

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS-1233-N]

RIN 0938-AM67

Medicare Program; Hospice Wage Index for Fiscal Year 2004

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

ACTION: Notice.

SUMMARY: This notice announces the annual update to the hospice wage index as required by statute. This fiscal year 2004 update is effective from October 1, 2003 through September 30, 2004. The wage index is used to reflect local differences in wage levels. The hospice wage index methodology and values are based on recommendations of a negotiated rulemaking advisory committee and were originally published in the August 8, 1997 **Federal Register**.

EFFECTIVE DATE: October 1, 2003.

FOR FURTHER INFORMATION CONTACT: Terri Deutsch, (410) 786-9462.

SUPPLEMENTARY INFORMATION:

I. Background

Hospice care is an approach to treatment that recognizes that the impending death of an individual warrants a change in the focus from curative care to palliative care (relief of pain and other uncomfortable symptoms). The goal of hospice care is to help terminally ill individuals continue life with minimal disruption to normal activities while remaining primarily in the home environment. A hospice uses an interdisciplinary approach to deliver medical, social, psychological, emotional, and spiritual services through use of a broad spectrum of professional and other caregivers, with the goal of making the individual as physically and emotionally comfortable as possible. Counseling and inpatient respite services are available to the family of the hospice patient. Hospice programs consider both the patient and the family as a unit of care.

Section 1861(dd) of the Social Security Act (the Act) provides for coverage of hospice care for terminally ill Medicare beneficiaries who elect to receive care from a participating hospice. The statutory authority for payment to hospices participating in the Medicare program is contained in section 1814(i) of the Act.

Our existing regulations under 42 CFR part 418 establish eligibility requirements and payment standards and procedures, define covered services, and delineate the conditions a hospice must meet to be approved for participation in the Medicare program. Subpart G of part 418 provides for payment to hospices based on one of four prospectively determined rates for each day in which a qualified Medicare beneficiary is under the care of a hospice. The four rate categories are routine home care, continuous home care, inpatient respite care, and general inpatient care. Payment rates are established for each category.

The regulations at § 418.306(c), which require the rates to be adjusted by a wage index, were revised in the August 8, 1997 final rule (62 FR 42860). This rule implemented a new methodology for calculating the hospice wage index based on the recommendations of a negotiated rulemaking committee. The committee reached consensus on the methodology. We included the resulting committee statement, describing that consensus, as an appendix to the August 8, 1997 final rule (62 FR 42883). The provisions of the final hospice wage index rule are as follows:

- The revised hospice wage index will be calculated using the most current available hospital wage data.
- The revised hospice wage index was phased in over a 3-year transition period. For the first year of the transition period, October 1, 1997 through September 30, 1998, a blended index was calculated by adding two-thirds of the 1983 index value for an area to one-third of the revised wage index value for that area. During the second year of the transition period, October 1, 1998 through September 30, 1999, the calculation was similar, except that the blend was one-third of the 1983 index value and two-thirds of the revised wage index value for that area. We fully implemented the revised wage index during the third year of the transition period, October 1, 1999 through September 30, 2000.

Payments to hospices under the revised wage index (as published in the August 8, 1997 final hospice wage index rule) are subject to a budget neutrality adjustment to ensure that aggregate payments are not greater than they would have been using the original 1983 wage index. To achieve this budget neutrality, the hospice wage index is multiplied by a budget-neutrality factor. The budget neutrality factor is computed and applied annually.

The hospice budget-neutrality adjustment is not applied uniformly to all providers in calculating payments.

Based on the methodology developed and signed by the negotiated rulemaking committee and adopted by CMS, a hospice's area wage index is adjusted using either the budget-neutrality factor or the hospice wage index floor described below.

Hospice wage index values of 0.8 or greater are multiplied by the budget neutrality factor.

Hospice wage index values below 0.8 are adjusted by the greater of: (1) the hospice budget neutrality factor; or (2) the hospice wage index floor (a 15 percent increase, subject to a maximum wage index value of 0.8).

The wage index is to be updated annually, in the **Federal Register**, based on the most current available hospital wage data. These data will include any changes to the definitions of Metropolitan Statistical Areas (MSAs).

Section 4441(a) of the Balanced Budget Act of 1997 (BBA) amended section 1814(i)(1)(C)(ii) of the Act to establish updates to hospice rates for fiscal years (FYs) 1998 through 2002. Hospice rates were to be updated by a factor equal to the market basket index, minus 1 percentage point. However, neither the BBA nor subsequent legislation specified the market basket adjustment to be used to compute payment for FY 2004. Therefore, payment rates for FY 2004 will be updated according to section 1814(i)(1)(C)(ii)(VII) of the Act, which states that the update to the payment rates after 2002 will be the market basket percentage for the FY. Accordingly, the FY 2004 rates will be the full market basket percentage increase for the FY 2004. This rate update is implemented through a separate program memorandum and is not part of this notice. Historically the rate update has been published through a separate program memorandum issued annually in July to provide adequate time to implement system change requirements. For FY 2004 the hospice rates were published on July 3, 2003. The wage index in this notice is applied to the labor portion of the rates published in the program memorandum in order for providers to determine their payment rates.

II. Provisions of the Notice

A. Update to the Hospice Wage Index

This annual update is effective October 1, 2003 through September 30, 2004. In accordance with the agreement we signed with other members of the Hospice Wage Index Negotiated Rulemaking Committee, we are using the most current hospital data available to us, including any changes to the

definitions of MSAs. The FY 2003 hospital wage index was the most current hospital wage data available when the FY 2004 wage index values were calculated. We used the pre-reclassified and pre-floor hospital area wage index data.

All wage index values are adjusted by a budget-neutrality factor of 1.061238 and are subject to the wage index floor adjustment, if applicable. We have completed all of the calculations described above and have included them in the wage index values reflected in both Tables A and B below. A detailed description of the method used to compute the hospice wage index is contained in both the September 4, 1996 proposed rule (61 FR 46579) and the August 8, 1997 final rule (62 FR 42860).

1. Metropolitan Statistical Areas (MSA)

As explained in the September 4, 1996 hospice wage index proposed rule, each hospice's labor market area would be established by the MSA definitions issued by the Office of Management and Budget (OMB) on December 28, 1992 based on the 1990 census, and updated by OMB based on the decennial census. Any changes to the MSA definitions would be effective annually and announced in the notice updating the hospice wage index.

2. MSA Wage Index Values Lower Than Rural Values

As explained above, any area not included in an MSA is considered to be nonurban and receives the statewide

rural rate. We are aware that in the past, a number of MSAs have had wage index values that were lower than their rural statewide value. This difference is due to variations in local wage data as compared to national wage data. The hospice wage index is computed by dividing the hourly wage rate for an MSA or nonurban area by a national hourly wage rate. Nonurban areas could receive a higher wage index value than urban areas in the same State if the hourly wage rate in the nonurban area increased at a greater rate.

