fiscal Year 1999, (Pub. L. 105–277), enacted on October 21, 1998; and by sections 302, 305, and 306 of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act (BBRA) of 1999, (Pub. L. 106–113), enacted on November 29, 1999. The requirements include the implementation of a PPS for HHAs, consolidated billing requirements, and a number of other related changes. The PPS described in that rule replaced the retrospective reasonable-cost-based system that was used by Medicare for the payment of home health services under Part A and Part B.

As required by section 1895(b)(3)(B) of the Act, we have historically updated the HH PPS rates annually in a separate **Federal Register** document.

C. System for Payment of Home Health Services

Generally, Medicare makes payment under the HH PPS on the basis of a national standardized 60-day episode payment, adjusted for case mix and wage index. For episodes with four or fewer visits, Medicare pays on the basis of a national per-visit amount by discipline, referred to as a low utilization payment adjustment (LUPA). Medicare also adjusts the 60-day episode payment for certain intervening events that give rise to a partial episode payment adjustment (PEP adjustment) or a significant change in condition adjustment (SCIC). For certain cases that exceed a specific cost threshold, an outlier adjustment may also be

available. For a complete and full description of the HH PPS as required by the BBA and as amended by OCESAA and BBRA, see the July 3, 2000 HH PPS final rule (65 FR 41128).

D. Medicare Prescription Drug, Improvement, and Modernization Act of 2003

On December 8, 2003, the Congress enacted the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 (Pub. L. 108–173). This new legislation affects our update to HH payment rates. Specifically, section 421 of MMA requires, for home health services furnished in a rural area (as defined in section 1886(d)(2)(D) of the Act), with respect to episodes or visits ending on or after April 1, 2004 and before April 1, 2005, that the Secretary increase the payment amount that otherwise would have been made under section 1895 of the Act for the services by 5 percent.

The statute waives budget neutrality for the purposes of this increase as it specifically states that the Secretary will not reduce the standard prospective payment amount (or amounts) under section 1895 of the Act applicable to home health services furnished during a period to offset the increase in payments resulting in the application of this section of the statute.

Section 701 of the MMA changes the yearly update cycle of the HH PPS rates from that of a fiscal year to a calendar year update cycle for 2004 and any subsequent year. Generally, section 701(a) of the MMA changes the references in the statute to refer to the calendar year for 2004 and any subsequent year. The changes result in updates to the HH PPS rates described as ''fiscal year'' updates for 2002 and 2003 and as calendar ''year'' updates for 2004 and any subsequent year (section 1895(b)(3)(B)(i) of the Act). In light of these provisions, we will not be updating the HH PPS rates on October 1, 2004 as HH PPS will now be updated on a calendar year update cycle.

In addition to changing the update cycle for HH PPS rates, section 701 of the MMA makes adjustments to the home health applicable increase percentage for 2004, 2005, and 2006. Specifically, section 701(a)(2)(D) of the MMA leaves unchanged the home health market basket increase for the last calendar year quarter of 2003 and the first calendar year quarter of 2004 (section 1895(b)(3)(B)(ii)(II) of the Act). Furthermore, section 701(b)(4) of the MMA sets the home health applicable percentage increase for the last 3 quarters of 2004 as the home health market basket (3.1 percent) minus 0.8 percentage points (section 1895(b)(3)(B)(ii)(III) of the Act). We implemented this provision through Pub. 100–20, One Time Notification, Transmittal 59, issued February 20, 2004. Section 701(b)(4) of the MMA also provides that updates for CY 2005 and CY 2006 will equal the applicable home health market basket percentage increase minus 0.8 percentage points. Lastly, section 701(b)(3) of the MMA revises the statute to provide that HH PPS rates for CY 2007 and any subsequent year will be updated by that year's home health market basket percentage increase (section 1895(b)(3)(B)(ii)(IV) of the Act).

E. Requirements for Issuance of Regulations

Section 902 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) amended section 1871(a) of the Act and requires the Secretary, in consultation with the Director of the Office of Management and Budget, to establish and publish timelines for the publication of Medicare final regulations based on the previous publication of a Medicare proposed or interim final regulation. Section 902 of the MMA also states that the timelines for these regulations may vary but shall not exceed 3 years after publication of the preceding proposed or interim final regulation except under exceptional circumstances.

This final rule finalizes provisions set forth in proposed rule published in the **Federal Register** (69 FR 31248) on June 2, 2004. In addition, this final rule has been published within the 3-year time limit imposed by section 902 of the MMA. Therefore, we believe that the final rule is in accordance with the Congress' intent to ensure timely publication of final regulations.

II. Provisions of the Proposed Regulations

On June 2, 2004, we published a proposed rule in the **Federal Register** (69 FR 31248), proposing to update the 60-day national episode rates and the national per-visit amounts under the Medicare prospective payment system for home health agencies. We also proposed to rebase and revise the home health market basket to ensure it continues to adequately reflect the price changes of efficiently providing home health services. We also proposed to revise the fixed dollar loss ratio, which is used in the calculation of outlier payments.

A. National Standardized 60-Day Episode Rate

Medicare HH PPS has been effective since October 1, 2000. As set forth in the final rule published July 3, 2000 in the **Federal Register** (65 FR 41128), the unit of payment under Medicare HH PPS is a national standardized 60-day episode rate. As set forth in 42 CFR 484.220, we adjust the national standardized 60-day episode rate by a case mix grouping and a wage index value based on the site of service for the beneficiary. The proposed CY 2005 HH PPS rates used the same case-mix methodology and application of the wage index adjustment to the labor portion of the HH PPS rates as set forth in the July 3, 2000 final rule. We multiplied the national 60-day episode rate by the patient's applicable case-mix weight. We divided the case-mix adjusted amount into a labor and non-labor portion. We multiplied the labor portion by the applicable wage index based on the site of service of the beneficiary.

As required by section 1895(b)(3)(B) of the Act, we have updated the HH PPS rates annually in a separate **Federal Register** document. Section 484.225 sets forth the specific percentage update for fiscal years 2001, 2002, and 2003. To reflect the new statutory provisions enacted by section 701 of the MMA, in § 484.225, we proposed to redesignate paragraph (d) as paragraph (g) and revise it to read as follows:

(g) For 2007 and subsequent calendar years, the unadjusted national rate is equal to the rate for the previous calendar year increased by the applicable home health market basket index amount.

We also proposed to add new paragraphs (d), (e), and (f) to read as follows:

(d) For the last calendar quarter of 2003 and the first calendar quarter of 2004, the unadjusted national prospective 60-day episode payment rate is equal to the rate from the previous fiscal year (FY 2003) increased by the applicable home health market basket index amount.

(e) For the last 3 calendar quarters of 2004, the unadjusted national prospective 60-day episode payment rate is equal to the rate from the previous fiscal year (FY 2003) increased by the applicable home health market basket minus 0.8 percentage points.

(f) For each of calendar years 2005 and 2006, the unadjusted national prospective 60-day episode payment rate is equal to the rate from the previous calendar year, increased by the applicable home health market basket minus 0.8 percentage points.

We also proposed to rebase and revise the home health market basket. As proposed, the labor related portion of the rebased and revised home health market basket would be 76.775 percent, and the non-labor portion would be 23.225 percent. We added the wage-adjusted portion to the non-labor portion yielding the case-mix and wage-adjusted 60-day episode rate subject to applicable adjustments.

For CY 2005, we proposed to use again the design and case-mix methodology described in section III.G of the HH PPS July 3, 2000 final rule (65 FR 41192 through 41203). For CY 2005, we proposed to base the wage index adjustment to the labor portion of the PPS rates on the most recent pre-floor and pre-reclassified hospital wage index that does not apply the core-based statistical area (CBSA) policy. As discussed in the July 3, 2000 HH PPS final rule, for episodes with four or fewer visits, Medicare pays the national per-visit amount by discipline, referred to as a LUPA. We update the national per-visit amounts by discipline annually by the applicable home health market basket percentage. We adjust the national per-visit amount by the appropriate wage index based on the site of service for the beneficiary as set forth in § 484.230. We proposed to adjust the labor portion of the updated national per-visit amounts by discipline used to calculate the LUPA by the most recent pre-floor and pre-reclassified hospital wage index that does not apply the CBSA policy.

Medicare pays the 60-day case-mix and wage-adjusted episode payment on a split percentage payment approach. The split percentage payment approach includes an initial percentage payment and a final percentage payment as set forth in § 484.205(b)(1) and (b)(2). We may base the initial percentage payment on the submission of a request for anticipated payment and the final percentage payment on the submission of the claim for the episode, as discussed in § 409.43. The claim for the episode that the HHA submits for the final percentage payment determines the total payment amount for the episode and whether we make an applicable adjustment to the 60-day case-mix and wage-adjusted episode payment. The end date of the 60-day episode as reported on the claim determines the rate level at which Medicare will pay the claim for the fiscal period.

We may also adjust the 60-day case-mix and wage-adjusted episode payment based on the information submitted on the claim to reflect the following:

- A low utilization payment provided on a per-visit basis as set forth in § 484.205(c) and § 484.230.
- A partial episode payment adjustment as set forth in § 484.205(d) and § 484.235.
- A significant change in condition adjustment as set forth in § 484.205(e) and § 484.237.
- An outlier payment as set forth in § 484.205(f) and § 484.240.

The proposed rule reflected the updated CY 2005 rates that would be effective January 1, 2005.

B. Rebasing and Revising of the Home Health Market Basket

We also proposed to rebase and revise the home health market basket to ensure it continues to adequately reflect the price changes of efficiently providing home health services. In addition to rebasing the base year cost structure from FY 1993 to FY 2000, we also proposed to revise the market basket by modifying several categories in the market basket cost structure. The major revision to the proposed market basket was the combining of the Administrative and General and Other Expenses cost categories. [See 69 FR 31251 for a more complete explanation of the market basket cost structure]

C. Proposed CY 2005 Update to the Home Health Market Basket Index

Section 1895(b)(3)(B) of the Act, as amended by section 701 of the MMA, requires for CY 2005 that the standard prospective payment amounts be increased by a factor equal to the applicable home health market basket increase minus 0.8 percentage points. We proposed to amend the regulations in § 484.225 to reflect this requirement.

- *Proposed CY 2005 Adjustments.*

In calculating the annual update for the CY 2005 60-day episode rates, we proposed to first look at the CY 2004 rates as a starting point. The CY 2004 national 60-day episode rate, as modified by section 701 of the MMA and implemented through Pub. 100–20 One Time Notification, Transmittal 59 issued February 20, 2004 is $2,213.37.

In order to calculate the CY 2005 national 60-day episode rate, we proposed to multiply the CY 2004 national 60-day episode rate ($2,213.37) by the applicable home health market basket update, at the time of publication of the proposed rule, of 3.3 percent for CY 2005 minus 0.8 percentage points.

We proposed to increase the CY 2004 60-day episode payment rate by the proposed home health market basket increase (3.3 percent) minus 0.8 percentage points ($2,213.37 × 2.5 percent) to yield the proposed updated CY 2005 national 60-day episode rate ($2,268.70).

- *National Per-visit Amounts Used to Pay LUPAs and Compute Imputed Costs Used in Outlier Calculations.*

The policies governing the LUPAs and outlier calculations set forth in the July 3, 2000 HH PPS final rule will continue during CY 2005. In calculating the annual update for the CY 2005 national per-visit amounts we use to pay LUPAs and to compute the imputed costs in outlier calculations, we proposed to look again at the CY 2004 rates as a starting point. We then proposed to multiply those amounts by the proposed home health market basket increase minus 0.8 percentage points for CY 2005 to yield the updated per-visit amounts for each home health discipline for CY 2005. For details as to the specific LUPA rates that we proposed for CY 2005, see the proposed rule (69 FR 31256) published on June 2, 2004.

D. Proposed Update to the Outlier Fixed Dollar Loss Ratio

Outlier payments are payments made in addition to regular 60-day case-mix and wage-adjusted episode payments for episodes that incur unusually large costs due to patient home health care needs. Outlier payments are made for episodes whose estimated cost exceeds a threshold amount. The episode's estimated cost is the sum of the national wage-adjusted per-visit payment amounts for all visits delivered during the episode. The outlier threshold for each case-mix group, PEP adjustment, or total SCIC adjustment is defined as the 60-day episode payment amount, PEP adjustment, or total SCIC adjustment for that group plus a fixed dollar loss amount. Both components of the outlier threshold are wage-adjusted.

The wage-adjusted fixed dollar loss amount (FDL) represents the amount of loss that an agency must bear before an episode becomes eligible for outlier payments. The FDL is computed by multiplying the wage-adjusted 60-day episode payment amount by the fixed dollar loss ratio, which is a proportion expressed in terms of the national standardized episode payment amount. The outlier payment is defined to be a proportion of the wage-adjusted estimated costs beyond the wage-adjusted threshold. The proportion of additional costs paid as outlier payments is referred to as the loss-sharing ratio.

Section 1895(b)(5) of the Act requires that estimated total outlier payments are no more than 5 percent of total estimated HH PPS payments. In response to the concerns about potential

financial losses that might result from unusually expensive cases expressed in comments to the October 28, 1999 proposed rule (64 FR 58133), the July 2000 final rule set the target for estimated outlier payments at the 5 percent level. The fixed dollar loss ratio and the loss-sharing ratio were then selected so that estimated total outlier payments would meet the 5 percent target.

For a given level of outlier payments, there is a trade-off between the values selected for the fixed dollar loss ratio and the loss-sharing ratio. A high fixed dollar loss ratio reduces the number of episodes that can receive outlier payments, but makes it possible to select a higher loss-sharing ratio and, therefore, increase outlier payments for outlier episodes. Alternatively, a lower fixed dollar loss ratio means that more episodes can qualify for outlier payments, but outlier payments per episode must be lower. As a result of public comments on the October 28, 1999 proposed rule, in our July 2000 final rule, we made the decision to attempt to cover a relatively high proportion of the costs of outlier cases for the most expensive episodes that would qualify for outlier payments within the 5 percent constraint.

We chose a value of 0.80 for the loss-sharing ratio, which is relatively high, but which preserves incentives for agencies to attempt to provide care efficiently for outlier cases. It is also consistent with the loss-sharing ratios used in other Medicare PPS outlier policies. Having made this decision, we estimated the value of the fixed dollar loss ratio that would yield estimated total outlier payments that were projected to be no more than 5 percent of total home health PPS payments. The resulting value for the fixed dollar loss ratio was 1.13.

Analysis of 100 percent of CY 2001 home health claims data reflected that outlier episodes represented approximately 3 percent of total episodes and 3 percent of total HH PPS payments. We proposed to make no change in the projected 5 percent target for outlier expenditures as a percent of total HH PPS payments. In addition, we proposed no change to the loss-sharing ratio of 0.80. Further, section 1895(b)(3)(C) of the Act requires that the episode payment amounts be adjusted to effectively pay for outlier payments within the same level of estimated total spending. We proposed no change to the adjustment to the episode payment amounts for outlier payments. We proposed to change only the fixed dollar loss ratio, and in turn, the fixed dollar loss amount.

For the proposed rule, we performed data analysis on CY 2001 HH PPS analytic data to update the fixed dollar loss ratio to enable the total estimated outlier payments to be 5 percent of total HH PPS payments. That analysis indicated that a fixed dollar loss ratio of 0.72 was consistent with the existing loss-sharing ratio of 0.80 and a target percentage of estimated outlier payments of the projected 5 percent. Consequently, we proposed to update the fixed dollar loss ratio from the current ratio of 1.13 to the fixed dollar loss ratio of 0.72. It was estimated that a fixed dollar loss ratio of 0.72 would allow approximately 6.5 percent of episodes to qualify for outlier payments. The estimated 6.5 percent outlier episodes is greater than the 3.0 percent of episodes that currently qualify for outlier payments, and is about the same as the 6.8 percent for outlier episodes that we estimated in our July 2000 final rule.

We believe that our proposed fixed dollar loss ratio of 0.72 preserved a reasonable degree of cost sharing, while allowing a greater number of episodes to qualify for outlier payments. In our proposed rule, we indicated our plan to update our estimate of the fixed dollar loss ratio using the most current, complete year of HH PPS data available.