B. Tables

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TABLE A--HOSPICE WAGE INDEX FOR URBAN AREAS

MSA Code Number	Urban Area (Constituent Counties or County Equivalents)¹	Wage Index²
0040	Abilene, TX Taylor, TX	0.8269
0060	Aguadilla, PR Aguada, PR Aguadilla, PR Moca, PR	0.5275
0080	Akron, OH Portage, OH Summit, OH	1.0188
0120	Albany, GA Dougherty, GA Lee, GA	1.1243
0160	Albany-Schenectady-Troy, NY Albany, NY Montgomery, NY Rensselaer, NY Saratoga, NY Schenectady, NY Schoharie, NY	0.8897
0200	Albuquerque, NM Bernalillo, NM Sandoval, NM Valencia, NM	0.9885
0220	Alexandria, LA Rapides, LA	0.8340
0240	Allentown-Bethlehem-Easton, PA Carbon, PA Lehigh, PA Northampton, PA	1.0331
0280	Altoona, PA Blair, PA	0.9790
0320	Amarillo, TX Potter, TX Randall, TX	0.9587
0380	Anchorage, AK Anchorage, AK	1.3115
0440	Ann Arbor, MI Lenawee, MI Livingston, MI Washtenaw, MI	1.1783
0450	Anniston, AL Calhoun, AL	0.8537
0460	Appleton-Oshkosh-Neenah, WI Calumet, WI Outagamie, WI Winnebago, WI	0.9548
0470	Arecibo, PR Arecibo, PR Camuy, PR Hatillo, PR	0.8490

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
0480	<i>Asheville, NC</i> Buncombe, NC Madison, NC	1.0481
0500	<i>Athens, GA</i> Clarke, GA Madison, GA Oconee, GA	1.0836
0520	<i>Atlanta, GA</i> Barrow, GA Bartow, GA Carroll, GA Cherokee, GA Clayton, GA Cobb, GA Coweta, GA DeKalb, 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	1.0603
0560	<i>Atlantic-Cape May, NJ</i> Atlantic, NJ Cape May, NJ	1.1692
0580	<i>Auburn-Opelika, AL</i> Lee, AL	0.8835
0600	<i>Augusta-Aiken, GA-SC</i> Columbia, GA McDuffie, GA Richmond, GA Aiken, SC Edgefield, SC	1.0893
0640	<i>Austin-San Marcos, TX</i> Bastrop, TX Caldwell, TX Hays, TX Travis, TX Williamson, TX	1.0227
0680	<i>Bakersfield, CA</i> Kern, CA	1.0505
0720	<i>Baltimore, MD</i> Anne Arundel, MD Baltimore, MD Baltimore City, MD Carroll, MD Harford, MD Howard, MD Queen Anne's, MD	1.0537
0733	<i>Bangor, ME</i> Penobscot, ME	1.0256

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
0743	<i>Barnstable-Yarmouth, MA</i> Barnstable, MA	1.4010
0760	<i>Baton Rouge, LA</i> Ascension, LA East Baton Rouge, LA Livingston, LA West Baton Rouge, LA	0.8802
0840	<i>Beaumont-Port Arthur, TX</i> Hardin, TX Jefferson, TX Orange, TX	0.8834
0860	<i>Bellingham, WA</i> Whatcom, WA	1.3034
0870	<i>Benton Harbor, MI</i> Berrien, MI	0.9596
0875	<i>Bergen-Passaic, NJ</i> Bergen, NJ Passaic, NJ	1.2894
0880	<i>Billings, MT</i> Yellowstone, MT	0.9574
0920	<i>Biloxi-Gulfport-Pascagoula, MS</i> Hancock, MS Harrison, MS Jackson, MS	0.9293
0960	<i>Binghamton, NY</i> Broome, NY Tioga, NY	0.8852
1000	<i>Birmingham, AL</i> Blount, AL Jefferson, AL St. Clair, AL Shelby, AL	0.9787
1010	<i>Bismarck, ND</i> Burleigh, ND Morton, ND	0.8460
1020	<i>Bloomington, IN</i> Monroe, IN	0.9452
1040	<i>Bloomington-Normal, IL</i> McLean, IL	0.9667
1080	<i>Boise City, ID</i> Ada, ID Canyon, ID	0.9880
1123	<i>Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH</i> Bristol, MA Essex, MA Middlesex, MA Norfolk, MA Plymouth, MA Suffolk, MA Worcester, MA Hillsborough, NH Merrimack, NH Rockingham, NH Strafford, NH	1.1923
1125	<i>Boulder-Longmont, CO</i> Boulder, CO	1.0282
1145	<i>Brazoria, TX</i> Brazoria, TX	0.9058

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
1150	Bremerton, WA Kitsap, WA	1.1614
1240	Brownsville-Harlingen-San Benito, TX Cameron, TX	0.9424
1260	Bryan-College Station, TX Brazos, TX	0.9361
1280	Buffalo-Niagara Falls, NY Erie, NY Niagara, NY	0.9938
1303	Burlington, VT Chittenden, VT Franklin, VT Grand Isle, VT	1.0668
1310	Caguas, PR Caguas, PR Cayey, PR Cidra, PR Gurabo, PR San Lorenzo, PR	0.5027
1320	Canton-Massillon, OH Carroll, OH Stark, OH	0.9479
1350	Casper, WY Natrona, WY	1.0283
1360	Cedar Rapids, IA Linn, IA	0.9611
1400	Champaign-Urbana, IL Champaign, IL	1.1286
1440	Charleston-North Charleston, SC Berkeley, SC Charleston, SC Dorchester, SC	0.9801
1480	Charleston, WV Kanawha, WV Putnam, WV	0.9443
1520	Charlotte-Gastonia-Rock Hill, NC-SC Cabarrus, NC Gaston, NC Lincoln, NC Mecklenburg, NC Rowan, NC Stanly, NC Union, NC York, SC	1.0453
1540	Charlottesville, VA Albemarle, VA Charlottesville City, VA Fluvanna, VA Greene, VA	1.1077
1560	Chattanooga, TN-GA Catoosa, GA Dade, GA Walker, GA Hamilton, TN Marion, TN	0.9526
1580	Cheyenne, WY Laramie, WY	0.9156

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
1600	Chicago, IL Cook, IL DeKalb, IL Du Page, IL Grundy, IL Kane, IL Kendall, IL Lake, IL McHenry, IL Will, IL	1.1720
1620	Chico-Paradise, CA Butte, CA	1.0342
1640	Cincinnati, OH-KY-IN Brown, OH Clermont, OH Hamilton, OH Warren, OH Boone, KY Campbell, KY Gallatin, KY Grant, KY Kenton, KY Pendleton, KY Dearborn, IN Ohio, IN	0.9955
1660	Clarksville-Hopkinsville, TN-KY Christian, KY Montgomery, TN	0.8921
1680	Cleveland-Lorain-Elyria, OH Ashtabula, OH Cuyahoga, OH Geauga, OH Lake, OH Lorain, OH Medina, OH	1.0262
1720	Colorado Springs, CO El Paso, CO	1.0523
1740	Columbia, MO Boone, MO	0.9016
1760	Columbia, SC Lexington, SC Richland, SC	0.9877
1800	Columbus, GA-AL Chattahoochee, GA Harris, GA Muscogee, GA Russell, AL	0.8887
1840	Columbus, OH Delaware, OH Fairfield, OH Franklin, OH Licking, OH Madison, OH Pickaway, OH	1.0348
1880	Corpus Christi, TX Nueces, TX San Patricio, TX	0.9264