E. Rural Add-On as Required by the MMA

Section 421 of the MMA requires, for home health services furnished in a rural area with respect to episodes and visits ending on or after April 1, 2004 and before April 1, 2005, that we increase by 5 percent the payment amount that otherwise would be made for these services. The statute waives budget neutrality related to this provision. By statute, the 5 percent rural add-on applies to home health services furnished in a rural area (as defined in section 1886(d)(2)(D) of the Act) for episodes and visits ending on or after April 1, 2004 and before April 1, 2005. Therefore, the 5 percent rural add-on ends after the first quarter of CY 2005 for episodes and visits ending before April 1, 2005. After the rural add-on is determined, the applicable case-mix and wage index adjustment is then subsequently applied for the provision of home health services where the site of service is the non-Metropolitan Statistical Area (MSA) of the beneficiary. Similarly, the applicable wage index adjustment is subsequently applied to the LUPA per visit amounts adjusted for the provision of home health services where the site of service for the beneficiary is a non-MSA area. We implemented this provision for CY 2004 on April 1, 2004 through Pub. 100–20 One Time Notification, Transmittal 59 issued February 20, 2004. For further details as to the specific rates for HH PPS payments to beneficiaries in rural areas, see the proposed rule (69 FR 31259) published on June 2, 2004.

F. Hospital Wage Index

Sections 1895(b)(4)(A)(ii) and (b)(4)(C) of the Act require the Secretary to establish area wage adjustment factors that reflect the relative level of wages and wage-related costs applicable to the furnishing of home health services and to provide appropriate adjustments to the episode payment amounts under HH PPS to account for area wage differences. We applied the appropriate wage index value to the labor portion of the HH PPS rates based on the geographic area in which the beneficiary received home health services. We determined each HHA's labor market area based on definitions of Metropolitan Statistical Areas (MSAs) issued by the Office of Management and Budget (OMB). We recognize that on June 6, 2003, the Office of Management and Budget (OMB) issued OMB Bulletin No. 03–04, announcing revised definitions of Metropolitan Statistical Areas, and new definitions of Micropolitan Statistical Areas, and Combined Statistical Areas. A copy of the Bulletin may be obtained at the following Internet address: *http://www.whitehouse.gov/omb/bulletins/b03–04.html.* We indicated in our proposed rule, that these new definitions would not be applied to the CY 2005 wage index used in the proposed update to the HH payment rates.

On May 18, 2004, we published a proposed rule entitled ''Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and FY 2005 Rates'' (69 FR 28195), which discusses some of the issues associated with using these new definitions and proposes to use these new definitions for the Inpatient Hospital PPS for FY 2005. We indicated that we believed it would be appropriate to wait until the public comments on that proposed rule had been submitted and analyzed before we considered proposing any new labor market definitions in the home health context.

As discussed previously and set forth in the July 3, 2000 final rule, the statute provides that the wage adjustment factors may be the factors used by the Secretary for purposes of section 1886(d)(3)(E) of the Act for hospital wage adjustment factors. Again, as discussed in the July 3, 2000 final rule,

we proposed to use the pre-floor and pre-reclassified hospital wage index to adjust the labor portion of the HH PPS rates based on the geographic area in which the beneficiary receives the home health services. We believe the use of the pre-floor and pre-reclassified hospital wage index results in the appropriate adjustment to the labor portion of the costs as required by statute. The most recent pre-floor and pre-reclassified hospital wage index available for this update of the CY 2005 home health rates was determined to be that of the 2005 pre-floor and pre-reclassified hospital wage index. Due to the mandated change from a fiscal year update cycle to that of a calendar year update cycle, the most recent pre-floor and pre-reclassified hospital wage index available for this update of the CY 2005 home health payment rates was determined to be that of the 2005 pre-floor and pre-reclassified hospital wage index.

Under previous fiscal year updates, the most recent pre-floor and pre-reclassified hospital wage index available at the time of publication of the HH PPS fiscal year update was that of the previous year. Beginning with the CY 2005 update to home health payment rates, the most recent pre-floor and pre-reclassified hospital wage index available at the time of publication will be that of the current year. Consequently, for our proposed CY 2005 update to the home health payment rates, we proposed to continue to use the most recent pre-floor and pre-reclassified hospital wage index available at the time of publication. We recognized that this change to a calendar year update cycle results in using the current year's wage index values. We also note that for HH PPS rates addressed in the proposed rule, we inadvertently published the 2004 pre-floor and pre-reclassified hospital wage index. Consequently, we published a correction notice in the **Federal Register** on July 30, 2004 (69 FR 45640), replacing the inadvertently published 2004 pre-floor and pre-reclassified hospital wage index with a preliminary 2005 pre-floor and pre-reclassified hospital wage index that does not apply the CBSA policy.

III. Analysis of and Responses to Public Comments

We received approximately 25 timely comments on the Home Health Prospective Payment System Rate Update for Calendar Year 2005 proposed rule (CMS–1265–P), published on June 2, 2004 (69 FR 31248). We have also received approximately 6 additional timely comments on the Home Health Prospective Payment System Rate Update for FY 2004 Notice (CMS–1473–NC), published on July 2, 2003 (68 FR 39764). We received comments from HHAs and other health care providers, national industry associations, suppliers and practitioners, State associations, health care consulting firms, and private citizens. The comments centered on issues such as the wage index used to update rates, home health market basket analysis, metropolitan statistical areas as they relate to the wage index, reduction in the fixed dollar loss ratio for outlier episodes, home health resource group (HHRG) payment inadequacies, responsibility of and payment for supplies in the home health episode, cost reporting requirements, and finally refinements to the HH PPS in the areas of: Case mix, LUPAs, RAPs, SCICs, PEPs, outliers, supplies, and OASIS items (that is, M0175). We have considered all comments received during the 60-day public comment period on the June 2, 2004 proposed rule, as well as from the July 2, 2003 notice. Our responses to the comments from both **Federal Register** publications, the June 2, 2004 proposed rule and the July 2, 2003 notice are set forth in the following section.

As noted in the proposed rule published in the **Federal Register** on June 2, 2004 (69 FR 31248), because of the large number of items of correspondence we normally receive on **Federal Register** documents published for comment, we are unable to respond to them individually. In this final rule, we address the concerns of the commenters that are related to the proposed rule and the notice with comment period published on July 2, 2003 (68 FR 39764). Summaries of the major concerns and our responses to these comments are set forth below.

Refinements

Comment: There were several comments regarding refinement of the many different features of the HH PPS outside of the payment update such as outliers, supplies, PEPs, SCICs, LUPAs, and OASIS that make up the HH PPS, as well as other related issues such as dual-eligibles, long-term care patients, and telemedicine.

Response: These comments were generally outside the scope of the proposed payment updates. Our ongoing research agenda on HH PPS refinements encompasses review of case mix adjustment and other payment adjustment provisions introduced as part of the PPS system. Our continuing work also includes review of overall system performance to the extent data permit analysis of this topic.

We intend to address the aspects of the HH PPS that are subject to administrative revision when we initiate a refinement regulation. We believe it is prudent to avoid piecemeal revisions addressing one provision or another in isolation. Also, we believe it is common with new payment systems for providers to go through a period of adaptation. The adaptation process influences the data we use to study refinements, and those data lag by a year or more. We believe it is appropriate to base recommendations on data that reflect the end point of the provider adaptation process. Our study results will be more effective and provide a better basis for policy proposals when the data used in the studies reflect the end point of the adaptation period. Furthermore, we believe the best approach would be one that allows for analyzing interrelationships among payment features on the system in general. Moreover, it is more efficient to make numerous changes at the same time. Past experience with changes in systems and data collection for providers has shown that providers believe it is more burdensome when frequent changes are made to a payment system.

Comment: There were a few comments requesting that ostomy supplies be exempt from the consolidated billing requirements because of their high cost.

Response: The Medicare statute governing the home health PPS is specific to the type of items and services bundled to the HHA. Section 1842(b)(6)(F) of the Act requires that all home health items and services, including medical supplies, furnished to a beneficiary under a plan of care are subject to consolidated billing. For example, if a patient is admitted for a condition that is related to a chronic condition which requires medical supplies (such as ostomy supplies), the HHA is required to provide those medical supplies while the patient is under a home health plan of care during an episode of care. We also note that costs of medical supplies are included in the HH PPS payment rate as the statute required that all services, including medical supplies, that would have been covered under the cost-based reimbursement system be bundled and paid under HH PPS.

Comment: There were a few comments regarding supplies not covered under Part B, and a question was posed whether the HHAs are responsible to bundle these supplies

while a beneficiary is under a home health plan of care.

Response: Section 1895(b)(1) of the Act specifies that under the HH PPS system, all services covered and paid for on a reasonable cost basis under the Medicare home health benefit as of the date of enactment of this section, including medical supplies, shall be paid for on the basis of a prospective payment amount determined under that subsection and applicable to the services involved. In the past, HH PPS home health agencies provided, and were reimbursed for, non-routine medical supplies for which Part B codes existed as well as for non-routine medical supplies for which Part B codes did not exist. The costs of those supplies are included in the HH PPS rates, as those costs were built into the visit rates before the implementation of HH PPS and were part of the calculation of the base HH PPS rates. The implementation of the HH PPS did not change what home health agencies are required to provide to their beneficiaries under a plan of care.

Comment: Some commenters requested clarification of the terms ''significant change in condition'' and ''significant change in plan of care.''

Response: As stated in 42 CFR 484.205(a)(3), a significant change in condition (SCIC) payment adjustment due to the intervening event is defined as a significant change in the patient's condition during an existing 60-day episode. The SCIC adjustment occurs when a beneficiary experiences a significant change in condition during a 60-day episode that was not envisioned in the original plan of care.

Comment: One commenter asserted that the requirement to claim an SCIC with an improvement in an expected outcome of care would lead to a system that could result in having a lower payment despite a greater resource use.

Response: As stated in our Pub. 100–2; Medicare Benefit Policy Manual, Chapter 7, ''Home Health Services'' 10.9 ''Significant Change in Condition (SCIC) Payment Adjustment'' the agency is not constrained to bill for a SCIC for a higher home health resource group (HHRG) if the net effect is a lower payment for the episode than if the SCIC had not occurred. Because the intent of the SCIC was not to lower the total episode payment when patients actually required more intensive services, the HHA is not forced to bill for an SCIC in this circumstance. However, where the SCIC reflects a lower HHRG due to unanticipated improvement in patient condition, the SCIC must be billed. This policy is restated in our Pub. 100–4; Medicare Claims Processing Manual, Chapter 10, ''Home Health Agency Billing'', 10.1.20 ''Adjustments of Episode Payment Significant Change in Condition (SCIC).''

Comment: Commenters supported the adjustment of the outlier policy and encouraged us to regularly/annually monitor outlier expenditures so that further adjustments can be made promptly should the full amount of outlier funds not be used.

Response: We plan to continue to monitor the outlier expenditures on a yearly basis and to make adjustments as necessary.

Comment: A commenter requested that we conduct a thorough review of the PPS over the next year to improve its validity as outlier episodes were ''underpaid'' in previous years. The commenter also recommended that we increase the CY 2005 national 60-day episode rate and per visit amounts by 2 percent in light of the ''underpayments'' of outliers.

Response: We will continue to closely monitor the outlier expenditures. In accordance with section 1895(b)(5) of the Act, we have set thresholds and ratios in the outlier calculations so that outlier payments for the year are projected to be no more than 5 percent of the total payments projected or estimated for the HH PPS. In doing so, we use the best Medicare data available.

Many of the factors used to set prospective payment amounts for a given year are based on estimates. These factors include not only the outlier threshold, but also the market basket rate of increases used to establish the update factor to the HH PPS rates. We do not believe that the Congress intended that the standardized amounts for a given year should be adjusted (upward or downward) to reflect any difference between projected and actual outlier payments for a past year.

Under the policy we have maintained since the inception of the HH PPS, we do not make retroactive adjustments to reconcile differences between the percentage of outlier payments projected before a given year and the ''actual'' outlier payments for that year.

Definition of Non-Metropolitan Statistical Area (MSA)/Wage Index

Comment: In general, commenters appreciated that a change to the new CBSAs will not be undertaken for HH payments this year. Some commenters went so far as to express their opposition to ever adopting the CBSAs for HH PPS. There were also requests that if we were to implement CBSAs for HH PPS, we phase in the CBSAs in a similar fashion as is being done in the hospital setting. One commenter recommended using a blended wage index value, stating that HHAs in a given CBSA would receive the higher of either the wage index value based on data from hospitals in the new CBSA or the blended wage index value based on data from all hospitals in counties formerly included in the NECMA but now in separate CBSAs. The commenter believes that using such a blended wage index would also smooth out anomalies associated with an HHA serving patients in two or more different CBSAs. Commenters further urged us to postpone any change until the proposed IPPS wage index values could be evaluated.

Response: We will review and analyze the comments to the proposed rule titled ''Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and FY 2005 Rates'' (69 FR 28195) published on May 18, 2004 in which the new CBSAs are used before we consider adopting any new labor market definitions for HH PPS. In addition, we are currently analyzing the estimated impact that a move to CBSAs under the HH PPS would have on the home health industry. We plan to conduct a full study and consider the estimated impact that CBSAs would have on the home health industry before any revisions to the wage index are made.

Comment: Commenters wished to see geographic area reclassification and wage index floors (such as those provided to hospitals) become available to HHAs. Commenters generally stated that the HHAs should be allowed to use the reclassified version of the wage index.

Response: We continue to believe that the most recent available pre-floor and pre-reclassified hospital wage index data results in the appropriate adjustment to the labor portion of the costs as required by statute.

Comment: Commenters supported using the most recent hospital wage index available for HH PPS in CY 2005.

Response: We appreciate the commenters' support. As explained in the June 2, 2004 proposed rule, we have always used the most recent hospital wage index available in determining the HH PPS payment rates. However, as noted previously, the HH PPS update cycle was revised from that of a fiscal year update to a calendar year update, resulting in the most recent hospital wage index available at the time of publication being the current year's hospital wage index.

Comment: One commenter urged us to use the 2004 pre-floor and pre-reclassified wage index as opposed to using the current year's hospital wage

index data to provide a more equitable wage index transition and avoid abrupt changes due to skipping an update year.

Response: As noted in the previous comment, we have always used the most recent available hospital wage index data in determining the HH PPS update. We continue to believe using the most recent available wage index better reflects current wages and salaries.

Comment: Commenters supported creating a joint HH industry/CMS technical advisory group to explore the accuracy of the current wage index as well as options for a refined wage index that more accurately reflects the true wage costs experienced by the HH industry.

Response: We appreciate the comment, however, we do not believe such a group is necessary. We have always received input from the industry on various aspects of our Medicare payment systems, and we anticipate this practice will continue into the future. More recently, the ''open-door'' forums, initiated by CMS, provide the public with an opportunity to provide input and comment on the wage index used in the HH PPS.

Comment: Commenters wished to see a comprehensive impact analysis before instituting wage index changes. They believe that no changes in the wage index should be implemented without adequate (one full year's) notice.

Response: To provide a more comprehensive impact analysis and one year's notice of wage index changes would necessitate that we not use the most recent available hospital wage index for HH PPS. As noted previously, we have always used the most recent available pre-floor and pre-reclassified hospital wage index at the time of publication as we believe it better reflects current wages and salaries.

Comment: Commenters were concerned about the time to comment on the wage index that was published in the correction notice. One commenter suggested that the comment period be extended 30 days with respect to the wage index.

Response: We believe commenters were given adequate notice to timely comment on the wage index. As stated in the proposed rule, the proposed wage indices were not final. The final wage index values are in the addendum to this final rule. The inadvertent inclusion of the wrong wage index was a technical error. We published the correct wage index on our Web site and as soon as possible thereafter in the **Federal Register**, once the inadvertent technical error was noted.

Comment: Commenters are concerned about treatment of wage index values in Connecticut, and other parts of New England, and requested a reconsideration of the proposed decreases to the wage indices. The commenters were specifically concerned that we unilaterally changed the designation of three hospitals in Litchfield County from their placement in the Hartford MSA to the rural region, thereby lowering both regions' wage indices. Commenters requested that this be reversed and those three hospitals be designated to the Hartford MSA as per previous longstanding CMS policy. One commenter also suggested that the re-designation of hospitals in Hartford was done as part of our proposal for revised MSA definitions. If so, then this is in conflict with our stated intent not to apply expanded MSA definitions for HHAs in CY 2005.