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
1890	<i>Corvallis, Oregon</i> Benton, OR	1.2154
1900	<i>Cumberland, MD-WV</i> Allegany, MD Mineral, WV	0.8328
1920	<i>Dallas, TX</i> Collin, TX Dallas, TX Denton, TX Ellis, TX Henderson, TX Hunt, TX Kaufman, TX Rockwall, TX	1.0610
1950	<i>Danville, VA</i> Danville City, VA Pittsylvania, VA	0.9402
1960	<i>Davenport-Moline-Rock Island, IA-IL</i> Scott, IA Henry, IL Rock Island, IL	0.9376
2000	<i>Dayton-Springfield, OH</i> Clark, OH Greene, OH Miami, OH Montgomery, OH	0.9850
2020	<i>Daytona Beach, FL</i> Flagler, FL Volusia, FL	0.9617
2030	<i>Decatur, AL</i> Lawrence, AL Morgan, AL	0.9522
2040	<i>Decatur, IL</i> Macon, IL	0.8548
2080	<i>Denver, CO</i> Adams, CO Arapahoe, CO Denver, CO Douglas, CO Jefferson, CO	1.1250
2120	<i>Des Moines, IA</i> Dallas, IA Polk, IA Warren, IA	0.9329
2160	<i>Detroit, MI</i> Lapeer, MI Macomb, MI Monroe, MI Oakland, MI St. Clair, MI Wayne, MI	1.1088
2180	<i>Dothan, AL</i> Dale, AL Houston, AL	0.8635
2190	<i>Dover, DE</i> Kent, DE	0.9929
2200	<i>Dubuque, IA</i> Dubuque, IA	0.9334

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
2240	Duluth-Superior, MN-WI St. Louis, MN Douglas, WI	1.1003
2281	Dutchess County, NY Dutchess, NY	1.1338
2290	Eau Claire, WI Chippewa, WI Eau Claire, WI	0.9500
2320	El Paso, TX El Paso, TX	0.9832
2330	Elkhart-Goshen, IN Elkhart, IN	1.0317
2335	Elmira, NY Chemung, NY	0.8931
2340	Enid, OK Garfield, OK	0.8889
2360	Erie, PA Erie, PA	0.9472
2400	Eugene-Springfield, OR Lane, OR	1.1614
2440	Evansville-Henderson, IN-KY Posey, IN Vanderburgh, IN Warrick, IN Henderson, KY	0.8678
2520	Fargo-Moorhead, ND-MN Clay, MN Cass, ND	1.0277
2560	Fayetteville, NC Cumberland, NC	0.9433
2580	Fayetteville-Springdale-Rogers, AR Benton, AR Washington, AR	0.8596
2620	Flagstaff, AZ-UT Coconino, AZ Kane, UT	1.1336
2640	Flint, MI Genesee, MI	1.1817
2650	Florence, AL Colbert, AL Lauderdale, AL	0.8269
2655	Florence, SC Florence, SC	0.9318
2670	Fort Collins-Loveland, CO Larimer, CO	1.0682
2680	Ft. Lauderdale, FL Broward, FL	1.0928
2700	Fort Myers-Cape Coral, FL Lee, FL	1.0273
2710	Fort Pierce-Port St. Lucie, FL Martin, FL St. Lucie, FL	1.0425
2720	Fort Smith, AR-OK Crawford, AR Sebastian, AR Sequoyah, OK	0.8378

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
2750	Fort Walton Beach, FL Okaloosa, FL	1.0287
2760	Fort Wayne, IN Adams, IN Allen, IN De Kalb, IN Huntington, IN Wells, IN Whitley, IN	1.0036
2800	Forth Worth-Arlington, TX Hood, TX Johnson, TX Parker, TX Tarrant, TX	1.0024
2840	Fresno, CA Fresno, CA Madera, CA	1.0842
2880	Gadsden, AL Etowah, AL	0.9026
2900	Gainesville, FL Alachua, FL	1.0475
2920	Galveston-Texas City, TX Galveston, TX	1.0045
2960	Gary, IN Lake, IN Porter, IN	1.0171
2975	Glens Falls, NY Warren, NY Washington, NY	0.8788
2980	Goldsboro, NC Wayne, NC	0.9437
2985	Grand Forks, ND-MN Grand Forks, ND Polk, MN	0.9442
2995	Grand Junction, CO Mesa, CO	1.0035
3000	Grand Rapids-Muskegon-Holland, MI Allegan, MI Kent, MI Muskegon, MI Ottawa, MI	1.0108
3040	Great Falls, MT Cascade, MT	0.9498
3060	Greeley, CO Weld, CO	0.9803
3080	Green Bay, WI Brown, WI	1.0084
3120	Greensboro-Winston-Salem-High Point, NC Alamance, NC Davidson, NC Davie, NC Forsyth, NC Guilford, NC Randolph, NC Stokes, NC Yadkin, NC	0.9850
3150	Greenville, NC Pitt, NC	0.9657

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3160	<i>Greenville-Spartanburg-Anderson, SC</i> Anderson, SC Cherokee, SC Greenville, SC Pickens, SC Spartanburg, SC	0.9681
3180	<i>Hagerstown, MD</i> Washington, MD	0.9836
3200	<i>Hamilton-Middletown, OH</i> Butler, OH	0.9995
3240	<i>Harrisburg-Lebanon-Carlisle, PA</i> Cumberland, PA Dauphin, PA Lebanon, PA Perry, PA	0.9788
3283	<i>Hartford, CT</i> Hartford, CT Litchfield, CT Middlesex, CT Tolland, CT	1.2256
3285	<i>Hattiesburg, MS</i> Forrest, MS Lamar, MS	0.8128
3290	<i>Hickory-Morganton-Lenoir, NC</i> Alexander, NC Burke, NC Caldwell, NC Catawba, NC	0.9581
3320	<i>Honolulu, HI</i> Honolulu, HI	1.2159
3350	<i>Houma, LA</i> Lafourche, LA Terrebonne, LA	0.8898
3360	<i>Houston, TX</i> Chambers, TX Fort Bend, TX Harris, TX Liberty, TX Montgomery, TX Waller, TX	1.0498
3400	<i>Huntington-Ashland, WV-KY-OH</i> Boyd, KY Carter, KY Greenup, KY Lawrence, OH Cabell, WV Wayne, WV	1.0226
3440	<i>Huntsville, AL</i> Limestone, AL Madison, AL	0.9448

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
3480	<i>Indianapolis, IN</i> Boone, IN Hamilton, IN Hancock, IN Hendricks, IN Johnson, IN Madison, IN Marion, IN Morgan, IN Shelby, IN	1.0312
3500	<i>Iowa City, IA</i> Johnson, IA	1.0174
3520	<i>Jackson, MI</i> Jackson, MI	1.0116
3560	<i>Jackson, MS</i> Hinds, MS Madison, MS Rankin, MS	0.9134
3580	<i>Jackson, TN</i> Madison, TN Chester, TN	0.9843
3600	<i>Jacksonville, FL</i> Clay, FL Duval, FL Nassau, FL St. Johns, FL	0.9955
3605	<i>Jacksonville, NC</i> Onslow, NC	0.8744
3610	<i>Jamestown, NY</i> Chautauqua, NY	0.8464
3620	<i>Janesville-Beloit, WI</i> Rock, WI	1.0452
3640	<i>Jersey City, NJ</i> Hudson, NJ	1.1875
3660	<i>Johnson City-Kingsport-Bristol, TN-VA</i> Carter, TN Hawkins, TN Sullivan, TN Unicoi, TN Washington, TN Bristol City, VA Scott, VA Washington, VA	0.8774
3680	<i>Johnstown, PA</i> Cambria, PA Somerset, PA	0.8839
3700	<i>Jonesboro, AR</i> Craighead, AR	0.8224
3710	<i>Joplin, MO</i> Jasper, MO Newton, MO	0.9140
3720	<i>Kalamazoo-Battlecreek, MI</i> Calhoun, MI Kalamazoo, MI Van Buren, MI	1.1244
3740	<i>Kankakee, IL</i> Kankakee, IL	1.1451

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
3760	<i>Kansas City, KS-MO</i> Johnson, KS Leavenworth, KS Miami, KS Wyandotte, KS Cass, MO Clay, MO Clinton, MO Jackson, MO Lafayette, MO Platte, MO Ray, MO	1.0332
3800	<i>Kenosha, WI</i> Kenosha, WI	1.0279
3810	<i>Killeen-Temple, TX</i> Bell, TX Coryell, TX	1.1036
3840	<i>Knoxville, TN</i> Anderson, TN Blount, TN Knox, TN Loudon, TN Sevier, TN Union, TN	0.9519
3850	<i>Kokomo, IN</i> Howard, IN Tipton, IN	0.9520
3870	<i>La Crosse, WI-MN</i> Houston, MN La Crosse, WI	0.9976
3880	<i>Lafayette, LA</i> Acadia, LA Lafayette, LA St. Landry, LA St. Martin, LA	0.8994
3920	<i>Lafayette, IN</i> Clinton, IN Tippecanoe, IN	0.9846
3960	<i>Lake Charles, LA</i> Calcasieu, LA	0.8453
3980	<i>Lakeland-Winter Haven, FL</i> Polk, FL	0.9930
4000	<i>Lancaster, PA</i> Lancaster, PA	0.9634
4040	<i>Lansing-East Lansing, MI</i> Clinton, MI Eaton, MI Ingham, MI	1.0322
4080	<i>Laredo, TX</i> Webb, TX	0.8991
4100	<i>Las Cruces, NM</i> Dona Ana, NM	0.9281
4120	<i>Las Vegas, NV-AZ</i> Mohave, AZ Clarke, NV Nye, NV	1.2227
4150	<i>Lawrence, KS</i> Douglas, KS	0.8408

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
4200	<i>Lawton, OK</i> <i>Comanche, OK</i>	0.8824
4243	<i>Lewiston-Auburn, ME</i> <i>Androscoggin, ME</i>	0.9741
4280	<i>Lexington, KY</i> <i>Bourbon, KY</i> <i>Clark, KY</i> <i>Fayette, KY</i> <i>Jessamine, KY</i> <i>Madison, KY</i> <i>Scott, KY</i> <i>Woodford, KY</i>	0.9106
4320	<i>Lima, OH</i> <i>Allen, OH</i> <i>Auglaize, OH</i>	1.0064
4360	<i>Lincoln, NE</i> <i>Lancaster, NE</i>	1.0498
4400	<i>Little Rock-North Little Rock, AR</i> <i>Faulkner, AR</i> <i>Lonoke, AR</i> <i>Pulaski, AR</i> <i>Saline, AR</i>	0.9654
4420	<i>Longview-Marshall, TX</i> <i>Gregg, TX</i> <i>Harrison, TX</i> <i>Upshur, TX</i>	0.9157
4480	<i>Los Angeles-Long Beach, CA</i> <i>Los Angeles, CA</i>	1.2736
4520	<i>Louisville, KY-IN</i> <i>Clark, IN</i> <i>Floyd, IN</i> <i>Harrison, IN</i> <i>Scott, IN</i> <i>Bullitt, KY</i> <i>Jefferson, KY</i> <i>Oldham, KY</i>	0.9844
4600	<i>Lubbock, TX</i> <i>Lubbock, TX</i>	1.0237
4640	<i>Lynchburg, VA</i> <i>Amherst, VA</i> <i>Bedford, VA</i> <i>Bedford City, VA</i> <i>Campbell, VA</i> <i>Lynchburg City, VA</i>	0.9784
4680	<i>Macon, GA</i> <i>Bibb, GA</i> <i>Houston, GA</i> <i>Jones, GA</i> <i>Peach, GA</i> <i>Twiggs, GA</i>	0.9768
4720	<i>Madison, WI</i> <i>Dane, WI</i>	1.1108
4800	<i>Mansfield, OH</i> <i>Crawford, OH</i> <i>Richland, OH</i>	0.9445

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
4840	Mayaguez, PR Anasco, PR Cabo Rojo, PR Hormigueros, PR Mayaguez, PR Sabana Grande, PR San German, PR	0.5651
4880	McAllen-Edinburg-Mission, TX Hidalgo, TX	0.8944
4890	Medford-Ashland, OR Jackson, OR	1.1141
4900	Melbourne-Titusville-Palm Bay, FL Brevard, FL	1.0881
4920	Memphis, TN-AR-MS Crittenden, AR DeSoto, MS Fayette, TN Shelby, TN Tipton, TN	0.9466
4940	Merced, CA Merced, CA	1.0439
5000	Miami, FL Dade, FL	1.0402
5015	Middlesex-Somerset-Hunterdon, NJ Hunterdon, NJ Middlesex, NJ Somerset, NJ	1.1900
5080	Milwaukee-Waukesha, WI Milwaukee, WI Ozaukee, WI Washington, WI Waukesha, WI	1.0499
5120	Minneapolis-St. Paul, MN-WI 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	1.1571
5140	Missoula, MT Missoula, MT	0.9718
5160	Mobile, AL Baldwin, AL Mobile, AL	0.8605
5170	Modesto, CA Stanislaus, CA	1.1141
5190	Monmouth-Ocean, NJ Monmouth, NJ Ocean, NJ	1.1328
5200	Monroe, LA Ouachita, LA	0.8635

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
5240	Montgomery, AL Autauga, AL Elmore, AL Montgomery, AL	0.8208
5280	Muncie, IN Delaware, IN	0.9853
5330	Myrtle Beach, SC Horry, SC	0.9526
5345	Naples, FL Collier, FL	1.0351
5360	Nashville, TN Cheatham, TN Davidson, TN Dickson, TN Robertson, TN Rutherford TN Sumner, TN Williamson, TN Wilson, TN	1.0165
5380	Nassau-Suffolk, NY Nassau, NY Suffolk, NY	1.4175
5483	New Haven-Bridgeport-Stamford-Waterbury-Danbury, CT Fairfield, CT New Haven, CT	1.3168
5523	New London-Norwich, CT New London, CT	1.2488
5560	New Orleans, LA Jefferson, LA Orleans, LA Plaquemines, LA St. Bernard, LA St. Charles, LA St. James, LA St. John The Baptist, LA St. Tammany, LA	0.9600
5600	New York, NY Bronx, NY Kings, NY New York, NY Putnam, NY Queens, NY Richmond, NY Rockland, NY Westchester, NY	1.5297
5640	Newark, NJ Essex, NJ Morris, NJ Sussex, NJ Union, NJ Warren, NJ	1.2078
5660	Newburgh, NY-PA Orange, NY Pike, PA	1.2084