Response: We did not intend to implement any of the CBSA designations for CY 2005 in the HH PPS. Upon thorough review of the commenter's concern, we have determined that only Sharon Hospital of Litchfield County, Connecticut was inadvertently designated to the rural Connecticut area in our July 30, 2004 correction notice (69 FR 45640). In this final rule, we are publishing an updated and corrected pre-floor and pre-reclassified hospital wage index that reflects Sharon Hospital's correct designation to the Hartford MSA (3283). In doing so, rural Connecticut's wage index value changes from 1.1586 in the proposed CY 2005 wage index published in the above correction notice, to 1.1917 in the final wage index published in this final rule. Conversely, the Hartford MSA wage index value changes from a value of 1.1068 to 1.1055. In addition, our review determined that there were technical errors in the hospital wage index calculation process for FY 2005 that had a slight overall impact to the wage index that we published in our correction notice (69 FR 45640). These technical errors have been corrected in the wage index published in this final rule.

Comment: Commenters questioned how their wage index values could decrease so dramatically at a time when the wages they pay their staff have increased and their health insurance and dental insurance have increased. Commenters further requested to see our assessment of the impact of those declines, as agencies are already having trouble covering costs of serving isolated elders, as well as information as to how we arrived at the wage data used to compute the proposed wage index values.

Response: As we noted in the final HH PPS rule on July 3, 2000 (65 FR 41165), we do not have a home health specific wage index because of industry concerns with the methodology used to develop a HH specific wage index and the lack of applicable home health specific data. Accordingly, we use the hospital wage index as we believe it results in the most appropriate adjustment to the labor portion of the cost and best reflects the current wages and salaries.

For the convenience of the public, we have recently published in the HH PPS rate updates, a comparison of wage index values from the current year to the upcoming year, as an illustration of the changes in the wage index from year to year. We are publishing a comparison table as part of this rule in Addendum C.

For specifics regarding the information on the hospital wage data used in computing the hospital wage index, please refer to the August 11, 2004 IPPS final rule (69 FR 48915).

Comment: Commenters stated that a ''hold harmless'' provision should be available to HHAs to limit a wage index reduction (specifically to 2 percent from one year to the next) where there is a sudden reduction in the local wage index. Relief for providers that are negatively impacted should not come at the expense of providers that benefit from the changes.

Response: Although we have sometimes implemented ''hold harmless'' provisions for groups of hospitals that are negatively impacted by significant changes in the wage index calculation or geographic classification, no such changes in methodology have taken place under the HH PPS. We note that, even for hospitals, there exists no precedent for a ''hold harmless'' provision based solely on percentage decreases in wage index values.

Home Health Market Basket

Comment: Several commenters claimed the proposed rule had inadequate detail to evaluate the accuracy of the proposed changes. Specifically, they were unable to determine whether the market basket captures the costs of HIPAA compliance and outcome-based quality assurance activities and whether the blending of the price proxies accurately captures the growth of nursing wage costs.

Response: We believe the detail provided in the proposed rule was adequate for the public to meaningfully comment on the proposed changes to the market basket. The proposed rule described the methodology, provided data sources, and discussed alternatives

considered for the proposed rebasing of the market basket.

As for the HIPAA compliance and quality assurance activities, the HH market basket will only reflect these costs since they impact the rate of change in prices. For example, if there are overall increases in wage levels due to staffing changes associated with HIPAA compliance and/or quality assurance activities, these price changes may be reflected in the price proxies. However, costs associated with purchasing new equipment or hiring more staff for HIPAA compliance and/or quality assurance activities will only be reflected in the base year weights when the index is rebased to reflect a year in which these costs were present.

We also believe the blending of the price proxies accurately captures the growth of nursing wage costs. We continued to use a 50/50 split of ECI for Professional Specialty & Technical Workers and Civilian Hospital Workers for both wages and benefits in order to reflect the competition between HHAs and hospitals for registered nurses, while still capturing the overall wage trends for professional and technical workers. We explained the need for this process as there is no specific wage or benefit measure for HHAs that holds skill mix constant. The increase in the Skilled Nursing & Therapist & Other Professional/Technical wages cost weight from the 1993-based (45.758 of the total wage cost category or 29.389 percent of the total index) to the proposed 2000-based HH market basket (53.816 percent of the wage cost category or 35.393 percent of the total index) is a reflection of the increase in skilled nursing, therapist, and other professional/technical wage costs relative to other market basket costs. The blended home health wage proxy, composed of ECIs which keep the skill mix constant, increased 35 percent from 1995 through 2003, while the Average Hourly Earnings for Nonsupervisory Home Health Workers grew by 24 percent.

The market basket is an important component of the PPS system, but it is also important to review total provider reimbursement and costs when assessing the adequacy of Medicare payments. In April 2004, MedPAC reported that the Medicare margin for home health providers was 16.8 percent in 2004, and recommended that no update be provided for 2005. The MMA, however, requires the market basket update minus 0.8 percent, which results in a 2.3 percent increase for 2005, which this final rule implements.

Comment: Several commenters strongly supported the rebasing and revising of the home health market basket and hoped that CMS would be capable of rebasing more frequently.

Response: Section 404 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) mandated that we study and report on the possibility of rebasing the Inpatient Prospective Payment System hospital market basket more often than once every 5 years. After our report is completed, we plan to study the rebasing frequency for our other market baskets, such as the Skilled Nursing Facility and the Home Health market basket. We plan to use that information to determine an appropriate frequency for rebasing the home health market basket. It has always been our policy to rebase an index when appropriate. We will continue to monitor the home health market basket index to ensure it continues to adequately reflect the price of goods and services purchased by HHAs in providing an efficient level of home health care services.

Comment: Some commenters questioned whether the home health market basket reflects current market forces. Specifically, they questioned whether the market basket captured the increase in worker's compensation, transportation, and professional liability insurance costs.

Response: While all cost categories are not identified specifically and separately in the market basket, they are included in the weights, and the proxies attempt to reflect price changes associated with them. The price proxies are forecasted based on current price trends, thus reflecting current market forces. For the CY 2005 update, the forecasted price proxies include historical percent changes through 2004, 2nd quarter.

Comment: One commenter suggested that we convene a technical panel of industry and government experts in order to develop a more representative market basket. In addition, a few suggested that our use of the Medicare cost reports for home health agencies yields a flawed market basket and suggested combining cost report data and inputs from industry sources to develop the home health market basket.

Response: In the past we have worked with industry, academic, government, and private sector experts on the development and update of the market basket, and we will continue to do so when necessary. When we rebase or revise the market, we generally provide a 60-day comment period for the rule which gives an opportunity for public input as do ''open-door'' forums. We have always considered input from industry sources and evaluated them against other data sources based on our requirements of reliability, relevance, timeliness, and public availability.

The Medicare cost reports provide actual cost share data for home health agencies serving Medicare patients. We believe that home health agencies understand the value we place upon accurate cost report data, and have provided us with reliable cost data, which aid our rebasing and revising of the home health market basket.

Comment: Some commenters questioned if the market basket increase (in CY 2005 3.1 percent) is supposed to cover the costs of an efficient home health agency, then why is the HH PPS update equal to the home health market basket increase minus 0.8 percentage points.

Response: The HH PPS update is dictated by statute. Section 701 of the MMA mandated that the CY 2005 HH PPS update be equal to the HH market basket increase minus 0.8 percentage points. Therefore, the update factor for CY 2005 was required to be reduced. While the deduction from the market basket increase is mandated in the MMA, we believe the market basket, as revised and rebased, is a technically accurate measure for price changes that reflect the true costs to a home health agency for efficiently providing services. This methodology is consistent with the market basket methodologies for Hospital, Skilled Nursing Facility, and Physician.

Comment: A commenter was concerned about services such as telemonitoring/telehealth that are not included in the margin analysis. The commenter requested that the cost report be simplified to allow all costs associated with Medicare home care patients to be included in the cost report.

Response: The instructions to Form 1728–94 were modified in June 2001 to identify the direct and indirect costs of telemedicine services (including telemonitoring and telehealth) as a non-reimbursable cost center on the home health agency cost report to aide in trend analysis of telemedicine costs. However, as a non-reimbursable cost center these services are not a recognized visit or service under HH PPS. Specifically, in section 1895(e)(1)(B) of the Act, telecommunications services are not considered a home health visit for the purposes of eligibility or payment under this title.

Rural 5 Percent Rural Add-On

Comment: Commenters questioned why the 5 percent increase is only for 1 year.

Response: The statute is very specific as to the time frame for the rural add-on. Section 421 of the MMA requires, for home health services furnished in a rural area with respect to episodes and visits ending on or after April 1, 2004 and before April 1, 2005, an increase by 5 percent of the payment amount that otherwise would be made for these services. Therefore, the 5 percent rural add-on ends after the first quarter of CY 2005, that is, for episodes and visits ending before April 1, 2005.

General Comments

Comment: A commenter requested that we consider the issuance of public status reports regarding our efforts concerning the HH PPS, such as a rebasing of the HH PPS payment rates, revisions to the payment structure, and revisions to the HHRG case mix adjuster. This would provide an early opportunity for input and comment relative to the potential direction in that regard.

Response: We appreciate the comment. Any significant changes to the HH PPS will continue to be provided with sufficient notice to the public. In addition, our ''open door'' forum is an opportunity for the public to express concerns and have issues addressed.

IPPS-Related Comments

Comment: We received a small number of comments that were particular to the Inpatient Hospital PPS proposed rule of May 18, 2004 (69 FR 28196). Issues ranged from expanded wage areas that would change status due to the redefinition of rural and urban areas, to suggestions of modernizing the geographic reclassification criteria to protect providers when they are ''redistricted'' out of a high wage area, to issues regarding Critical Access Hospital status and the applicable wage index calculation.

Response: These comments are specific to IPPS and outside the scope of the HH PPS update.

Comments on Home Health Prospective Payment System Rate Update for FY 2004 Notice, Published on July 2, 2003 (68 FR 39764)

As noted previously, we received 6 comments on the 2004 update notice for HH PPS. A summary of those comments and our responses are noted below.

Comment: Commenters requested that we publish the pre-floor and pre-reclassified hospital wage index annually as part of the notice and comment rulemaking for inpatient hospital PPS. This would allow for prior public comment on the wage index applied to HHAs.

Response: The methodology as to how wage indicies are used in the calculation of the HH PPS payment rates has not changed since the implementation of the HH PPS. Because it is only the updating of data used to determine the wage index values between versions of a particular year's wage index file, and not the changing of methodology, we do not believe that prior public notice or a separate publication (outside the publication of the HH PPS update) is warranted. As to the specific wage index tables for the HH PPS for a given year, although it applies a rural floor and reclassifications, generally the hospital wage index files published in the IPPS rules, (which are published before the HH PPS update) would provide a good indication of the wage index used in a HH PPS update.

Comment: One commenter had several comments on potential legislation, including urging us to assert to Congressional leadership that HHAs need to receive the full market basket increase of 3.3 percent. The commenter also criticized the loss of the rural add-on and the threat of copayments.

Response: We note that recently passed legislation addresses the commenters' concerns regarding market basket updates and the rural add-on. The MMA addresses the market basket increase in section 701. Specifically, section 701(b) of the MMA states that for the last 3 calendar quarters of 2004, the unadjusted prospective 60-day episode payment rate is equal to the rate from the previous fiscal year (FY 2003) increased by the applicable home health market basket minus 0.8 percentage points. For each of calendar years 2005 and 2006, the unadjusted national prospective 60-day episode payment rate is equal to the rate from the previous calendar year, increased by the applicable home health market basket minus 0.8 percentage points. Regarding the rural add-on, section 421 of the MMA requires, for home health services furnished in a rural area with respect to episodes and visits ending on or after April 1, 2004 and before April 1, 2005, that we increase by 5 percent the payment amount that otherwise would be made for the services. The MMA did not include copayments for Medicare home health services.

IV. Provisions of the Final Regulations

This final rule incorporates the provisions of the regulations text of the proposed rule [69 FR 31248]. We have adopted the proposed changes from the above captioned proposed rule with regards to the rebasing and revising of the home health market basket, differing only in that through the use of updated data, the final CY 2005 market basket increase is 3.1 percent, as compared to 3.3 percent in the proposed rule. Consequently, we will update the national 60-day episode rate and the per-visit payment amounts per discipline for CY 2005 for LUPAs by the final determined market basket percentage of 3.1 percent minus 0.8 percentage points for an update to the HH PPS rates of 2.3 percent. In addition, we will update, by 5 percent, the 60-day episode payment amounts and the LUPA, per-visit payment amounts for services furnished in a rural area with respect to episodes and visits ending on or after April 1, 2004 and before April 1, 2005. We have also updated the fixed dollar loss (FDL) ratio, used in the determination of outlier payments, from the proposed ratio of 0.72 in the proposed rule to 0.70, using the most recent available HH PPS data. Finally, this final rule includes the most recent version of the pre-floor and pre-reclassified hospital wage index, that does not apply the CBSA policy, used by the HH PPS.

A. Rebasing and Revising of the Home Health Market Basket

1. Rebasing Results

Section 1895(b)(3)(B) of the Act, as amended by the MMA, requires the standard prospective payment amounts to be paid on a calendar year basis for 2004 and any subsequent year. Previous market basket updates were calculated on a fiscal year basis. Table 1 shows that the forecasted rate of growth for CY 2005, beginning January 1, 2005, for the rebased and revised home health market basket is 3.1 percent, while the forecasted rate of growth for the current 1993-based home health market basket is also 3.1 percent. This final update for CY 2005 is based on the Global Insight, Inc 2004, 3rd quarter forecast with historical data through 2004, 2nd quarter. The proposed CY 2005 update was based on a forecast with historical data through 2003, 3rd quarter. As previously mentioned, we rebase the home health market basket periodically so the cost category weights continue to reflect changes in the mix of goods and services that HHAs purchase in furnishing home health care.

TABLE 1.—FORECASTED ANNUAL PERCENT CHANGE IN THE 1993-BASED AND 2000-BASED HOME HEALTH MARKET BASKETS

Calendar year beginning January 1	Home health market basket, 1993-based	Home health market basket, 2000-based	Difference (2000-based less 1993-based)
January 2005, CY 2005	3.1	3.1	0.0

Source: Global Insight, Inc, 3rd Qtr, 2004; @USMACRO/CONTROL0804 @CISSIM/TL0804.SIM.

Table 2 shows the percent changes for CY 2005 based on the 2004, 3rd quarter forecast for each cost category in the home health market basket.

TABLE 2.—CY 2005 FORECASTED ANNUAL PERCENT CHANGE FOR ALL COST CATEGORIES IN THE 2000-BASED HOME HEALTH MARKET BASKET

Cost categories	Weight	Price proxy	Forecasted annual percent change for CY 2005
Total	100.000		3.1
Compensation	76.775		3.3
Wages and Salaries	65.766	Home Health Occupational Wage Index	3.0
Employee Benefits	11.009	Home Health Occupational Benefits Index	5.0
Operations & Maintenance	0.825	CPI Fuel & Other Utilities	2.8
Administrative & General & Other Expenses	16.633		2.6
Telephone	0.850	CPI Telephone Services	0.9
Postage	0.563	CPI Postage	2.0
Professional Fees*	1.405	ECI for Compensation for Professional and Technical Workers.	3.6
Other Products*	6.419	CPI All Items Less Food and Energy	2.1
Other Services*	7.396	ECI for Compensation for Service Workers	3.1
Transportation	2.744	CPI Private Transportation	0.3
Capital-Related	3.023		2.5
Insurance	0.275	CPI Household Insurance	3.3
Fixed Capital	1.777	CPI Owner's Equivalent Rent	3.1
Movable Capital	0.971	PPI Machinery & Equipment	1.0

*New break-out in cost structure when compared with the 1993-based home health market basket.
Source: Global Insight, Inc, 3rd Qtr, 2004; @USMACRO/CONTROL0804 @CISSIM/TL0804.SIM.

B. CY 2005 Update to the Home Health Market Basket Index

Section 1895(b)(3)(B) of the Act, as amended by section 701 of the MMA, requires for CY 2005 that the standard prospective payment amounts be increased by a factor equal to the applicable home health market basket increase minus 0.8 percentage points. As previously noted, we are amending the regulations in § 484.225 to reflect this requirement.

CY 2005 Adjustments

To calculate the CY 2005 national 60-day episode rate, we multiply the CY 2004 (as of April 1, 2004) national 60-day episode rate ($2,213.37) by the applicable home health market basket update of 3.1 percent for CY 2005 minus 0.8 percentage points.

We increase the CY 2004 60-day episode payment rate by the proposed home health market basket increase (3.1 percent) minus 0.8 percentage points ($2,213.37 × 2.3 percent) to yield the updated CY 2005 national 60-day episode rate ($2,264.28) (see Table 4 below).

TABLE 4.—NATIONAL 60-DAY EPISODE AMOUNTS UPDATED BY THE APPLICABLE HOME HEALTH MARKET BASKET CY 2005, MINUS 0.8 PERCENTAGE POINTS, BEFORE CASE-MIX ADJUSTMENT, WAGE INDEX ADJUSTMENT BASED ON THE SITE OF SERVICE FOR THE BENEFICIARY OR APPLICABLE PAYMENT ADJUSTMENT

Total prospective payment amount per 60-day episode for CY 2004 (as of 04/01/04)	Multiply by the applicable home health market basket increase (3.1 percent) minus 0.8 percentage points	CY 2005 updated national 60-day episode rate
$2,213.37	× 1.023	$2,264.28

C. National Per-Visit Amounts Used To Pay LUPAs and Compute Imputed Costs Used in Outlier Calculations

As discussed previously in this final rule, the policies governing the LUPAs and outlier calculations set forth in the July 3, 2000 HH PPS final rule will continue during CY 2005. In calculating the annual update for the CY 2005 national per-visit amounts we use to pay LUPAs and to compute the imputed costs in outlier calculations, we look again at the CY 2004 (as of April 1, 2004) rates as a starting point. We then multiply those amounts by the home health market basket increase minus 0.8 percentage points for CY 2005 to yield the updated per-visit amounts for each home health discipline for CY 2005. (*See* Table 5 below.)

TABLE 5.—NATIONAL PER-VISIT AMOUNTS FOR LUPAS AND OUTLIER CALCULATIONS UPDATED BY THE APPLICABLE HOME HEALTH MARKET BASKET INCREASE FOR CY 2005, MINUS 0.8 PERCENTAGE POINTS, BEFORE WAGE INDEX ADJUSTMENT BASED ON THE SITE OF SERVICE FOR THE BENEFICIARY

Home health discipline type	Final per-visit amounts per 60-day episode for CY 2004 for LUPAs (as of 04/01/04)	Multiply by the applicable home health market basket (3.1 percent) minus 0.8 percentage points	Per-visit payment amount per discipline for CY 2005 for LUPAs
Home Health Aide	$43.75	× 1.023	$44.76
Medical Social Services	154.89	× 1.023	158.45
Occupational Therapy	106.36	× 1.023	108.81
Physical Therapy	105.65	× 1.023	108.08
Skilled Nursing	96.63	× 1.023	98.85
Speech-Language Pathology	114.80	× 1.023	117.44

D. Update to the Outlier Fixed Dollar Loss Ratio

For the rule, we performed analysis of CY 2001 home health claims data. The results of that analysis reflected that outlier episodes represented approximately 3 percent of total episodes and 3 percent of total HH PPS payments. For this final rule, we have performed the same analysis on CY 2002 and CY 2003 home health claims data and have found the number of outlier episodes and payments to continue to hold at approximately 3 percent of total episodes and total HH PPS payments, respectively.

In the rule, we also performed data analysis on CY 2001 HH PPS analytic data to update the fixed dollar loss (FDL) ratio to enable the total estimated outlier payments to be a projected 5 percent of total HH PPS payments. The results of that analysis indicated that a fixed dollar loss ratio of 0.72 was consistent with the existing loss-sharing ratio of 0.80 and a projected target percentage of estimated outlier payments of 5 percent. For this final rule, we have performed the same analysis on CY 2003 HH PPS analytic data to update the fixed dollar loss ratio. The results of this analysis indicate that a fixed dollar loss ratio of 0.70 is consistent with the existing loss-sharing ratio of 0.80 and a projected target percentage of estimated outlier payments of 5 percent. Consequently, we are updating the fixed dollar loss ratio from the current ratio of 1.13 to the fixed dollar loss ratio of 0.70. Our analysis shows that reducing the fixed dollar loss ratio from 1.13 to 0.70 will allow approximately 5.9 percent of episodes to qualify for outlier payments. The estimated 5.9 percent outlier episodes are greater than the 3.0 percent of episodes that currently qualify for outlier payments.

Expressed in terms of a fixed dollar loss amount, the fixed dollar loss ratio of 0.70 implies that providers would absorb approximately $1,585 of their costs (before wage adjustment), in addition to their loss-sharing portion of the estimated cost in excess of the outlier threshold. This fixed dollar loss amount of approximately $1,585 is computed by multiplying the standard 60-day episode payment amount ($2,264.28) by the fixed dollar loss ratio (0.70). Using the current fixed dollar loss ratio (1.13), the fixed dollar loss amount would be approximately $2,558 ($2,264.28 × 1.13).

We believe that a fixed dollar loss ratio of 0.70 preserves a reasonable degree of cost sharing, while allowing a greater number of episodes to qualify for outlier payments.

The following analytical Tables 6–a through 6–d, derived from analysis of CY 2003 HH PPS claims data, characterize outlier episodes, and estimate how different types of providers and providers in different parts of the country will do under an outlier scenario that employs a fixed dollar loss ratio of 0.70 as compared to the current fixed dollar loss ratio of 1.13.

The new FDL of 0.70 will increase outlier payments to all types of home health providers in all areas of the country. Generally speaking, it has been estimated that, under a scenario where the FDL is equal to 0.70, for home health providers whose outlier payments are historically a lesser percentage of their total HH PPS payments, their outlier payments will increase at a greater rate than will outlier payments for home health providers whose outlier payments are historically of a greater percentage of their total HH PPS payments.

For example, non-profit home health agencies were estimated to receive outlier payments equal to approximately 1.9 percent of their total HH PPS payments under the current scenario where the FDL = 1.13. Under the same scenario, for-profit home health agencies were estimated to receive outlier payments equal to approximately 5.1 percent of their total HH PPS payments. While a scenario where the FDL = 0.70 increases the percentage of outlier payments to total HH PPS payments, the overall increase in outlier payments to non-profit home health agencies increases by an estimated 77.6 percent while the outlier payments for for-profit home health agencies increase by approximately 33.8 percent.

Similarly, while outlier payments to both provider-based and free-standing home health agencies will increase under a scenario where FDL = 0.70, outlier payments to provider-based home health agencies are estimated to increase by approximately 97.3 percent, while payments to free-standing home health agencies are estimated to increase

by approximately 41 percent. For areas of the county where outlier payments are estimated to be of a lesser percentage to their total HH PPS payments, their overall percentage increase in outlier payments is estimated to be greater than for those areas of the country where outlier payments have been estimated to be of a greater percentage of their total HH PPS payments. Finally, while both urban and rural providers will benefit from increased outlier payments under the FDL of 0.70 scenario, rural providers will see their outlier payments increase by an estimated 81.5 percent, while urban providers will see an estimated increase of approximately 43.2 percent.

TABLE 6–A.—COMPARISON OF ESTIMATED OUTLIER PAYMENTS AS A PERCENTAGE OF TOTAL HH PPS PAYMENTS UNDER THE CURRENT FDL = 1.13 TO ESTIMATED OUTLIER PAYMENTS AS PERCENTAGE OF TOTAL HH PPS UNDER THE FDL = 0.70 BY TYPE OF CONTROL

Type of control	Percentage of outlier payments to total HH PPS payments		Percent change in outlier payments from FDL = 1.13 to FDL = 0.70
	FDL = 1.13	FDL = 0.70	
Non-Profit	1.9	3.4	77.6
Profit	5.1	6.7	33.8
Government	2.1	3.1	77.5

TABLE 6–B.—COMPARISON OF ESTIMATED OUTLIER PAYMENTS AS A PERCENTAGE OF TOTAL HH PPS PAYMENTS UNDER THE CURRENT FDL = 1.13 TO ESTIMATED OUTLIER PAYMENTS AS PERCENTAGE OF TOTAL HH PPS UNDER THE FDL = 0.70 BY TYPE OF FACILITY

Type of control	Percentage of outlier payments to total HH PPS payments		Percent change in outlier payments from FDL = 1.13 to FDL = 0.70
	FDL = 1.13	FDL = 0.70	
Free Standing	4.1	5.7	41.0
Provider Based	1.4	2.7	97.3

TABLE 6–C.—COMPARISON OF ESTIMATED OUTLIER PAYMENTS AS A PERCENTAGE OF TOTAL HH PPS PAYMENTS UNDER THE CURRENT FDL = 1.13 TO ESTIMATED OUTLIER PAYMENTS AS PERCENTAGE OF TOTAL HH PPS UNDER THE FDL = 0.70 BY REGION

Region	Percentage of outlier payments to total HH PPS payments		Percent change in outlier payments from FDL = 1.13 to FDL = 0.70
	FDL = 1.13	FDL = 0.70	
Region I: Boston	2.8	4.9	76.6
Region II: New York	3.3	5.4	66.6
Region III: Philadelphia	1.0	2.0	97.5
Region IV: Atlanta	3.5	4.9	43.6
Region V: Chicago	1.1	2.1	96.9
Region VI: Dallas	3.7	5.2	41.5
Region VII: Kansas City	1.2	2.3	102.5
Region VIII: Denver	3.5	5.1	47.6
Region IX: San Francisco	9.9	12.0	24.6
Region X: Seattle	0.5	1.3	151.7

TABLE 6–D.—COMPARISON OF ESTIMATED OUTLIER PAYMENTS AS A PERCENTAGE OF TOTAL HH PPS PAYMENTS UNDER THE CURRENT FDL = 1.13 TO ESTIMATED OUTLIER PAYMENTS AS PERCENTAGE OF TOTAL HH PPS UNDER THE FDL = 0.70 BY URBAN/RURAL

Urban/rural	Percentage of outlier payments to total HH PPS payments		Percent change in outlier payments from FDL = 1.13 to FDL = 0.70
	FDL = 1.13	FDL = 0.70	
Urban	4.0	5.6	43.2
Rural	1.4	2.5	81.5

E. Rural Add-On as Required by MMA

As discussed in the proposed rule, section 421 of the MMA requires, for home health services furnished in a rural area with respect to episodes and visits ending on or after April 1, 2004 and before April 1, 2005, that we increase by 5 percent the payment amount that otherwise would be made for the services.

The CY 2005 5 percent rural add-on to the 60-day episode standardized payment and the per-visit LUPA payments, as required by section 421 of the MMA, is noted in tables 7 and 8 below.

TABLE 7.—CY 2005 RURAL ADD-ON TO 60-DAY EPISODE PAYMENT AMOUNTS ENDING ON OR AFTER APRIL 1, 2004 AND BEFORE APRIL 1, 2005 FOR BENEFICIARIES WHO RESIDE IN A NON-MSA AREA BEFORE CASE-MIX ADJUSTMENT, WAGE INDEX ADJUSTMENT BASED ON THE SITE OF SERVICE FOR THE BENEFICIARY OR APPLICABLE PAYMENT ADJUSTMENT

Total prospective payment amount per 60-day episode for CY 2005	5 percent rural add-on	CY 2005 final payment amount per 60-day episode ending before April 1, 2005 for a beneficiary who resides in a Non-MSA area
$2,264.28	× 1.05	$2,377.49

TABLE 8.—CY 2005 ADD-ON TO LUPA PER-VISIT AMOUNTS FOR VISITS ENDING ON OR AFTER APRIL 1, 2004 AND BEFORE APRIL 1, 2005, BEFORE WAGE INDEX ADJUSTMENT BASED ON THE SITE OF SERVICE OF THE BENEFICIARY WHO RESIDES IN A NON-MSA AREA OR PAYMENT APPLICABLE ADJUSTMENT

Home health discipline type	Per-visit payment amounts per 60-day episode for CY 2005 for LUPAs	5 percent rural add-on	CY 2005 per-visit payment amounts per 60-day episode ending before April 1, 2005 for LUPAs for a beneficiary who resides in a non-MSA area
Home Health Aide	$44.76	× 1.05	$47.00
Medical Social Services	158.45	× 1.05	166.37
Occupational Therapy	108.81	× 1.05	114.25
Physical Therapy	108.08	× 1.05	113.48
Skilled Nursing	98.85	× 1.05	103.79
Speech-Language Pathology	117.44	× 1.05	123.31

F. Hospital Wage Index

Sections 1895(b)(4)(A)(ii) and (b)(4)(C) of the Act require the Secretary to establish area wage adjustment factors that reflect the relative level of wages and wage-related costs applicable to the furnishing of home health services and to provide appropriate adjustments to the episode payment amounts under HH PPS to account for area wage differences. We have consistently used the most recent pre-floor and pre-reclassified hospital wage index available in determining HH PPS updates.

In our June 2, 2004 proposed rule (69 FR 31260), we proposed to continue to use the most recent pre-floor and pre-reclassified hospital wage index available at the time of the final rule. At the time of publication of the proposed rule, only preliminary versions of the wage index used by HH PPS were available. We indicated in the proposed rule that we would incorporate updated wage data for the wage index to be used in the final rule for the CY 2005 HH PPS update. Subsequent to the proposed rule, we published a correction notice on July 30, 2004 (69 FR 45640) in which we indicated that in our publishing of the proposed rule, we inadvertently published the 2004 pre-floor and pre-reclassified wage index tables instead of the intended 2005 pre-floor and pre-reclassified wage index tables. As part of that correction notice, we published the appropriate 2005 pre-floor and pre-reclassified wage index tables.

Since the publication of the correction notice, we have determined that there exists some labeling and other technical errors in the proposed wage index.

We note a labeling error in the wage index tables used in the HH PPS. That labeling error is the listing of Stanly County, NC as one of the areas under MSA 1520 when, in fact, we consider Stanly County, NC to be a rural area in North Carolina. Stanly County wage data have always been correctly treated as rural in the actual creation of the home health wage index values, and it has only been the listing of Stanly County under MSA 1520 that was in error. Consequently, the wage index table in this final rule correctly removes Stanly County from the list of areas that fall under the MSA 1520 wage index. As this is strictly a labeling correction that does not affect the actual computation of the wage index values, home health providers in Stanly County, NC will continue to fall under, and use, the wage index for rural North Carolina.

In addition, we have determined that Sharon Hospital of Litchfield County, Connecticut was inadvertently designated to the rural Connecticut area in our July 30, 2004 correction notice (69 FR 45640). Consequently, the updated CY 2005 pre-floor and pre-reclassified hospital wage index published in this final rule correctly designates Sharon Hospital to the

Hartford MSA (3283). In doing so, rural Connecticut's wage index value increases from 1.1586 in the proposed CY 2005 wage index to 1.1917 in the final CY 2005 wage index published in this final rule. Conversely, the Hartford MSA wage index value changes from a value of 1.1068 to 1.1055. In addition, our review determined that there were technical errors in the hospital wage index calculation process for FY 2005 that had a slight overall impact to the wage index that we published in our correction notice (69 FR 45640). These technical errors have been corrected in the wage index published in this final rule.

See Addenda A and B of this final rule, respectively, for the rural and urban hospital wage indexes. Furthermore, we have added an Addendum C that shows a side-by-side comparison of the FY 2003 pre-floor and pre-reclassified hospital wage index and the CY 2005 pre-floor and pre-reclassified hospital wage index, that does not apply the CBSA policy, for CY 2005 HH PPS.

V. Collection of Information Requirements

This document does not impose information collection and record-keeping requirements. Consequently, it need not be reviewed by the Office of Management and Budget under the authority of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

VI. Regulatory Impact Analysis

A. Overall Impact

We have examined the impacts of this rule as required by Executive Order 12866 (September 1993, Regulatory Planning and Review), the Regulatory Flexibility Act (RFA) (September 16, 1980, Pub. L. 96–354), section 1102(b) of the Social Security Act, the Unfunded Mandates Reform Act of 1995 (Pub. L. 104–4), and Executive Order 13132.

Executive Order 12866 (as amended by Executive Order 13258, which merely reassigns responsibility of duties) directs agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). A regulatory impact analysis (RIA) must be prepared for major rules with economically significant effects ($100 million or more in any 1 year). The update set forth in this final rule would apply to Medicare payments under HH PPS in CY 2005. Accordingly, the following analysis describes the impact in CY 2005 only. We estimate that there will be an additional $250 million in CY 2005 expenditures attributable to the CY 2005 market basket (3.1 percent), minus 0.8 percentage points, an estimated increase of 2.3 percent.

Section 421 of the MMA provides for a 5 percent increase in home health payments to rural providers for episodes and visits ending after April 1, 2004 and before April 1, 2005. This increase is not subject to budget neutrality. Consequently, this increase in payments to rural providers will result in an estimated increase in expenditures of $50 million in CY 2004 and $60 million in CY 2005.