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
5720	Norfolk-Virginia Beach-Newport News, VA-NC Currituck, NC Chesapeake City, VA Gloucester, VA Hampton City, VA James City, VA Isle of Wight, 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	0.9099
5775	Oakland, CA Alameda, CA Contra Costa, CA	1.5995
5790	Ocala, FL Marion, FL	0.9978
5800	Odessa-Midland, TX Ector, TX Midland, TX	0.9972
5880	Oklahoma City, OK Canadian, OK Cleveland, OK Logan, OK McClain, OK Oklahoma, OK Pottawatomie, OK	0.9445
5910	Olympia, WA Thurston, WA	1.1631
5920	Omaha, NE-IA Pottawattamie, IA Cass, NE Douglas, NE Sarpy, NE Washington, NE	1.0589
5945	Orange County, CA Orange, CA	1.2177
5960	Orlando, FL Lake, FL Orange, FL Osceola, FL Seminole, FL	1.0230
5990	Owensboro, KY Davies, KY	0.8855
6015	Panama City, FL Bay, FL	0.9408
6020	Parkersburg-Marietta, WV-OH Washington, OH Wood, WV	0.8625
6080	Pensacola, FL Escambia, FL Santa Rosa, FL	0.9174

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
6120	<i>Peoria-Pekin, IL</i> Peoria, IL Tazewell, IL Woodford, IL	0.9274
6160	<i>Philadelphia, PA-NJ</i> Burlington, NJ Camden, NJ Gloucester, NJ Salem, NJ Bucks, PA Chester, PA Delaware, PA Montgomery, PA Philadelphia, PA	1.1369
6200	<i>Phoenix-Mesa, AZ</i> Maricopa, AZ Pinal, AZ	1.0421
6240	<i>Pine Bluff, AR</i> Jefferson, AR	0.8450
6280	<i>Pittsburgh, PA</i> Allegheny, PA Beaver, PA Butler, PA Fayette, PA Washington, PA Westmoreland, PA	0.9938
6323	<i>Pittsfield, MA</i> Berkshire, MA	1.0862
6340	<i>Pocatello, ID</i> Bannock, ID	0.9946
6360	<i>Ponce, PR</i> Guayanilla, PR Juana Diaz, PR Penuelas, PR Ponce, PR Villalba, PR Yauco, PR	0.5944
6403	<i>Portland, ME</i> Cumberland, ME Sagadahoc, ME York, ME	1.0394
6440	<i>Portland-Vancouver, OR-WA</i> Clackamas, OR Columbia, OR Multnomah, OR Washington, OR Yamhill, OR Clark, WA	1.1320
6483	<i>Providence-Warwick-Pawtucket, RI</i> Bristol, RI Kent, RI Newport, RI Providence, RI Washington, RI	1.1519
6520	<i>Provo-Orem, UT</i> Utah, UT	1.0595
6560	<i>Pueblo, CO</i> Pueblo, CO	0.9360

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
6580	<i>Punta Gorda, FL</i> Charlotte, FL	0.9783
6600	<i>Racine, WI</i> Racine, WI	0.9906
6640	<i>Raleigh-Durham-Chapel Hill, NC</i> Chatham, NC Durham, NC Franklin, NC Johnston, NC Orange, NC Wake, NC	1.0602
6660	<i>Rapid City, SD</i> Pennington, SD	0.9388
6680	<i>Reading, PA</i> Berks, PA	0.9864
6690	<i>Redding, CA</i> Shasta, CA	1.1817
6720	<i>Reno, NV</i> Washoe, NV	1.1300
6740	<i>Richland-Kennewick-Pasco, WA</i> Benton, WA Franklin, WA	1.2195
6760	<i>Richmond-Petersburg, VA</i> 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	1.0057
6780	<i>Riverside-San Bernardino, CA</i> Riverside, CA San Bernardino, CA	1.2061
6800	<i>Roanoke, VA</i> Botetourt, VA Roanoke, VA Roanoke City, VA Salem City, VA	0.9142
6820	<i>Rochester, MN</i> Olmsted, MN	1.2882
6840	<i>Rochester, NY</i> Genesee, NY Livingston, NY Monroe, NY Ontario, NY Orleans, NY Wayne, NY	0.9757
6880	<i>Rockford, IL</i> Boone, IL Ogle, IL Winnebago, IL	1.0214

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
6895	Rocky Mount, NC Edgecombe, NC Nash, NC	0.9793
6920	Sacramento, CA El Dorado, CA Placer, CA Sacramento, CA	1.2204
6960	Saginaw-Bay City-Midland, MI Bay, MI Midland, MI Saginaw, MI	1.0241
6980	St. Cloud, MN Benton, MN Stearns, MN	1.0294
7000	St. Joseph, MO Andrew, MO Buchanan, MO	0.8512
7040	St. Louis, MO-IL Franklin, MO Jefferson, MO Lincoln, MO St. Charles, MO St. Louis, MO St. Louis City, MO Warren, MO Clinton, IL Jersey, IL Madison, IL Monroe, IL St. Clair, IL	0.9397
7080	Salem, OR Marion, OR Polk, OR	1.1002
7120	Salinas, CA Monterey, CA	1.5518
7160	Salt Lake City-Ogden, UT Davis, UT Salt Lake, UT Weber, UT	1.0554
7200	San Angelo, TX Tom Green, TX	0.8887
7240	San Antonio, TX Bexar, TX Comal, TX Guadalupe, TX Wilson, TX	0.9289
7320	San Diego, CA San Diego, CA	1.1813
7360	San Francisco, CA Marin, CA San Francisco, CA San Mateo, CA	1.5008
7400	San Jose, CA Santa Clara, CA	1.5011

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
7440	<i>San Juan-Bayamon, PR</i> Aguas Buenas, PR Barceloneta, PR 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	0.5452
7460	<i>San Luis Obispo-Atascadero-Paso Robles, CA</i> San Luis Obispo, CA	1.1961
7480	<i>Santa Barbara-Santa Maria-Lompoc, CA</i> Santa Barbara, CA	1.1123
7485	<i>Santa Cruz-Watsonville, CA</i> Santa Cruz, CA	1.4482
7490	<i>Santa Fe, NM</i> Los Alamos, NM Santa Fe, NM	1.1368
7500	<i>Santa Rosa, CA</i> Sonoma, CA	1.3845
7510	<i>Sarasota-Bradenton, FL</i> Manatee, FL Sarasota, FL	1.0002
7520	<i>Savannah, GA</i> Bryan, GA Chatham, GA Effingham, GA	0.9950
7560	<i>Scranton--Wilkes-Barre--Hazleton, PA</i> Columbia, PA Lackawanna, PA Luzerne, PA Wyoming, PA	0.9126
7600	<i>Seattle-Bellevue-Everett, WA</i> Island, WA King, WA Snohomish, WA	1.2177