Section 701 of the MMA includes a provision that changes the update cycle for HH PPS, and thus the home health market basket update, from a fiscal year basis to that of a calendar year basis in 2004. This results in a projected reduction in expenditures of approximately $90 million in FY 2005.

The RFA requires agencies to analyze options for regulatory relief of small businesses. For purposes of the RFA, small entities include small businesses, nonprofit organizations, and government agencies. Most hospitals and most other providers and suppliers are small entities, either by nonprofit status or by having revenues of $6 million to $29 million or less annually (for details, see the Small Business Administration's regulation that set forth size standards for health care industries at 65 FR 69432). For purposes of the RFA, approximately 75 percent of HHAs are considered small businesses according to the Small Business Administration's size standards with total revenues of $11.5 million or less in 1 year. Individuals and States are not included in the definition of a small entity. As stated above, this final rule updates all of the HHAs for CY 2005 as required by statute. This rule will have a significant positive effect upon small entities.

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the provisions of section 603 of the RFA. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside of a metropolitan statistical area (MSA) and has fewer than 100 beds. We have determined that this final rule would not have a significant economic impact on the operations of a substantial number of small rural hospitals.

Section 202 of the Unfunded Mandates Reform Act of 1995 also requires that agencies assess anticipated costs and benefits before issuing any rule that may result in expenditure in any 1 year by State, local, or tribal governments, in the aggregate, or by the private sector, of $110 million. We believe that this final rule would not mandate expenditures in that amount.

Executive Order 13132 establishes certain requirements that an agency must meet when it promulgates a proposed rule (and subsequent final rule) that imposes substantial direct requirement costs on State and local governments, preempts State law, or otherwise has Federalism implications. We have reviewed this rule under the threshold criteria of Executive Order 13132, Federalism. We have determined that this final rule would not have substantial direct effects on the rights, roles, and responsibilities of States.

B. Anticipated Effects

In accordance with the requirements of section 1895(b)(3) of the Act, we publish an update for each subsequent fiscal year that will provide an update to the payment rates. Section 1895(b)(3)(B) of the Act, as amended by section 701 of the MMA, requires us, for CY 2005, to increase the prospective payment amounts by the applicable home health market basket increase minus 0.8 percentage points. We estimate that with a home health market basket of 3.1 percent minus 0.8 percentage points, the increase for CY 2005 is 2.3 percent.

1. Effects on the Medicare Program

This final rule provides a percentage update to all Medicare HHAs. Therefore, we have not furnished any impact tables. We increased the payment to each Medicare HHA equally by the home health market basket update for CY 2005, minus 0.8 percentage points, as required by statute. There is no differential impact among provider types. The impact is in the aggregate. We can show the impact that the CY 2005 wage index would have on providers. Addendum C shows a side-by-side comparison of the FY 2003 pre-floor and pre-reclassified hospital wage index and the CY 2005 pre-floor and pre-reclassified hospital wage index, that does not apply the CBSA policy, for the CY 2005 HH PPS update final rule. We estimate that there would be an additional $250 million in CY 2005 expenditures attributable to the CY 2005 market basket (3.1 percent), minus 0.8 percentage points, resulting in a 2.3 percent increase. Thus, the anticipated expenditures outlined in this final rule

would exceed the $100 million annual threshold for a major rule as defined in Title 5, U.S.C., section 804(2).

The applicable home health market basket (minus 0.8 percentage points) increase of 2.3 percent for CY 2005 applies to all Medicare-participating HHAs. We do not believe there is a differential impact due to the aggregate nature of the update.

TABLE 9

CY 2005 update to Home Health PPS rates required by the Act	Additional CY 2005 Medicare Home Health estimated expenditures due to annual update required by law
Section 1895(b)(3)(B) of the Act requires HH PPS rates increased by applicable home health market basket increase (3.1 percent) minus 0.8 percentage points, yielding 2.3 percent	$250 Million.

Source: President's FY 2004 Budget.

2. Effects on Providers

We believe that this rule would have a positive effect on providers of Medicare home health services by increasing their rate of Medicare payments. We do not anticipate specific effects on other providers. This final rule reflects the statutorily required annual update to the HH PPS rates. We do not believe there is a differential impact due to the consistent and aggregate nature of the update.

C. Alternatives Considered

This final rule reflects an annual update to the HH PPS rates as required by statute. We believe that the statute provides no latitude for alternatives other than the approach set forth in this final rule reflecting the CY 2005 annual update to the HH PPS rates. Other than the positive effect of the market basket increase, this final rule would not have a significant economic impact nor would it impose an additional burden on small entities. When a regulation or notice imposes additional burden on small entities, we are required under the RFA to examine alternatives for reducing burden.

This final rule rebases and revises the home health market basket by moving the base year from FY 1993 to FY 2000 to reflect the latest available, thorough data on the structure of HHA costs. We periodically rebase and revise market baskets for multiple types of health care providers, generally on a 5-year cycle. We continue to believe that by rebasing and revising the home health market basket periodically, cost category weights will better reflect changes in the mix of goods and services that HHAs purchase in furnishing home health care. The alternative to not rebase and revise the market basket would be to delay the inevitable task of rebasing and revising the home health market basket to some later date. For this final rule, the forecasted rate of growth for CY 2005 for both the rebased and revised home health market basket and the current 1993-based home health market basket is 3.1 percent (see Table 1 of this rule). Future updates will be better served by using a more up-to-date cost structure, as is accomplished in the revised and rebased home health market basket.

Section 1895(b)(5) of the Act states that the total amount of payments for outliers, under HH PPS, may not exceed 5 percent of the total payments projected or estimated to be made for a given fiscal year or year. As discussed in section IV, ''Provisions of the Final Regulations'', we are reducing the fixed dollar loss ratio used in the formula to determine outlier cases in HH PPS, from that of 1.13 to 0.70. Analysis indicates that a fixed dollar loss ratio of 0.70 is consistent with the existing loss-sharing ratio of 0.80 and our target percentage of estimated outlier payments of 5 percent of total home health payments. Other alternatives considered in the updating of the formula for determining outlier cases included updating/changing the loss-sharing ratio from that of 0.80 as well as changing the outlier payment target of to less than 5 percent of total home health payments. We believe that a value of 0.80 for the loss-sharing ratio is appropriate in that it preserves incentives for agencies to provide care efficiently for outlier cases. Similarly, we continue to believe that the total outlier payment target of 5 percent of total home health payments appropriately targets the most costly cases under HH PPS.

D. Conclusion

We have examined the economic impact of this final rule on small entities and have determined that the economic impact is positive, significant, and that all HHAs would be affected. To the extent that small rural hospitals are affiliated with HHAs, the impact on these facilities would also be positive. Finally, we have determined that the economic effects described above are largely the result of the specific statutory provisions, which this final rule serves to announce.

In accordance with the provisions of Executive Order 12866, this regulation was reviewed by the Office of Management and Budget.

List of Subjects in 42 CFR Part 484

Health facilities, Health professions, Medicare, Reporting and record-keeping requirements.

■ For the reasons set forth in the preamble, the Centers for Medicare & Medicaid Services amends 42 CFR chapter IV as set forth below:

PART 484—HOME HEALTH SERVICES

■ 1. The authority citation for part 484 continues to read as follows:

Authority: Secs. 1102 and 1871 of the Social Security Act (42 U.S.C. 1302 and 1395(hh)) unless otherwise indicated.

■ 2. Section 484.225 is amended as follow:
■ A. Paragraph (d) is redesignated as paragraph (g) and is revised.
■ B. New paragraph (d) is added.
■ C. New paragraph (e) is added.
■ D. New paragraph (f) is added.

The revisions and additions read as follows:

§ 484.225 Annual update of the unadjusted national prospective 60-day episode payment rate.

* * * * *

(d) For the last calendar quarter of 2003 and the first calendar quarter of 2004, the unadjusted national prospective 60-day episode payment rate is equal to the rate from the previous fiscal year (FY 2003) increased by the applicable home health market basket index amount.

(e) For the last the 3 calendar quarters of 2004, the unadjusted national

prospective 60-day episode payment rate is equal to the rate from the previous fiscal year (FY 2003) increased by the applicable home health market basket minus 0.8 percentage points.

(f) For each calendar year of 2005 and 2006, the unadjusted national prospective 60-day episode payment rate is equal to the rate from the previous calendar year, increased by the applicable home health market basket minus 0.8 percentage points.

(g) For 2007 and subsequent calendar years, the unadjusted national rate is equal to the rate for the previous calendar year increased by the applicable home health market basket index amount.

(Catalog of Federal Domestic Assistance Program No. 93.773, Medicare—Hospital Insurance; and Program No. 93.774, Medicare—Supplementary Medical Insurance Program)

Dated: September 14, 2004.

Mark B. McClellan,

Administrator, Centers for Medicare & Medicaid Services.

Dated: October 7, 2004.

Tommy G. Thompson,

Secretary.

Note: The following addenda will not be published in the Code of Federal Regulations.

ADDENDUM A.—WAGE INDEX FOR RURAL AREAS-APPLICABLE PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX

[CY 2005]

MSA name	Wage index
Alabama	0.7637
Alaska	1.1637
Arizona	0.9140
Arkansas	0.7704
California	1.0297
Colorado	0.9368
Connecticut	1.1917
Delaware	0.9504
Florida	0.8789
Georgia	0.8247
Guam	0.9611
Hawaii	1.0522
Idaho	0.8826
Illinois	0.8341
Indiana	0.8736
Iowa	0.8550
Kansas	0.8088
Kentucky	0.7844
Louisiana	0.7291
Maine	0.9039
Maryland	0.9179
Massachusetts	1.0217
Michigan	0.8741
Minnesota	0.9339
Mississippi	0.7583
Missouri	0.7829
Montana	0.8701
Nebraska	0.9035
Nevada	0.9833
New Hampshire	0.9940
New Jersey [1]	.....
New Mexico	0.8529
New York	0.8403
North Carolina	0.8501
North Dakota	0.7743
Ohio	0.8760
Oklahoma	0.7537
Oregon	1.0050
Pennsylvania	0.8348
Puerto Rico	0.4047
Rhode Island [1]	.....
South Carolina	0.8640
South Dakota	0.8393
Tennessee	0.7876
Texas	0.7910
Utah	0.8843
Vermont	0.9375
Virginia	0.8480
Virgin Islands	0.7457
Washington	1.0072
West Virginia	0.8084
Wisconsin	0.9498
Wyoming	0.9182

[1] All counties within the State are classified urban.

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX

MSA	Urban area (constituent counties or county equivalents)	Wage index
0040	Abilene, TX	0.8009
	Taylor, TX	
0060	Aguadilla, PR	0.4294
	Aguada, PR	
	Aguadilla, PR	
	Moca, PR	
0080	Akron, OH	0.9055
	Portage, OH	
	Summit, OH	
0120	Albany, GA	1.1266
	Dougherty, GA	
	Lee, GA	
0160	Albany-Schenectady-Troy, NY	0.8570
	Albany, NY	
	Montgomery, NY	
	Rensselaer, NY	
	Saratoga, NY	
	Schenectady, NY	
	Schoharie, NY	
0200	Albuquerque, NM	1.0485
	Bernalillo, NM	
	Sandoval, NM	
	Valencia, NM	
0220	Alexandria, LA	0.8171
	Rapides, LA	
0240	Allentown-Bethlehem-Easton, PA	0.9536
	Carbon, PA	
	Lehigh, PA	
	Northampton, PA	
0280	Altoona, PA	0.8462
	Blair, PA	
0320	Amarillo, TX	0.9178

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Potter, TX	
	Randall, TX	
0380	Anchorage, AK	1.2109
	Anchorage, AK	
0440	Ann Arbor, MI	1.0817
	Lenawee, MI	
	Livingston, MI	
	Washtenaw, MI	
0450	Anniston,AL	0.7881
	Calhoun, AL	
0460	Appleton-Oshkosh-Neenah, WI	0.9115
	Calumet, WI	
	Outagamie, WI	
	Winnebago, WI	
0470	Arecibo, PR	0.3757
	Arecibo, PR	
	Camuy, PR	
	Hatillo, PR	
0480	Asheville, NC	0.9502
	Buncombe, NC	
	Madison, NC	
0500	Athens, GA	1.0203
	Clarke, GA	
	Madison, GA	
	Oconee, GA	
0520	Atlanta, GA	0.9971
	Barrow, GA	
	Bartow, GA	
	Carroll, GA	
	Cherokee, GA	
	Clayton, GA	
	Cobb, GA	
	Coweta, GA	
	De Kalb, GA	
	Douglas, GA	
	Fayette, GA	
	Forsyth, GA	
	Fulton, GA	
	Gwinnett, GA	
	Henry, GA	
	Newton, GA	
	Paulding, GA	
	Pickens, GA	
	Rockdale, GA	
	Spalding, GA	
	Walton, GA	
0560	Atlantic City-Cape May, NJ	1.0907
	Atlantic City, NJ	
	Cape May, NJ	
0580	Auburn-Opelika, AL	0.8215
	Lee, AL	
0600	Augusta-Aiken, GA-SC	0.9208
	Columbia, GA	
	McDuffie, GA	
	Richmond, GA	
	Aiken, SC	
	Edgefield, SC	
0640	Austin-San Marcos, TX	0.9596
	Bastrop, TX	
	Caldwell, TX	
	Hays, TX	
	Travis, TX	
	Williamson, TX	
0680	Bakersfield, CA	1.0036
	Kern, CA	
0720	Baltimore, MD	0.9908
	Anne Arundel, MD	
	Baltimore, MD	
	Baltimore City, MD	
	Carroll, MD	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Harford, MD	
	Howard, MD	
	Queen Annes, MD	
0733	Bangor, ME	0.9955
	Penobscot, ME	
0743	Barnstable-Yarmouth, MA	1.2335
	Barnstable, MA	
0760	Baton Rouge, LA	0.8354
	Ascension, LA	
	East Baton Rouge	
	Livingston, LA	
	West Baton Rouge, LA	
0840	Beaumont-Port Arthur, TX	0.8616
	Hardin, TX	
	Jefferson, TX	
	Orange, TX	
0860	Bellingham, WA	1.1643
	Whatcom, WA	
0870	Benton Harbor, MI	0.8847
	Berrien, MI	
0875	Bergen-Passaic, NJ	1.1967
	Bergen, NJ	
	Passaic, NJ	
0880	Billings, MT	0.8961
	Yellowstone, MT	
0920	Biloxi-Gulfport-Pascagoula, MS	0.8649
	Hancock, MS	
	Harrison, MS	
	Jackson, MS	
0960	Binghamton, NY	0.8447
	Broome, NY	
	Tioga, NY	
1000	Birmingham, AL	0.9199
	Blount, AL	
	Jefferson, AL	
	St. Clair, AL	
	Shelby, AL	
1010	Bismarck, ND	0.7505
	Burleigh, ND	
	Morton, ND	
1020	Bloomington, IN	0.8588
	Monroe, IN	
1040	Bloomington-Normal, IL	0.9111
	McLean, IL	
1080	Boise City, ID	0.9352
	Ada, ID	
	Canyon, ID	
1123	Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH	1.1291
	Bristol, MA	
	Essex, MA	
	Middlesex, MA	
	Norfolk, MA	
	Plymouth, MA	
	Suffolk, MA	
	Worcester, MA	
	Hillsborough, NH	
	Merrimack, NH	
	Rockingham, NH	
	Strafford, NH	
1125	Boulder-Longmont, CO	1.0046
	Boulder, CO	
1145	Brazoria, TX	0.8525
	Brazoria, TX	
1150	Bremerton, WA	1.0614
	Kitsap, WA	
1240	Brownsville-Harlingen-San Benito, TX	1.0125
	Cameron, TX	
1260	Bryan-College Station, TX	0.9219
	Brazos, TX	
1280	Buffalo-Niagara Falls, NY	0.9339

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Erie, NY	
	Niagara, NY	
1303	Burlington, VT	0.9322
	Chittenden, VT	
	Franklin, VT	
	Grand Isle, VT	
1310	Caguas, PR	0.4061
	Caguas, PR	
	Cayey, PR	
	Cidra, PR	
	Gurabo, PR	
	San Lorenzo, PR	
1320	Canton-Massillon, OH	0.8895
	Carroll, OH	
	Stark, OH	
1350	Casper, WY	0.9244
	Natrona, WY	
1360	Cedar Rapids, IA	0.8975
	Linn, IA	
1400	Champaign-Urbana, IL	0.9527
	Champaign, IL	
1440	Charleston-North Charleston, SC	0.9420
	Berkeley, SC	
	Charleston, SC	
	Dorchester, SC	
1480	Charleston, WV	0.8876
	Kanawha, WV	
	Putnam, WV	
1520	Charlotte-Gastonia-Rock Hill, NC-SC	0.9712
	Cabarrus, NC	
	Gaston, NC	
	Lincoln, NC	
	Mecklenburg, NC	
	Rowan, NC	
	Union, NC	
	York, SC	
1540	Charlottesville, VA	1.0295
	Albemarle, VA	
	Charlottesville City, VA	
	Fluvanna, VA	
	Greene, VA	
1560	Chattanooga, TN-GA	0.9207
	Catoosa, GA	
	Dade, GA	
	Walker, GA	
	Hamilton, TN	
	Marion, TN	
1580	Cheyenne, WY	0.8980
	Laramie, WY	
1600	Chicago, IL	1.0852
	Cook, IL	
	De Kalb, IL	
	Du Page, IL	
	Grundy, IL	
	Kane, IL	
	Kendall, IL	
	Lake, IL	
	McHenry, IL	
	Will, IL	
1620	Chico-Paradise, CA	1.0543
	Butte, CA	
1640	Cincinnati, OH-KY-IN	0.9595
	Dearborn, IN	
	Ohio, IN	
	Boone, KY	
	Campbell, KY	
	Gallatin, KY	
	Grant, KY	
	Kenton, KY	
	Pendleton, KY	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Brown, OH	
	Clermont, OH	
	Hamilton, OH	
	Warren, OH	
1660	Clarksville-Hopkinsville, TN-KY	0.8022
	Christian, KY	
	Montgomery, TN	
1680	Cleveland-Lorain-Elyria, OH	0.9626
	Ashtabula, OH	
	Geauga, OH	
	Cuyahoga, OH	
	Lake, OH	
	Lorain, OH	
	Medina, OH	
1720	Colorado Springs, CO	0.9793
	El Paso, CO	
1740	Columbia MO	0.8396
	Boone, MO	
1760	Columbia, SC	0.9450
	Lexington, SC	
	Richland, SC	
1800	Columbus, GA-AL	0.8690
	Russell,AL	
	Chattanoochee, GA	
	Harris, GA	
	Muscogee, GA	
1840	Columbus, OH	0.9753
	Delaware, OH	
	Fairfield, OH	
	Franklin, OH	
	Licking, OH	
	Madison, OH	
	Pickaway, OH	
1880	Corpus Christi, TX	0.8647
	Nueces, TX	
	San Patricio, TX	
1890	Corvallis, OR	1.0545
	Benton, OR	
1900	Cumberland, MD-WV	0.8662
	Allegany MD	
	Mineral WV	
1920	Dallas, TX	1.0049
	Collin, TX	
	Dallas, TX	
	Denton, TX	
	Ellis, TX	
	Henderson, TX	
	Hunt, TX	
	Kaufman, TX	
	Rockwall, TX	
1950	Danville, VA	0.8643
	Danville City, VA	
	Pittsylvania, VA	
1960	Davenport-Moline-Rock Island, IA-IL	0.8774
	Scott, IA	
	Henry, IL	
	Rock Island, IL	
2000	Dayton-Springfield, OH	0.9232
	Clark, OH	
	Greene, OH	
	Miami, OH	
	Montgomery, OH	
2020	Daytona Beach, FL	0.8900
	Flagler, FL	
	Volusia, FL	
2030	Decatur, AL	0.8894
	Lawrence, AL	
	Morgan, AL	
2040	Decatur, IL	0.8122
	Macon, IL	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
2080	Denver, CO	1.0905
	Adams, CO	
	Arapahoe, CO	
	Broomfield, CO	
	Denver, CO	
	Douglas, CO	
	Jefferson, CO	
2120	Des Moines, IA	0.9267
	Dallas, IA	
	Polk, IA	
	Warren, IA	
2160	Detroit, MI	1.0227
	Lapeer, MI	
	Macomb, MI	
	Monroe, MI	
	Oakland, MI	
	St. Clair, MI	
	Wayne, MI	
2180	Dothan, AL	0.7597
	Dale, AL	
	Houston, AL	
2190	Dover, DE	0.9825
	Kent, DE	
2200	Dubuque, IA	0.8748
	Dubuque, IA	
2240	Duluth-Superior, MN-WI	1.0356
	St. Louis, MN	
	Douglas, WI	
2281	Dutchess County, NY	1.1658
	Dutchess, NY	
2290	Eau Claire, WI	0.9139
	Chippewa, WI	
	Eau Claire, WI	
2320	El Paso, TX	0.9065
	El Paso, TX	
2330	Elkhart-Goshen, IN	0.9279
	Elkhart, IN	
2335	Elmira, NY	0.8445
	Chemung, NY	
2340	Enid, OK	0.9001
	Garfield, OK	
2360	Erie, PA	0.8699
	Erie, PA	
2400	Eugene-Springfield, OR	1.0940
	Lane, OR	
2440	Evansville-Henderson, IN-KY	0.8395
	Posey, IN	
	Vanderburgh, IN	
	Warrick, IN	
	Henderson, KY	
2520	Fargo-Moorhead, ND-MN	0.9115
	Clay, MN	
	Cass, ND	
2560	Fayetteville, NC	0.9363
	Cumberland, NC	
2580	Fayetteville-Springdale-Rogers, AR	0.8637
	Benton, AR	
	Washington, AR	
2620	Flagstaff, AZ-UT	1.0611
	Coconino, AZ	
	Kane, UT	
2640	Flint, MI	1.1178
	Genesee, MI	
2650	Florence, AL	0.7883
	Colbert, AL	
	Lauderdale, AL	
2655	Florence, SC	0.8961
	Florence, SC	
2670	Fort Collins-Loveland, CO	1.0219
	Larimer, CO	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
2680	Ft. Lauderdale, FL	1.0165
	Broward, FL	
2700	Fort Myers-Cape Coral, FL	0.9372
	Lee, FL	
2710	Fort Pierce-Port St. Lucie, FL	1.0046
	Martin, FL	
	St. Lucie, FL	
2720	Fort Smith, AR-OK	0.8303
	Crawford, AR	
	Sebastian, AR	
	Sequoyah, OK	
2750	Fort Walton Beach, FL	0.8786
	Okaloosa, FL	
2760	Fort Wayne, IN	0.9737
	Adams, IN	
	Allen, IN	
	De Kalb, IN	
	Huntington, IN	
	Wells, IN	
	Whitley, IN	
2800	Forth Worth-Arlington, TX	0.9538
	Hood, TX	
	Johnson, TX	
	Parker, TX	
	Tarrant, TX	
2840	Fresno, CA	1.0408
	Fresno, CA	
	Madera, CA	
2880	Gadsden, AL	0.8049
	Etowah, AL	
2900	Gainesville, FL	0.9459
	Alachua, FL	
2920	Galveston-Texas City, TX	0.9403
	Galveston, TX	
2960	Gary, IN	0.9343
	Lake, IN	
	Porter, IN	
2975	Glens Falls, NY	0.8467
	Warren, NY	
	Washington, NY	
2980	Goldsboro, NC	0.8779
	Wayne, NC	
2985	Grand Forks, ND-MN	0.9092
	Polk, MN	
	Grand Forks, ND	
2995	Grand Junction, CO	0.9900
	Mesa, CO	
3000	Grand Rapids-Muskegon-Holland, MI	0.9520
	Allegan, MI	
	Kent, MI	
	Muskegon, MI	
	Ottawa, MI	
3040	Great Falls, MT	0.8810
	Cascade, MT	
3060	Greeley, CO	0.9444
	Weld, CO	
3080	Green Bay, WI	0.9586
	Brown, WI	
3120	Greensboro-Winston-Salem-High Point, NC	0.9312
	Alamance, NC	
	Davidson, NC	
	Davie, NC	
	Forsyth, NC	
	Guilford, NC	
	Randolph, NC	
	Stokes, NC	
	Yadkin, NC	
3150	Greenville, NC	0.9183
	Pitt, NC	
3160	Greenville-Spartanburg-Anderson, SC	0.9400

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Anderson, SC	
	Cherokee, SC	
	Greenville, SC	
	Pickens, SC	
	Spartanburg, SC	
3180	Hagerstown, MD	0.9940
	Washington, MD	
3200	Hamilton-Middletown, OH	0.9066
	Butler, OH	
3240	Harrisburg-Lebanon-Carlisle, PA	0.9286
	Cumberland, PA	
	Dauphin, PA	
	Lebanon, PA	
	Perry, PA	
3283	Hartford, CT	1.1055
	Hartford, CT	
	Litchfield, CT	
	Middlesex, CT	
	Tolland, CT	
3285	Hattiesburg, MS	0.7362
	Forrest, MS	
	Lamar, MS	
3290	Hickory-Morganton-Lenoir, NC	0.9502
	Alexander, NC	
	Burke, NC	
	Caldwell, NC	
	Catawba, NC	
3320	Honolulu, HI	1.1014
	Honolulu, HI	
3350	Houma, LA	0.7721
	Lafourche, LA	
	Terrebonne, LA	
3360	Houston, TX	1.0117
	Chambers, TX	
	Fort Bend, TX	
	Harris, TX	
	Liberty, TX	
	Montgomery, TX	
	Waller, TX	
3400	Huntington-Ashland, WV-KY-OH	0.9565
	Boyd, KY	
	Carter, KY	
	Greenup, KY	
	Lawrence, OH	
	Cabell, WV	
	Wayne, WV	
3440	Huntsville, AL	0.8851
	Limestone, AL	
	Madison, AL	
3480	Indianapolis, IN	1.0039
	Boone, IN	
	Hamilton, IN	
	Hancock, IN	
	Hendricks, IN	
	Johnson, IN	
	Madison, IN	
	Marion, IN	
	Morgan, IN	
	Shelby, IN	
3500	Iowa City, IA	0.9655
	Johnson, IA	
3520	Jackson, MI	0.9146
	Jackson, MI	
3560	Jackson, MS	0.8406
	Hinds, MS	
	Madison, MS	
	Rankin, MS	
3580	Jackson, TN	0.8900
	Chester, TN	
	Madison, TN	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
3600	Jacksonville, FL	0.9548
	Clay, FL	
	Duval, FL	
	Nassau, FL	
	St. Johns, FL	
3605	Jacksonville, NC	0.8402
	Onslow, NC	
3610	Jamestown, NY	0.7589
	Chautaqua, NY	
3620	Janesville-Beloit, WI	0.9583
	Rock, WI	
3640	Jersey City, NJ	1.0923
	Hudson, NJ	
3660	Johnson City-Kingsport-Bristol, TN-VA	0.8203
	Carter, TN	
	Hawkins, TN	
	Sullivan, TN	
	Unicoi, TN	
	Washington, TN	
	Bristol City, VA	
	Scott, VA	
	Washington, VA	
3680	Johnstown, PA	0.7981
	Cambria, PA	
	Somerset, PA	
3700	Jonesboro, AR	0.7934
	Craighead, AR	
3710	Joplin, MO	0.8721
	Jasper, MO	
	Newton, MO	
3720	Kalamazoo-Battlecreek, MI	1.0350
	Calhoun, MI	
	Kalamazoo, MI	
	Van Buren, MI	
3740	Kankakee, IL	1.0603
	Kankakee, IL	
3760	Kansas City, KS-MO	0.9642
	Johnson, KS	
	Leavenworth, KS	
	Miami, KS	
	Wyandotte, KS	
	Cass, MO	
	Clay, MO	
	Clinton, MO	
	Jackson, MO	
	Lafayette, MO	
	Platte, MO	
	Ray, MO	
3800	Kenosha, WI	0.9772
	Kenosha, WI	
3810	Killeen-Temple, TX	0.9242
	Bell, TX	
	Coryell, TX	
3840	Knoxville, TN	0.8509
	Anderson, TN	
	Blount, TN	
	Knox, TN	
	Loudon, TN	
	Sevier, TN	
	Union, TN	
3850	Kokomo, IN	0.8986
	Howard, IN	
	Tipton, IN	
3870	La Crosse, WI-MN	0.9290
	Houston, MN	
	La Crosse, WI	
3880	Lafayette, LA	0.8105
	Acadia, LA	
	Lafayette, LA	
	St. Landry, LA	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	St. Martin, LA	
3920	Lafayette, IN	0.9068
	Clinton, IN	
	Tippecanoe, IN	
3960	Lake Charles, LA	0.7959
	Calcasieu, LA	
3980	Lakeland-Winter Haven, FL	0.8931
	Polk, FL	
4000	Lancaster, PA	0.9883
	Lancaster, PA	
4040	Lansing-East Lansing, MI	0.9659
	Clinton, MI	
	Eaton, MI	
	Ingham, MI	
4080	Laredo, TX	0.8747
	Webb, TX	
4100	Las Cruces, NM	0.8784
	Dona Ana, NM	
4120	Las Vegas, NV-AZ	1.1121
	Mohave, AZ	
	Clark, NV	
	Nye, NV	
4150	Lawrence, KS	0.8644
	Douglas, KS	
4200	Lawton, OK	0.8212
	Comanche, OK	
4243	Lewiston-Auburn, ME	0.9562
	Androscoggin, ME	
4280	Lexington, KY	0.8053
	Bourbon, KY	
	Clark, KY	
	Fayette, KY	
	Jessamine, KY	
	Madison, KY	
	Scott, KY	
	Woodford, KY	
4320	Lima, OH	0.9258
	Allen, OH	
	Auglaize, OH	
4360	Lincoln, NE	1.0208
	Lancaster, NE	
4400	Little Rock-North Little, AR	0.8827
	Faulkner, AR	
	Lonoke, AR	
	Pulaski, AR	
	Saline, AR	
4420	Longview-Marshall, TX	0.8739
	Gregg, TX	
	Harrison, TX	
	Upshur, TX	
4480	Los Angeles-Long Beach, CA	1.1732
	Los Angeles, CA	
4520	Louisville, KY-IN	0.9163
	Clark, IN	
	Floyd, IN	
	Harrison, IN	
	Scott, IN	
	Bullitt, KY	
	Jefferson, KY	
	Oldham, KY	
4600	Lubbock, TX	0.8777
	Lubbock, TX	
4640	Lynchburg, VA	0.9018
	Amherst, VA	
	Bedford City, VA	
	Bedford, VA	
	Campbell, VA	
	Lynchburg City, VA	
4680	Macon, GA	0.9596
	Bibb, GA	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Houston, GA	
	Jones, GA	
	Peach, GA	
	Twiggs, GA	
4720	Madison, WI	1.0395
	Dane, WI	
4800	Mansfield, OH	0.9105
	Crawford, OH	
	Richland, OH	
4840	Mayaguez, PR	0.4769
	Anasco, PR	
	Cabo Rojo, PR	
	Hormigueros, PR	
	Mayaguez, PR	
	Sabana Grande, PR	
	San German, PR	
4880	McAllen-Edinburg-Mission, TX	0.8602
	Hidalgo, TX	
4890	Medford-Ashland, OR	1.0534
	Jackson, OR	
4900	Melbourne-Titusville-Palm Bay, FL	0.9633
	Brevard, FL	
4920	Memphis, TN-AR-MS	0.9234
	Crittenden, AR	
	De Soto, MS	
	Fayette, TN	
	Shelby, TN	
	Tipton, TN	
4940	Merced, CA	1.0576
	Merced, CA	
5000	Miami, FL	1.0026
	Dade, FL	
5015	Middlesex-Somerset-Hunterdon, NJ	1.1360
	Hunterdon, NJ	
	Middlesex, NJ	
	Somerset, NJ	
5080	Milwaukee-Waukesha, WI	1.0076
	Milwaukee, WI	
	Ozaukee, WI	
	Washington, WI	
	Waukesha, WI	
5120	Minneapolis-St. Paul, MN-WI	1.1067
	Anoka, MN	
	Carver, MN	
	Chisago, MN	
	Dakota, MN	
	Hennepin, MN	
	Isanti, MN	
	Ramsey, MN	
	Scott, MN	
	Sherburne, MN	
	Washington, MN	
	Wright, MN	
	Pierce, WI	
	St. Croix, WI	
5140	Missoula, MT	0.9618
	Missoula, MT	
5160	Mobile, AL	0.7933
	Baldwin, AL	
	Mobile, AL	
5170	Modesto, CA	1.1966
	Stanislaus, CA	
5190	Monmouth-Ocean, NJ	1.0889
	Monmouth, NJ	
	Ocean, NJ	
5200	Monroe, LA	0.7913
	Ouachita, LA	
5240	Montgomery, AL	0.8300
	Autauga, AL	
	Elmore, AL	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Montgomery, AL	
5280	Muncie, IN	0.8580
	Delaware, IN	
5330	Myrtle Beach, SC	0.9022
	Horry, SC	
5345	Naples, FL	1.0596
	Collier, FL	
5360	Nashville, TN	1.0108
	Cheatham, TN	
	Davidson, TN	
	Dickson, TN	
	Robertson, TN	
	Rutherford, TN	
	Sumner, TN	
	Williamson, TN	
	Wilson, TN	
5380	Nassau-Suffolk, NY	1.2921
	Nassau, NY	
	Suffolk, NY	
5483	New Haven-Bridgeport-Stamford-Waterbury-Danbury, CT	1.2254
	Fairfield, CT	
	New Haven, CT	
5523	New London-Norwich, CT	1.1596
	New London, CT	
5560	New Orleans, LA	0.9103
	Jefferson, LA	
	Orleans, LA	
	Plaquemines, LA	
	St. Bernard, LA	
	St. Charles, LA	
	St. James, LA	
	St. John The Baptist, LA	
	St. Tammany, LA	
5600	New York, NY	1.3588
	Bronx, NY	
	Kings, NY	
	New York, NY	
	Putnam, NY	
	Queens, NY	
	Richmond, NY	
	Rockland, NY	
	Westchester, NY	
5640	Newark, NJ	1.1625
	Essex, NJ	
	Morris, NJ	
	Sussex, NJ	
	Union, NJ	
	Warren, NJ	
5660	Newburgh, NY-PA	1.1171
	Orange, NY	
	Pike, PA	
5720	Norfolk-Virginia Beach-Newport News, VA-NC	0.8895
	Currituck, NC	
	Chesapeake City, VA	
	Gloucester, VA	
	Hampton City, VA	
	Isle of Wight, VA	
	James City, VA	
	Mathews, VA	
	Newport News City, VA	
	Norfolk City, VA	
	Poquoson City,VA	
	Portsmouth City, VA	
	Suffolk City, VA	
	Virginia Beach City, VA	
	Williamsburg City, VA	
	York, VA	
5775	Oakland, CA	1.5221
	Alameda, CA	
	Contra Costa, CA	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
5790	Ocala, FL	0.9153
	Marion, FL	
5800	Odessa-Midland, TX	0.9632
	Ector, TX	
	Midland, TX	
5880	Oklahoma City, OK	0.8966
	Canadian, OK	
	Cleveland, OK	
	Logan, OK	
	McClain, OK	
	Oklahoma, OK	
	Pottawatomie, OK	
5910	Olympia, WA	1.1007
	Thurston, WA	
5920	Omaha, NE-IA	0.9754
	Pottawattamie, IA	
	Cass, NE	
	Douglas, NE	
	Sarpy, NE	
	Washington, NE	
5945	Orange County, CA	1.1612
	Orange, CA	
5960	Orlando, FL	0.9742
	Lake, FL	
	Orange, FL	
	Osceola, FL	
	Seminole, FL	
5990	Owensboro, KY	0.8434
	Daviess, KY	
6015	Panama City, FL	0.8124
	Bay, FL	
6020	Parkersburg-Marietta, WV-OH	0.8288
	Washington, OH	
	Wood, WV	
6080	Pensacola, FL	0.8306
	Escambia, FL	
	Santa Rosa, FL	
6120	Peoria-Pekin, IL	0.8886
	Peoria, IL	
	Tazewell, IL	
	Woodford, IL	
6160	Philadelphia, PA-NJ	1.0824
	Burlington, NJ	
	Camden, NJ	
	Gloucester, NJ	
	Salem, NJ	
	Bucks, PA	
	Chester, PA	
	Delaware, PA	
	Montgomery, PA	
	Philadelphia, PA	
6200	Phoenix-Mesa, AZ	0.9982
	Maricopa, AZ	
	Pinal, AZ	
6240	Pine Bluff, AR	0.8673
	Jefferson, AR	
6280	Pittsburgh, PA	0.8756
	Allegheny, PA	
	Beaver, PA	
	Butler, PA	
	Fayette, PA	
	Washington, PA	
	Westmoreland, PA	
6323	Pittsfield, MA	1.0439
	Berkshire, MA	
6340	Pocatello, ID	0.9602
	Bannock, ID	
6360	Ponce, PR	0.4954
	Guayanilla, PR	
	Juana Diaz, PR	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Penuelas, PR	
	Ponce, PR	
	Villalba, PR	
	Yauco, PR	
6403	Portland, ME	1.0112
	Cumberland, ME	
	Sagadahoc, ME	
	York, ME	
6440	Portland-Vancouver, OR-WA	1.1403
	Clackamas, OR	
	Columbia, OR	
	Multnomah, OR	
	Washington, OR	
	Yamhill, OR	
	Clark, WA	
6483	Providence-Warwick-Pawtucket, RI	1.1062
	Bristol, RI	
	Kent, RI	
	Newport, RI	
	Providence, RI	
	Washington, RI	
6520	Provo-Orem, UT	0.9613
	Utah, UT	
6560	Pueblo, CO	0.8752
	Pueblo, CO	
6580	Punta Gorda, FL	0.9441
	Charlotte, FL	
6600	Racine, WI	0.9045
	Racine, WI	
6640	Raleigh-Durham-Chapel Hill, NC	1.0258
	Chatham, NC	
	Durham, NC	
	Franklin, NC	
	Johnston, NC	
	Orange, NC	
	Wake, NC	
6660	Rapid City, SD	0.8912
	Pennington, SD	
6680	Reading, PA	0.9216
	Berks, PA	
6690	Redding, CA	1.1835
	Shasta, CA	
6720	Reno, NV	1.0456
	Washoe, NV	
6740	Richland-Kennewick-Pasco, WA	1.0520
	Benton, WA	
	Franklin, WA	
6760	Richmond-Petersburg, VA	0.9398
	Charles City County, VA	
	Chesterfield, VA	
	Colonial Heights City, VA	
	Dinwiddie, VA	
	Goochland, VA	
	Hanover, VA	
	Henrico, VA	
	Hopewell City, VA	
	New Kent, VA	
	Petersburg City, VA	
	Powhatan, VA	
	Prince George, VA	
	Richmond City, VA	
6780	Riverside-San Bernardino, CA	1.0975
	Riverside, CA	
	San Bernardino, CA	
6800	Roanoke, VA	0.8429
	Botetourt, VA	
	Roanoke, VA	
	Roanoke City, VA	
	Salem City, VA	
6820	Rochester, MN	1.1504