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
7610	<i>Sharon, PA</i> Mercer, PA	0.8351
7620	<i>Sheboygan, WI</i> Sheboygan, WI	0.9230
7640	<i>Sherman-Denison, TX</i> Grayson, TX	0.9822
7680	<i>Shreveport-Bossier City, LA</i> Bossier, LA Caddo, LA Webster, LA	0.9537
7720	<i>Sioux City, IA-NE</i> Woodbury, IA Dakota, NE	0.9600
7760	<i>Sioux Falls, SD</i> Lincoln, SD Minnehaha, SD	0.9824
7800	<i>South Bend, IN</i> St. Joseph, IN	1.0402
7840	<i>Spokane, WA</i> Spokane, WA	1.1517
7880	<i>Springfield, IL</i> Menard, IL Sangamon, IL	0.9189
7920	<i>Springfield, MO</i> Christian, MO Greene, MO Webster, MO	0.8940
8003	<i>Springfield, MA</i> Hampden, MA Hampshire, MA	1.1596
8050	<i>State College, PA</i> Centre, PA	0.9489
8080	<i>Steubenville-Weirton, OH-WV</i> Jefferson, OH Brooke, WV Hancock, WV	0.9343
8120	<i>Stockton-Lodi, CA</i> San Joaquin, CA	1.1149
8140	<i>Sumter, SC</i> Sumter, SC	0.8780
8160	<i>Syracuse, NY</i> Cayuga, NY Madison, NY Onondaga, NY Oswego, NY	1.0309
8200	<i>Tacoma, WA</i> Pierce, WA	1.1610
8240	<i>Tallahassee, FL</i> Gadsden, FL Leon, FL	0.9025
8280	<i>Tampa-St. Petersburg-Clearwater, FL</i> Hernando, FL Hillsborough, FL Pasco, FL Pinellas, FL	0.9620

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
8320	Terre Haute, IN Clay, IN Vermillion, IN Vigo, IN	0.9126
8360	Texarkana, AR-Texarkana, TX Miller, AR Bowie, TX	0.8583
8400	Toledo, OH Fulton, OH Lucas, OH Wood, OH	1.0411
8440	Topeka, KS Shawnee, KS	0.9762
8480	Trenton, NJ Mercer, NJ	1.1071
8520	Tucson, AZ Pima, AZ	0.9457
8560	Tulsa, OK Creek, OK Osage, OK Rogers, OK Tulsa, OK Wagoner, OK	0.8842
8600	Tuscaloosa, AL Tuscaloosa, AL	0.8628
8640	Tyler, TX Smith, TX	1.0104
8680	Utica-Rome, NY Herkimer, NY Oneida, NY	0.8983
8720	Vallejo-Fairfield-Napa, CA Napa, CA Solano, CA	1.4172
8735	Ventura, CA Ventura, CA	1.1776
8750	Victoria, TX Victoria, TX	0.9292
8760	Vineland-Millville-Bridgeton, NJ Cumberland, NJ	1.0645
8780	Visalia-Tulare-Porterville, CA Tulare, CA	1.0006
8800	Waco, TX McLennan, TX	0.8567

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
8840	Washington, DC-MD-VA-WV District of Columbia, DC Calvert, MD Charles, MD Frederick, MD Montgomery, MD Prince Georges, MD Alexandria City, VA Arlington, VA Clarke, VA Culpeper, 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	1.1515
8920	Waterloo-Cedar Falls, IA Black Hawk, IA	0.8563
8940	Wausau, WI Marathon, WI	1.0381
8960	West Palm Beach-Boca Raton, FL Palm Beach, FL	1.0548
9000	Wheeling, WV-OH Belmont, OH Marshall, WV Ohio, WV	0.8140
9040	Wichita, KS Butler, KS Harvey, KS Sedgwick, KS	1.0103
9080	Wichita Falls, TX Archer, TX Wichita, TX	0.9018
9140	Williamsport, PA Lycoming, PA	0.9067
9160	Wilmington-Newark, DE-MD New Castle, DE Cecil, MD	1.1857
9200	Wilmington, NC Brunswick, NC New Hanover, NC	1.0230
9260	Yakima, WA Yakima, WA	1.1216
9270	Yolo, CA Yolo, CA	1.0012
9280	York, PA York, PA	0.9579

MSA Code Number	Urban Area (Constituent Counties or County Equivalents) ¹	Wage Index ²
9320	Youngstown-Warren, OH Columbiana, OH Mahoning, OH Trumbull, OH	0.9931
9340	Yuba City, CA Sutter, CA Yuba, CA	1.0905
9360	Yuma, AZ Yuma, AZ	0.9115

¹This column lists each MSA area name and each county or county equivalent, in the MSA area. Counties not listed in this Table are considered to be Rural Areas. Wage Index values for these areas are found in Table B.

²Wage index values are based on FY 2000 hospital cost report data before reclassification. This wage index is further adjusted. Wage index values greater than 0.8 are subject to a budget-neutrality adjustment calculated by multiplying the hospital wage index value for a given area by a budget-neutrality factor of 1.061238. Wage index values below 0.8 are adjusted to be the greater of a 15-percent increase, subject to a maximum wage index value of 0.8, or a budget-neutrality adjustment calculated by multiplying the hospital wage index value for a given area by the budget-neutrality factor. We have completed all of these adjustments and included them in the wage index values reflected in this table.

TABLE B--WAGE INDEX FOR RURAL AREAS

MSA Code Number	Nonurban Area	Wage Index ³
9901	Alabama	0.8129
9902	Alaska	1.3046
9903	Arizona	0.9013
9904	Arkansas	0.8135
9905	California	1.0443
9906	Colorado	0.9567
9907	Connecticut	1.3153
9908	Delaware	0.9687
9910	Florida	0.9354
9911	Georgia	0.8734
9912	Hawaii	1.0883
9913	Idaho	0.9283
9914	Illinois	0.8706
9915	Indiana	0.9291
9916	Iowa	0.8824
9917	Kansas	0.8408

MSA Code Number	Nonurban Area	Wage Index ³
9918	Kentucky	0.8574
9919	Louisiana	0.8030
9920	Maine	0.9417
9921	Maryland	0.9494
9922	Massachusetts	1.1979
9923	Michigan	0.9551
9924	Minnesota	0.9711
9925	Mississippi	0.8150
9926	Missouri	0.8512
9927	Montana	0.9000
9928	Nebraska	0.8706
9929	Nevada	1.0164
9930	New Hampshire	1.0396
9931	New Jersey ⁴	
9932	New Mexico	0.9415
9933	New York	0.9065
9934	North Carolina	0.9197
9935	North Dakota	0.8265
9936	Ohio	0.9140
9937	Oklahoma	0.8055
9938	Oregon	1.0934
9939	Pennsylvania	0.8980
9940	Puerto Rico	0.5009
9941	Rhode Island ⁴	
9942	South Carolina	0.9134
9943	South Dakota	0.8294
9944	Tennessee	0.8359
9945	Texas	0.8300

MSA Code Number	Nonurban Area	Wage Index ³
9946	Utah	0.9882
9947	Vermont	0.9917
9948	Virgin Islands	1.0200
9949	Virginia	0.9025
9950	Washington	1.0802
9951	West Virginia	0.8463
9952	Wisconsin	0.9723
9953	Wyoming	0.9559
9965	Guam	0.8325

³ Wage index values are based on FY 2000 hospital cost report data before reclassification. This wage index is further adjusted. Wage index values greater than 0.8 are subject to a budget-neutrality adjustment calculated by multiplying the hospital wage index value for a given area by a budget-neutrality factor of 1.061238. Wage index values below 0.8 are adjusted to be the greater of a 15-percent increase, subject to a maximum wage index value of 0.8, or a budget-neutrality adjustment calculated by multiplying the hospital wage index value for a given area by the budget-neutrality factor. We have completed all of these adjustments and included them in the wage index values reflected in this table.