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Olmsted, MN	
6840	Rochester, NY	0.9196
	Genesee, NY	
	Livingston, NY	
	Monroe, NY	
	Ontario, NY	
	Orleans, NY	
	Wayne, NY	
6880	Rockford, IL	0.9626
	Boone, IL	
	Ogle, IL	
	Winnebago, IL	
6895	Rocky Mount, NC	0.8998
	Edgecombe, NC	
	Nash, NC	
6920	Sacramento, CA	1.1849
	El Dorado, CA	
	Placer, CA	
	Sacramento, CA	
6960	Saginaw-Bay City-Midland, MI	0.9696
	Bay, MI	
	Midland, MI	
	Saginaw, MI	
6980	St. Cloud, MN	1.0215
	Benton, MN	
	Stearns, MN	
7000	St. Joseph, MO	1.0013
	Andrews, MO	
	Buchanan, MO	
7040	St. Louis, MO-IL	0.9081
	Clinton, IL	
	Jersey, IL	
	Madison, IL	
	Monroe, IL	
	St. Clair, IL	
	Franklin, MO	
	Jefferson, MO	
	Lincoln, MO	
	St. Charles, MO	
	St. Louis, MO	
	St. Louis City, MO	
	Warren, MO	
	Sullivan City, MO	
7080	Salem, OR	1.0557
	Marion, OR	
	Polk, OR	
7120	Salinas, CA	1.3823
	Monterey, CA	
7160	Salt Lake City-Ogden, UT	0.9487
	Davis, UT	
	Salt Lake, UT	
	Weber, UT	
7200	San Angelo, TX	0.8168
	Tom Green, TX	
7240	San Antonio, TX	0.9023
	Bexar, TX	
	Comal, TX	
	Guadalupe, TX	
	Wilson, TX	
7320	San Diego, CA	1.1267
	San Diego, CA	
7360	San Francisco, CA	1.4712
	Marin, CA	
	San Francisco, CA	
	San Mateo, CA	
7400	San Jose, CA	1.4744
	Santa Clara, CA	
7440	San Juan-Bayamon, PR	0.4802
	Aguas Buenas, PR	
	Barceloneta, PR	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Bayamon, PR Canovanas, PR Carolina, PR Catano, PR Ceiba, PR Comerio, PR Corozal, PR Dorado, PR Fajardo, PR Florida, PR Guaynabo, PR Humacao, PR Juncos, PR Los Piedras, PR Loiza, PR Luguillo, PR Manati, PR Morovis, PR Naguabo, PR Naranjito, PR Rio Grande, PR San Juan, PR Toa Alta, PR Toa Baja, PR Trujillo Alto, PR Vega Alta, PR Vega Baja, PR Yabucoa, PR	
7460	San Luis Obispo-Atascadero-Paso Robles, CA San Luis Obispo, CA	1.1118
7480	Santa Barbara-Santa Maria-Lompoc, CA Santa Barbara, CA	1.0771
7485	Santa Cruz-Watsonville, CA Santa Cruz, CA	1.4780
7490	Santa Fe, NM Los Alamos, NM Santa Fe, NM	1.0590
7500	Santa Rosa, CA Sonoma, CA	1.2962
7510	Sarasota-Bradenton, FL Manatee, FL Sarasota, FL	0.9630
7520	Savannah, GA Bryan, GA Chatham, GA Effingham, GA	0.9460
7560	Scranton--Wilkes-Barre--Hazleton, PA Columbia, PA Lackawanna, PA Luzerne, PA Wyoming, PA	0.8523
7600	Seattle-Bellevue-Everett, WA Island, WA King, WA Snohomish, WA	1.1479
7610	Sharon, PA Mercer, PA	0.7881
7620	Sheboygan, WI Sheboygan, WI	0.8949
7640	Sherman-Denison, TX Grayson, TX	0.9617
7680	Shreveport-Bossier City, LA Bossier, LA Caddo, LA Webster, LA	0.9112
7720	Sioux City, IA-NE Woodbury, IA Dakota, NE	0.9094
7760	Sioux Falls, SD Lincoln, SD	0.9441

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
	Minnehaha, SD	
7800	South Bend, IN	0.9447
	St. Joseph, IN	
7840	Spokane, WA	1.0661
	Spokane, WA	
7880	Springfield, IL	0.8738
	Menard, IL	
	Sangamon, IL	
7920	Springfield, MO	0.8597
	Christian, MO	
	Greene, MO	
	Webster, MO	
8003	Springfield, MA	1.0174
	Hampden, MA	
	Hampshire, MA	
8050	State College, PA	0.8462
	Centre, PA	
8080	Steubenville-Weirton, OH-WV	0.8281
	Jefferson, OH	
	Brooke, WV	
	Hancock, WV	
8120	Stockton-Lodi, CA	1.0564
	San Joaquin, CA	
8140	Sumter, SC	0.8520
	Sumter, SC	
8160	Syracuse, NY	0.9394
	Cayuga, NY	
	Madison, NY	
	Onondaga, NY	
	Oswego, NY	
8200	Tacoma, WA	1.1078
	Pierce, WA	
8240	Tallahassee, FL	0.8656
	Gadsden, FL	
	Leon, FL	
8280	Tampa-St. Petersburg-Clearwater, FL	0.9024
	Hernando, FL	
	Hillsborough, FL	
	Pasco, FL	
	Pinellas, FL	
8320	Terre Haute, IN	0.8582
	Clay, IN	
	Vermillion, IN	
	Vigo, IN	
8360	Texarkana, AR-Texarkana, TX	0.8414
	Miller, AR	
	Bowie, TX	
8400	Toledo, OH	0.9525
	Fulton, OH	
	Lucas, OH	
	Wood, OH	
8440	Topeka, KS	0.8904
	Shawnee, KS	
8480	Trenton, NJ	1.0276
	Mercer, NJ	
8520	Tucson, AZ	0.8926
	Pima, AZ	
8560	Tulsa, OK	0.8729
	Creek, OK	
	Osage, OK	
	Rogers, OK	
	Tulsa, OK	
	Wagoner, OK	
8600	Tuscaloosa, AL	0.8440
	Tuscaloosa, AL	
8640	Tyler, TX	0.9502
	Smith, TX	
8680	Utica-Rome, NY	0.8295
	Herkimer, NY	
	Oneida, NY	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
8720	Vallejo-Fairfield-Napa, CA	1.3517
	Napa, CA	
	Solano, CA	
8735	Ventura, CA	1.1105
	Ventura, CA	
8750	Victoria, TX	0.8469
	Victoria, TX	
8760	Vineland-Millville-Bridgeton, NJ	1.0573
	Cumberland, NJ	
8780	Visalia-Tulare-Porterville, CA	0.9964
	Tulare, CA	
8800	Waco, TX	0.8146
	McLennan, TX	
8840	Washington, DC-MD-VA-WV	1.0971
	District of Columbia, DC	
	Calvert, MD	
	Charles, MD	
	Frederick, MD	
	Montgomery, MD	
	Prince Georges, MD	
	Alexandria City, VA	
	Arlington, VA	
	Clarke, VA	
	Culpepper, VA	
	Fairfax, VA	
	Fairfax City, VA	
	Falls Church City, VA	
	Fauquier, VA	
	Fredericksburg City, VA	
	King George, VA	
	Loudoun, VA	
	Manassas City, VA	
	Manassas Park City, VA	
	Prince William, VA	
	Spotsylvania, VA	
	Stafford, VA	
	Warren, VA	
	Berkeley, WV	
	Jefferson, WV	
8920	Waterloo-Cedar Falls, IA	0.8633
	Black Hawk, IA	
8940	Wausau, WI	0.9570
	Marathon, WI	
8960	West Palm Beach-Boca Raton, FL	1.0059
	Palm Beach, FL	
9000	Wheeling, OH-WV	0.7449
	Belmont, OH	
	Marshall, WV	
	Ohio, WV	
9040	Wichita, KS	0.9473
	Butler, KS	
	Harvey, KS	
	Sedgwick, KS	
9080	Wichita Falls, TX	0.8395
	Archer, TX	
	Wichita, TX	
9140	Williamsport, PA	0.8486
	Lycoming, PA	
9160	Wilmington-Newark, DE-MD	1.1121
	New Castle, DE	
	Cecil, MD	
9200	Wilmington, NC	0.9237
	New Hanover, NC	
	Brunswick, NC	
9260	Yakima, WA	1.0323
	Yakima, WA	
9270	Yolo, CA	0.9378
	Yolo, CA	
9280	York, PA	0.9150
	York, PA	

ADDENDUM B.—CY 2005 WAGE INDEX FOR URBAN AREAS PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX—Continued

MSA	Urban area (constituent counties or county equivalents)	Wage index
9320	Youngstown-Warren, OH Columbiana, OH Mahoning, OH Trumbull, OH	0.9518
9340	Yuba City, CA Sutter, CA Yuba, CA	1.0364
9360	Yuma, AZ Yuma, AZ	0.8871