⁴ All counties within the State are classified as urban.

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III. Waiver of Proposed Rulemaking and Waiver of 30-Day Delay in Effective Date

We are waiving notice and comment rulemaking, as well as the 30-day delay in the effective date, before the provisions of this notice take effect. We may waive notice and comment rulemaking procedures if we find good cause to do so (that is, notice and comment procedures are impracticable, unnecessary, or contrary to the public interest) and the agency incorporates a statement of the finding and the reasons for waiver in the notice issued.

In addition, under the Administrative Procedure Act (5 U.S.C. section 553 (d)), an agency may waive the 30-day delay in the effective date if the agency finds good cause to do so (meaning, once again, that the delay is impracticable, unnecessary, or contrary to the public interest), and the agency incorporates a statement of the finding and its reasons in the rule at the time it is issued.

We find it unnecessary to undertake notice and comment rulemaking because the methodologies used to determine the hospice wage index have been previously subjected to public comments, and this notice merely reflects the application of those previously established methodologies.

In this notice, we are not changing the methodologies, but merely performing the ministerial function of applying methodologies previously subject to notice and public comment. Therefore, we believe it is unnecessary to engage in notice and comment rulemaking and for good cause, we waive notice and comment procedures.

We also believe that good cause exists to waive both notice and comment rulemaking and the 30-day delay in the effective date, because it is in the public interest to make this notice effective on October 1, 2003. The statute in 1814(i)(1)(C)(ii)(VII) of the Act requires annual updates to the hospice payment rates and wage indices. In addition, the Federal Regulations at 42 CFR 418.306(b)(2) and (c) require annual updates to hospice wage indices and require that such updates be effective for the FY, beginning on October 1. We do not have sufficient time to either engage in notice and comment rulemaking or apply a 30-day delay in the effective date prior to such date. Moreover, if we do not make this notice effective on the implementation date of October 1, 2003, the hospice agencies would be required to continue to use the previous 2003 FY wage index for the 2004 payment rates.

Finally, for the reasons stated above, at this time, we believe it would be

impracticable to both meet the requirement that updated rates be in effect by October 1, 2003, and also engage in notice and comment rulemaking or apply the 30-day delay in the effective date prior to that date.

Therefore, for the reasons stated above, we find there is good cause to waive notice and comment procedures, as well as the 30-day delay in the effective date of the Administrative Procedure Act.

IV. Regulatory Impact Analysis

A. Overall Impact

We have examined the impacts of this notice 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 Act, the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4), and Executive Order 13132. In this notice, we identified the impact on hospices as a result of updating the hospice wage index. The methodology for computing the wage index for FY 2004 was determined through a negotiated rulemaking committee and implemented in the August 8, 1997 final rule (62 FR 42860). This notice only updates the hospice wage index in accordance with that methodology. We

believe these changes to be insignificant. As Table C below indicates, we estimate that the total hospice payments will increase from last year by 0.6 percent, or \$24,271,000.

Executive Order 12866 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). We have determined that this notice is not an economically significant rule under this Executive Order.

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 in any 1 year (for details, see the Small Business Administration's regulation at 65 FR 69432, that sets forth size standards for health care industries). For purposes of the RFA, most hospices are small entities. Approximately 70 percent of Medicare certified hospices are identified as voluntary, government, or other agencies, and, therefore, are considered small entities. Because the National Hospice and Palliative Care Organization estimates that approximately 79 percent of hospice patients are Medicare beneficiaries, we have not considered other sources of revenue in this analysis.

As discussed below, rural hospices will receive a slight increase in payment. Overall rural hospices will receive an increase of 0.9 percent and urban hospices will receive an increase of 0.6 percent. Urban hospices in New England, Middle-Atlantic, and Puerto Rico regions will experience a decrease of 0.4 percent, 1.1 percent, and 0.5 percent respectively. Middle Atlantic and Puerto Rico rural regions will also experience a decrease of 0.7 and 5.1 percent respectively. Of the urban hospices, the Pacific region will experience the greatest increase of 2.3 percent. The remaining rural regions will experience an increase in payment ranging from 0.2 in New England to a 2.6 increase in West South Central. Puerto Rico will experience decreased payment in both its urban and rural areas. Overall, Puerto Rico rural

hospices will receive the largest decrease of 5.1 percent. The Middle Atlantic rural and urban hospices will also receive decreased payment. Most regions will experience an increase in payment in both urban and rural regions. The South Atlantic urban and East North Central rural hospices will experience a slight increase of 0.1 percent respectively. Therefore, based upon analysis of the wage index changes for FY 2004, the urban and rural Puerto Rico and Middle Atlantic hospices will be negatively impacted the most. The Pacific and West South Central urban regions as well as the West South Central and South Atlantic rural regions will be positively impacted. The payment decreases in certain areas indicate that this notice will have an impact on a small number of small entities. However, nationwide, hospices will receive an overall increase in estimated payments. We estimate that total hospice payments will increase by 0.6 percent, or \$24,271,000. Rural hospices, with the exception of Puerto Rico and Middle Atlantic regions will receive the largest increase in payments for FY 2004. We estimate that rural hospice payments overall will increase by \$4,284,000. We believe the anomaly of Puerto Rico rural region, with the greatest decrease overall in payment, the West South Central rural region increase of 2.6 percent, and the Pacific urban region increase of 2.3 percent are attributable to changes in the MSA hospital wage indices.

Under the Medicare hospice benefit, hospices can provide four different levels of care days. The majority of the days provided by a hospice are routine home care days. Therefore, the number of routine home care days can be used as a proxy for the size of the hospice, that is, the more days of care provided, the larger the hospice. Using routine home care days as a proxy for size, our analysis indicates that the impact of the wage index update on small hospices (those that provide up to 1,754 days of routine home care) will experience a 1.3 percent increase. Rural Puerto Rico with 4 hospices and 28,000 routine care days will experience a decrease of 5.1 percent while rural West North Central with 178 hospices and 492,000 routine home care days will have an increase of 0.8 percent. However, most small entities will experience a slight increase in payment. Therefore, we certify that this rule will not have a significant impact on a substantial number of small entities, in accordance with the RFA.

Furthermore, the wage index methodology was previously determined by consensus through a negotiated rulemaking committee that

included representatives of national hospice associations; rural, urban, large and small hospices; multi-site hospices; and consumer groups. Based on all of the options considered, the committee agreed on the methodology described in the committee statement, and it was adopted into regulation in the August 8, 1997 final rule. The committee also agreed that this was favorable for the hospice community, as well as for beneficiaries. In developing the process for updating the wage index in the 1997 final rule, we fully considered the impact of this methodology on small entities and attempted to mitigate any potential negative effects.

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 604 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 an MSA and has fewer than 100 beds. We have determined that this notice will not have a significant impact on a substantial number of small rural hospices.

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 an expenditure in any 1 year by State, local, and tribal governments, in the aggregate, or by the private sector, of \$110 million or more. This notice has no substantial effect on State, local or tribal governments or on the private sector. We have determined that this notice will not have a significant impact on the operations of a substantial number of small rural hospitals.

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 notice under the threshold criteria of Executive Order 13132, Federalism, and have determined that this notice will not have an impact on the rights, roles, and responsibilities of State, local, or tribal governments.