ADDENDUM C.—COMPARISON OF PRE-FLOOR AND PRE-RECLASSIFIED HOSPITAL WAGE INDEX FOR FY 2003 AND CY 2005

Rural area	FY 2003 Wage index	CY 2005 Wage index	Percent change, FY 2003–CY 2005
ALABAMA	0.7660	0.7637	−0.30
ALASKA	1.2293	1.1637	−5.34
ARIZONA	0.8493	0.9140	7.62
ARKANSAS	0.7666	0.7704	0.50
CALIFORNIA	0.9840	1.0297	4.64
COLORADO	0.9015	0.9368	3.92
CONNECTICUT	1.2394	1.1917	−3.85
DELAWARE	0.9128	0.9504	4.12
FLORIDA	0.8814	0.8789	−0.28
GEORGIA	0.8230	0.8247	0.21
GUAM	0.9611	0.9611	0.00
HAWAII	1.0255	1.0522	2.60
IDAHO	0.8747	0.8826	0.90
ILLINOIS	0.8204	0.8341	1.67
INDIANA	0.8755	0.8736	−0.22
IOWA	0.8315	0.8550	2.83
KANSAS	0.7923	0.8088	2.08
KENTUCKY	0.8079	0.7844	−2.91
LOUISIANA	0.7567	0.7291	−3.65
MAINE	0.8874	0.9039	1.86
MARYLAND	0.8946	0.9179	2.60
MASSACHUSETTS	1.1288	1.0217	−9.49
MICHIGAN	0.9000	0.8741	−2.88
MINNESOTA	0.9151	0.9339	2.05
MISSISSIPPI	0.7680	0.7583	−1.26
MISSOURI	0.8021	0.7829	−2.39
MONTANA	0.8481	0.8701	2.59
NEBRASKA	0.8204	0.9035	10.13
NEVADA	0.9577	0.9833	2.67
NEW HAMPSHIRE	0.9796	0.9940	1.47
New Jersey	.....	.....	.....
NEW MEXICO	0.8872	0.8529	−3.87
NEW YORK	0.8542	0.8403	−1.63
NORTH CAROLINA	0.8666	0.8501	−1.90
NORTH DAKOTA	0.7788	0.7743	−0.58
OHIO	0.8613	0.8760	1.71
OKLAHOMA	0.7590	0.7537	−0.70
OREGON	1.0303	1.0050	−2.46
PENNSYLVANIA	0.8462	0.8348	−1.35
PUERTO RICO	0.4356	0.4047	−7.09
RHODE ISLAND	.....	.....	.....
SOUTH CAROLINA	0.8607	0.8640	0.38
SOUTH DAKOTA	0.7815	0.8393	7.40
TENNESSEE	0.7877	0.7876	−0.01
TEXAS	0.7821	0.7910	1.14
UTAH	0.9312	0.8843	−5.04
VERMONT	0.9345	0.9375	0.32
VIRGINIA	0.8504	0.8480	−0.28
VIRGIN ISLANDS	0.7845	0.7457	−4.95
WASHINGTON	1.0179	1.0072	−1.05
WEST VIRGINIA	0.7975	0.8084	1.37
WISCONSIN	0.9162	0.9498	3.67
WYOMING	0.9007	0.9182	1.94

Urban MSA	FY 2003 wage index	CY 2005 wage index	Percent change, FY 2003–CY 2005
0040	0.7792	0.8009	2.78
0060	0.4587	0.4294	−6.39
0080	0.9600	0.9055	−5.68
0120	1.0594	1.1266	6.34
0160	0.8384	0.8570	2.22
0200	0.9315	1.0485	12.56
0220	0.7859	0.8171	3.97
0240	0.9735	0.9536	−2.04
0280	0.9225	0.8462	−8.27
0320	0.9034	0.9178	1.59
0380	1.2358	1.2109	−2.01
0440	1.1103	1.0817	−2.58
0450	0.8044	0.7881	−2.03
0460	0.8997	0.9115	1.31
0470	0.4337	0.3757	−13.37
0480	0.9876	0.9502	−3.79
0500	1.0211	1.0203	−0.08
0520	0.9991	0.9971	−0.20
0560	1.1017	1.0907	−1.00
0580	0.8325	0.8215	−1.32
0600	1.0264	0.9208	−10.29
0640	0.9637	0.9596	−0.43
0680	0.9899	1.0036	1.38
0720	0.9929	0.9908	−0.21
0733	0.9664	0.9955	3.01
0743	1.3202	1.2335	−6.57
0760	0.8294	0.8354	0.72
0840	0.8324	0.8616	3.51
0860	1.2282	1.1643	−5.20
0870	0.9042	0.8847	−2.16
0875	1.2150	1.1967	−1.51
0880	0.9022	0.8961	−0.68
0920	0.8757	0.8649	−1.23
0960	0.8341	0.8447	1.27
1000	0.9222	0.9199	−0.25
1010	0.7972	0.7505	−5.86
1020	0.8907	0.8588	−3.58
1040	0.9109	0.9111	0.02
1080	0.9310	0.9352	0.45
1123	1.1235	1.1291	0.50
1125	0.9689	1.0046	3.68
1145	0.8535	0.8525	−0.12
1150	1.0944	1.0614	−3.02
1240	0.8880	1.0125	14.02
1260	0.8821	0.9219	4.51
1280	0.9365	0.9339	−0.28
1303	1.0052	0.9322	−7.26
1310	0.4371	0.4061	−7.09
1320	0.8932	0.8895	−0.41
1350	0.9690	0.9244	−4.60
1360	0.9056	0.8975	−0.89
1400	1.0635	0.9527	−10.42
1440	0.9235	0.9420	2.00
1480	0.8898	0.8876	−0.25
1520	0.9850	0.9712	−1.40
1540	1.0438	1.0295	−1.37
1560	0.8976	0.9207	2.57
1580	0.8628	0.8980	4.08
1600	1.1044	1.0852	−1.74
1620	0.9745	1.0543	8.19
1640	0.9381	0.9595	2.28
1660	0.8406	0.8022	−4.57
1680	0.9670	0.9626	−0.46
1720	0.9916	0.9793	−1.24
1740	0.8496	0.8396	−1.18
1760	0.9307	0.9450	1.54
1800	0.8374	0.8690	3.77
1840	0.9751	0.9753	0.02
1880	0.8729	0.8647	−0.94
1890	1.1453	1.0545	−7.93
1900	0.7847	0.8662	10.39
1920	0.9998	1.0049	0.51
1950	0.8859	0.8643	−2.44

Urban MSA	FY 2003 wage index	CY 2005 wage index	Percent change, FY 2003–CY 2005
1960	0.8835	0.8774	−0.69
2000	0.9282	0.9232	−0.54
2020	0.9062	0.8900	−1.79
2030	0.8973	0.8894	−0.88
2040	0.8055	0.8122	0.83
2080	1.0601	1.0905	2.87
2120	0.8791	0.9267	5.41
2160	1.0448	1.0227	−2.12
2180	0.8137	0.7597	−6.64
2190	0.9356	0.9825	5.01
2200	0.8795	0.8748	−0.53
2240	1.0368	1.0356	−0.12
2281	1.0684	1.1658	9.12
2290	0.8952	0.9139	2.09
2320	0.9265	0.9065	−2.16
2330	0.9722	0.9279	−4.56
2335	0.8416	0.8445	0.34
2340	0.8376	0.9001	7.46
2360	0.8925	0.8699	−2.53
2400	1.0944	1.0940	−0.04
2440	0.8177	0.8395	2.67
2520	0.9684	0.9115	−5.88
2560	0.8889	0.9363	5.33
2580	0.8100	0.8637	6.63
2620	1.0682	1.0611	−0.66
2640	1.1135	1.1178	0.39
2650	0.7792	0.7883	1.17
2655	0.8780	0.8961	2.06
2670	1.0066	1.0219	1.52
2680	1.0297	1.0165	−1.28
2700	0.9680	0.9372	−3.18
2710	0.9823	1.0046	2.27
2720	0.7895	0.8303	5.17
2750	0.9693	0.8786	−9.36
2760	0.9457	0.9737	2.96
2800	0.9446	0.9538	0.97
2840	1.0216	1.0408	1.88
2880	0.8505	0.8049	−5.36
2900	0.9871	0.9459	−4.17
2920	0.9465	0.9403	−0.66
2960	0.9584	0.9343	−2.51
2975	0.8281	0.8467	2.25
2980	0.8892	0.8779	−1.27
2985	0.8897	0.9092	2.19
2995	0.9456	0.9900	4.70
3000	0.9525	0.9520	−0.05
3040	0.8950	0.8810	−1.56
3060	0.9237	0.9444	2.24
3080	0.9502	0.9586	0.88
3120	0.9282	0.9312	0.32
3150	0.9100	0.9183	0.91
3160	0.9122	0.9400	3.05
3180	0.9268	0.9940	7.25
3200	0.9418	0.9066	−3.74
3240	0.9223	0.9286	0.68
3283	1.1549	1.1055	−4.28
3285	0.7659	0.7362	−3.88
3290	0.9028	0.9502	5.25
3320	1.1457	1.1014	−3.87
3350	0.8385	0.7721	−7.92
3360	0.9892	1.0117	2.27
3400	0.9636	0.9565	−0.74
3440	0.8903	0.8851	−0.58
3480	0.9717	1.0039	3.31
3500	0.9587	0.9655	0.71
3520	0.9532	0.9146	−4.05
3560	0.8607	0.8406	−2.34
3580	0.9275	0.8900	−4.04
3600	0.9381	0.9548	1.78
3605	0.8239	0.8402	1.98
3610	0.7976	0.7589	−4.85
3620	0.9849	0.9583	−2.70
3640	1.1190	1.0923	−2.39

Urban MSA	FY 2003 wage index	CY 2005 wage index	Percent change, FY 2003–CY 2005
3660	0.8268	0.8203	−0.79
3680	0.8329	0.7981	−4.18
3700	0.7749	0.7934	2.39
3710	0.8613	0.8721	1.25
3720	1.0595	1.0350	−2.31
3740	1.0790	1.0603	−1.73
3760	0.9736	0.9642	−0.97
3800	0.9686	0.9772	0.89
3810	1.0399	0.9242	−11.13
3840	0.8970	0.8509	−5.14
3850	0.8971	0.8986	0.17
3870	0.9400	0.9290	−1.17
3880	0.8475	0.8105	−4.37
3920	0.9278	0.9068	−2.26
3960	0.7965	0.7959	−0.08
3980	0.9357	0.8931	−4.55
4000	0.9078	0.9883	8.87
4040	0.9726	0.9659	−0.69
4080	0.8472	0.8747	3.25
4100	0.8745	0.8784	0.45
4120	1.1521	1.1121	−3.47
4150	0.7923	0.8644	9.10
4200	0.8315	0.8212	−1.24
4243	0.9179	0.9562	4.17
4280	0.8581	0.8053	−6.15
4320	0.9483	0.9258	−2.37
4360	0.9892	1.0208	3.19
4400	0.9097	0.8827	−2.97
4420	0.8629	0.8739	1.27
4480	1.2001	1.1732	−2.24
4520	0.9276	0.9163	−1.22
4600	0.9646	0.8777	−9.01
4640	0.9219	0.9018	−2.18
4680	0.9204	0.9596	4.26
4720	1.0467	1.0395	−0.69
4800	0.8900	0.9105	2.30
4840	0.4914	0.4769	−2.95
4880	0.8428	0.8602	2.06
4890	1.0498	1.0534	0.34
4900	1.0253	0.9633	−6.05
4920	0.8920	0.9234	3.52
4940	0.9837	1.0576	7.51
5000	0.9802	1.0026	2.29
5015	1.1213	1.1360	1.31
5080	0.9893	1.0076	1.85
5120	1.0903	1.1067	1.50
5140	0.9157	0.9618	5.03
5160	0.8108	0.7933	−2.16
5170	1.0498	1.1966	13.98
5190	1.0674	1.0889	2.01
5200	0.8137	0.7913	−2.75
5240	0.7734	0.8300	7.32
5280	0.9284	0.8580	−7.58
5330	0.8976	0.9022	0.51
5345	0.9754	1.0596	8.63
5360	0.9578	1.0108	5.53
5380	1.3357	1.2921	−3.26
5483	1.2408	1.2254	−1.24
5523	1.1767	1.1596	−1.45
5560	0.9046	0.9103	0.63
5600	1.4414	1.3588	−5.73
5640	1.1381	1.1625	2.14
5660	1.1387	1.1171	−1.90
5720	0.8574	0.8895	3.74
5775	1.5072	1.5221	0.99
5790	0.9402	0.9153	−2.65
5800	0.9397	0.9632	2.50
5880	0.8900	0.8966	0.74
5910	1.0960	1.1007	0.43
5920	0.9978	0.9754	−2.24
5945	1.1474	1.1612	1.20
5960	0.9640	0.9742	1.06
5990	0.8344	0.8434	1.08

Urban MSA	FY 2003 wage index	CY 2005 wage index	Percent change, FY 2003–CY 2005
6015	0.8865	0.8124	−8.36
6020	0.8127	0.8288	1.98
6080	0.8645	0.8306	−3.92
6120	0.8739	0.8886	1.68
6160	1.0713	1.0824	1.04
6200	0.9820	0.9982	1.65
6240	0.7962	0.8673	8.93
6280	0.9365	0.8756	−6.50
6323	1.0235	1.0439	1.99
6340	0.9372	0.9602	2.45
6360	0.5169	0.4954	−4.16
6403	0.9794	1.0112	3.25
6440	1.0667	1.1403	6.90
6483	1.0854	1.1062	1.92
6520	0.9984	0.9613	−3.72
6560	0.8820	0.8752	−0.77
6580	0.9218	0.9441	2.42
6600	0.9334	0.9045	−3.10
6640	0.9990	1.0258	2.68
6660	0.8846	0.8912	0.75
6680	0.9295	0.9216	−0.85
6690	1.1135	1.1835	6.29
6720	1.0648	1.0456	−1.80
6740	1.1491	1.0520	−8.45
6760	0.9477	0.9398	−0.83
6780	1.1365	1.0975	−3.43
6800	0.8614	0.8429	−2.15
6820	1.2139	1.1504	−5.23
6840	0.9194	0.9196	0.02
6880	0.9625	0.9626	0.01
6895	0.9228	0.8998	−2.49
6920	1.1500	1.1849	3.03
6960	0.9650	0.9696	0.48
6980	0.9700	1.0215	5.31
7000	0.8021	1.0013	24.83
7040	0.8855	0.9081	2.55
7080	1.0367	1.0557	1.83
7120	1.4623	1.3823	−5.47
7160	0.9945	0.9487	−4.61
7200	0.8374	0.8168	−2.46
7240	0.8753	0.9023	3.08
7320	1.1131	1.1267	1.22
7360	1.4142	1.4712	4.03
7400	1.4145	1.4744	4.23
7440	0.4741	0.4802	1.29
7460	1.1271	1.1118	−1.36
7480	1.0481	1.0771	2.77
7485	1.3646	1.4780	8.31
7490	1.0712	1.0590	−1.14
7500	1.3046	1.2962	−0.64
7510	0.9425	0.9630	2.18
7520	0.9376	0.9460	0.90
7560	0.8599	0.8523	−0.88
7600	1.1474	1.1479	0.04
7610	0.7869	0.7881	0.15
7620	0.8697	0.8949	2.90
7640	0.9255	0.9617	3.91
7680	0.8987	0.9112	1.39
7720	0.9046	0.9094	0.53
7760	0.9257	0.9441	1.99
7800	0.9802	0.9447	−3.62
7840	1.0852	1.0661	−1.76
7880	0.8659	0.8738	0.91
7920	0.8424	0.8597	2.05
8003	1.0927	1.0174	−6.89
8050	0.8941	0.8462	−5.36
8080	0.8804	0.8281	−5.94
8120	1.0506	1.0564	0.55
8140	0.8273	0.8520	2.99
8160	0.9714	0.9394	−3.29
8200	1.0940	1.1078	1.26
8240	0.8504	0.8656	1.79
8280	0.9065	0.9024	−0.45

Urban MSA	FY 2003 wage index	CY 2005 wage index	Percent change, FY 2003–CY 2005
8320	0.8599	0.8582	−0.20
8360	0.8088	0.8414	4.03
8400	0.9810	0.9525	−2.91
8440	0.9199	0.8904	−3.21
8480	1.0432	1.0276	−1.50
8520	0.8911	0.8926	0.17
8560	0.8332	0.8729	4.76
8600	0.8130	0.8440	3.81
8640	0.9521	0.9502	−0.20
8680	0.8465	0.8295	−2.01
8720	1.3354	1.3517	1.22
8735	1.1096	1.1105	0.08
8750	0.8756	0.8469	−3.28
8760	1.0031	1.0573	5.40
8780	0.9429	0.9964	5.67
8800	0.8073	0.8146	0.90
8840	1.0851	1.0971	1.11
8920	0.8069	0.8633	6.99
8940	0.9782	0.9570	−2.17
8960	0.9939	1.0059	1.21
9000	0.7670	0.7449	−2.88
9040	0.9520	0.9473	−0.49
9080	0.8498	0.8395	−1.21
9140	0.8544	0.8486	−0.68
9160	1.1173	1.1121	−0.47
9200	0.9640	0.9237	−4.18
9260	1.0569	1.0323	−2.33
9270	0.9434	0.9378	−0.59
9280	0.9026	0.9150	1.37
9320	0.9358	0.9518	1.71
9340	1.0276	1.0364	0.86
9360	0.8589	0.8871	3.28

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