B. Anticipated Effects

We have compared estimated payments using the FY 1983 hospice wage index to estimated payments using the FY 2004 wage index and determined the current hospice rates to be budget

neutral. This impact analysis compares hospice payments using the FY 2003 hospice wage index to the estimated payments using the FY 2004 wage index. The data used in developing the quantitative analysis for this notice were obtained from the March 2003 update of the national claims history file of all bills submitted during FY 2002. We deleted bills from hospices that have since closed.

Table C below demonstrates the results of our analysis. In column 2 of Table C, we indicate the number of routine home care days that were included in our analysis, although the analysis was performed on all types of hospice care. Column 3 of Table C indicates payments that were made using the FY 2003 wage index. Column 4 of Table C is based on FY 2003 claims (for hospices in business during that time period) and estimates payments to be made to hospices using the FY 2004 wage index. The final column, which compares columns 3 and 4, shows the percent change in estimated hospice payments made based on the category of the hospice.

Table C categorizes hospices by various geographic and provider characteristics. The first row displays the results of the impact analysis for all Medicare certified hospices. The second and third rows of the table categorize hospices according to their geographic

location (urban and rural). Our analysis indicated that there are 1,314 hospices located in urban areas and 840 hospices located in rural areas. The next two groupings in the table indicate the number of hospices by census region, also broken down by urban and rural hospices. The sixth grouping shows the impact on hospices based on the size of the hospice's program. We determined that the majority of hospice payments are made at the routine home care rate. Therefore, we based the size of each individual hospice's program on the number of routine home care days provided in 2002. The next grouping shows the impact on hospices by type of ownership. The final grouping shows the impact on hospices defined by whether they are provider-based or freestanding.

The results of our analysis shows that the majority of hospices are in urban areas and provide the vast majority of routine home care days. However rural hospices will receive a larger percent increase in payment of 0.9 percent in contrast to 0.6 percent for urban hospices.

The greatest increases in payment are for urban Mountain and rural West Central regions with a 2.3 percent and 2.6 percent increase, respectively. The greatest decrease in payment is for rural Puerto Rico with a 5.1 percent decrease and the urban Middle Atlantic region

with a 1.1 percent decrease. With the exception of the Middle Atlantic with a 0.7 percent decrease, the remainder of the rural areas range from 0.1 percent increase in the East North Central to an increase of 2.6 percent in the West South Central. The remainder of the urban areas varies from a decrease of 0.5 percent in Puerto Rico to an increase of 1.8 percent in the West South Central region.

The breakdown by size indicates an increase of 1.3 percent in payment are for hospices with routine home care day under 9,681 while large size hospices with the greatest number of routine home care days will increase by 0.5 percent.

Government owned hospices will have a 1.9-percent increase while voluntary owned hospices with the largest number of routine home care days will receive 0.2-percent increase in payment.

Home health agency based hospices will have a 1 percent payment increase in contrast to a decrease of 0.1 percent for skilled nursing facility based hospices with the lowest number of routine home care days. In contrast, freestanding hospices, which represent the largest number of hospices agencies, with the greatest number of routine home care days will have an estimated 0.7 percent increase in payment.

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TABLE C - IMPACT OF HOSPICE WAGE INDEX CHANGE

	Number of Hospices (1)	Number of Routine Home Care Days in Thousands (2)	Payments using FY 2003 Wage Index in Thousands (3)	Estimated Payments using FY 2004 Wage Index in Thousands (4)	Percent Change in Hospice Payments (5)
(BY GEOGRAPHIC LOCATION):					
ALL HOSPICES	2,154	28,090	3,775,993	3,800,264	0.6
URBAN HOSPICES	1,314	23,590	3,280,633	3,300,620	0.6
RURAL HOSPICES	840	4,500	495,360	499,645	0.9
BY REGION - URBAN:					
NEW ENGLAND	87	747	119,620	119,109	-0.4
MIDDLE ATLANTIC	163	2,576	380,516	376,322	-1.1
SOUTH ATLANTIC	183	5,155	777,378	777,871	0.1
EAST NORTH CENTRAL	225	3,875	529,378	533,941	0.9
EAST SOUTH CENTRAL	96	1,686	204,225	204,519	0.1
WEST NORTH CENTRAL	96	1,440	176,145	176,441	0.2
WEST SOUTH CENTRAL	179	3,327	419,312	427,056	1.8
MOUNTAIN	88	1,612	234,455	236,124	0.7
PACIFIC	170	2,905	418,030	427,760	2.3
PUERTO RICO	27	267	21,575	21,477	-0.5
BY REGION - RURAL:					
NEW ENGLAND	27	84	10,337	10,357	0.2
MIDDLE ATLANTIC	34	196	23,147	22,980	-0.7
SOUTH ATLANTIC	128	940	104,853	105,942	1.0
EAST NORTH CENTRAL	133	677	75,843	75,908	0.1
EAST SOUTH CENTRAL	86	780	81,929	82,694	0.9
WEST NORTH CENTRAL	178	492	54,986	55,445	0.8
WEST SOUTH CENTRAL	103	714	71,014	72,875	2.6
MOUNTAIN	91	299	34,523	34,606	0.2
PACIFIC	56	290	36,483	36,706	0.6
PUERTO RICO	4	28	2,246	2,132	-5.1
ROUTINE HOME CARE DAYS:					
0-1,754 DAYS	334	301	36,887	37,350	1.3
1,754 - 4,373 DAYS	436	1,309	151,924	153,921	1.3
4,373 - 9,681 DAYS	534	3,621	436,072	441,791	1.3
9,681 + DAYS	849	22,493	3,105,116	3,120,788	0.5
TYPE OF OWNERSHIP:					
VOLUNTARY	1,301	17,331	2,344,877	2,349,041	0.2
PROPRIETARY	638	9,988	1,337,387	1,355,906	1.4
GOVERNMENT	182	662	80,489	82,036	1.9
OTHER	33	108	13,241	13,281	0.3
HOSPICE BASE:					
FREESTANDING	970	17,850	2,419,663	2,435,738	0.7
HOME HEALTH AGENCY	627	5,960	802,388	810,231	1.0
HOSPITAL	542	4,144	532,409	532,792	0.1
SKILLED NURSING FACILITY	15	136	21,533	21,503	-0.1

C. Conclusion

Our impact analysis compared hospice payments by using the FY 2003 wage index to the estimated payments using the FY 2004 wage index. Through the analysis, we estimate that total hospice payments will increase from last year by 0.6 percent or by \$24,271,000. Additionally, we compared estimated payments using the FY 1983 hospice wage index to estimated payments using the FY 2004 wage index and determined the current hospice wage index to be budget neutral, as required by the negotiated rulemaking committee. We have determined that this rule is not an economically significant rule under

Executive Order 12866. Although we believe that this rule will not have a significant economic impact on a substantial number of small entities, we took any negative effects into consideration during the negotiated rulemaking process. We have determined that this rule will not have a significant impact on the operations of a substantial number of small rural hospitals. Finally, this rule will not have a consequential effect on State, local, or tribal governments.

OMB Review

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

Authority: Section 1814(i) of the Social Security Act (42 U.S.C. 1395f (i)(1)).

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

Dated: June 24, 2003.

Thomas A. Scully,

Administrator, Centers for Medicare & Medicaid Services.

Dated: July 28, 2003.

Tommy G. Thompson,

Secretary.

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