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**Department of
Health and Human
Services**

Centers for Medicare & Medicaid Services

**Medicare Program; Hospice Wage Index
Fiscal Year 2002; Notice**

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services

[CMS-1175-N]

RIN 0938-ZA08

Medicare Program; Hospice Wage Index Fiscal Year 2002
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 update is effective October 1, 2001 through September 30, 2002. 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 **Federal Register** on August 8, 1997.

EFFECTIVE DATE: October 1, 2001.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION
I. Background
A. Statute and Regulations

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 published in the **Federal Register** (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 transition period, October 1, 1999 through September 30, 2000.

- All hospice wage index values of 0.8 or greater are subject to a budget-neutrality adjustment to ensure that we do not pay more in the aggregate than we would have paid under the original 1983 wage index. The budget-neutrality adjustment is calculated by multiplying the hospice wage index for a given area by the budget-neutrality adjustment factor. The budget-neutrality adjustment is to be applied annually, both during and after the transition period.

- All hospice wage index values below 0.8 receive the greater of the

following adjustments: the wage index floor, a 15 percent increase, subject to a maximum wage index value of 0.8; or, the budget-neutrality adjustment.

- 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 (MSA).

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, section 131(a) of the Balanced Budget Refinement Act of 1999 (BBRA) changed the payment rates for FYs 2001 and 2002 by increasing the FY 2001 rate by 0.5 percent and the FY 2002 rate by 0.75 percent. Section 131(b) of the BBRA states that any additional payments made under section 131(a) of the BBRA shall not be included in updating the hospice rates after those 2 years.

Section 321(a) of the Medicare, Medicaid and State Child Health Insurance Program (SCHIP) Benefits Improvement and Protection Act (BIPA) amended section 814(i)(1)(C)(ii)(VI) of the Act by increasing Medicare hospice rates for FY 2001 by 5 percentage points. This amendment was applicable to hospice care furnished on or after April 1, 2001. Section 321(b) of BIPA further stipulated that the 5 percent increase in Medicare hospice rates during the period beginning on April 1, 2001 through September 30, 2001 will be treated as the payment rates in effect during the FY 2001. This means that the 5 percent increase was made to the base that is updated annually according to a statutorily dictated percentage of the market basket update, as provided in section 1814(i) of the Act. The new Medicare rates for this time period were announced through HCFA Program Memorandum A-01-04 on January 16, 2001.

Also, section 321(d) of BIPA specified that the Secretary of Health and Human Services use 1.0043 as the hospice wage index value for the Wichita, Kansas MSA in calculating payments for a hospice program providing hospice care in this MSA during FY 2000. CMS's Regional Home Health Intermediaries were instructed, through HCFA Program Memorandum A-01-07, to re-calculate the payment for Medicare hospice services provided during FY 2000 by Medicare hospice providers in the Wichita, Kansas MSA using the new wage index value of 1.0043, and to disburse a lump sum payment reflecting

the difference in the two values that fiscal year.

B. Update to the Hospice Wage Index

This annual update is effective October 1, 2001 through September 30, 2002. In accordance with the agreement signed by the Centers for Medicaid & Medicare Services (CMS) and all other members of the Hospice Wage Index Negotiated Rulemaking Committee, we are using the most current CMS hospital data available, including any changes to the definitions of MSAs. The FY 2001 hospital wage index was the most current hospital wage data available when the FY 2002 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 1.064726 and are subject to the wage index floor

adjustment, if applicable. We have completed all of the calculations described above and 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 published in the **Federal Register** (61 FR 46579) and the August 8, 1997 final rule published in the **Federal Register** (62 FR 42860).

1. Metropolitan Statistical Areas

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 periodically by OMB. Any changes to the MSA definitions would be effective

annually and announced in the final rule 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.

C. Tables

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
0040	Abilene, TX	0.8773
	Taylor, TX	
0060	Aguadilla, PR	0.5050
	Aguada, PR	
	Aguadilla, PR	
	Moca, PR	
0080	Akron, OH	1.0366
	Portage, OH	
	Summit, OH	
0120	Albany, GA	1.0576
	Dougherty, GA	
	Lee, GA	
0160	Albany-Schenectady-Troy, NY	0.9102
	Albany, NY	
	Montgomery, NY	
	Rensselaer, NY	
	Saratoga, NY	
	Schenectady, NY	
	Schoharie, NY	
0200	Albuquerque, NM	0.9727
	Bernalillo, NM	
	Sandoval, NM	
	Valencia, NM	
0220	Alexandria, LA	0.8649
	Rapides, LA	
0240	Allentown-Bethlehem-Easton, PA	1.0567
	Carbon, PA	
	Lehigh, PA	
	Northampton, PA	
0280	Altoona, PA	0.9951
	Blair, PA	
0320	Amarillo, TX	0.9279
	Potter, TX	
	Randall, TX	
0380	Anchorage, AK	1.3621
	Anchorage, AK	
0440	Ann Arbor, MI	1.1982
	Lenawee, MI	
	Livingston, MI	
	Washtenaw, MI	
0450	Anniston, AL	0.8820
	Calhoun, AL	
0460	Appleton-Oshkosh-Neenah, WI	0.9638
	Calumet, WI	

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
0470	Outagamie, WI Winnebago, WI Arecibo, PR	0.8518
0480	Arecibo, PR Camuy, PR Hatillo, PR Asheville, NC	1.0132
0500	Buncombe, NC Madison, NC Athens, GA	1.0369
0520	Clarke, GA Madison, GA Oconee, GA Atlanta, GA	1.0749
0560	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 Atlantic-Cape May, NJ	1.1906
0580	Atlantic, NJ Cape May, NJ Auburn-Opelika, AL	0.8631
0600	Lee, AL Augusta-Aiken, GA-SC	0.9753
0640	Columbia, GA McDuffie, GA Richmond, GA Aiken, SC Edgefield, SC Austin-San Marcos, TX	1.0197
0680	Bastrop, TX Caldwell, TX Hays, TX Travis, TX Williamson, TX Bakersfield, CA	1.0304
0720	Kern, CA Baltimore, MD	0.9971
0733	Anne Arundel, MD Baltimore, MD Baltimore City, MD Carroll, MD Harford, MD Howard, MD Queen Anne's, MD Bangor, ME	1.0180
0743	Penobscot, ME Barnstable-Yarmouth, MA	1.4735
0760	Barnstable, MA Baton Rouge, LA	0.9414
0840	Ascension, LA East Baton Rouge, LA Livingston, LA West Baton Rouge, LA Beaumont-Port Arthur, TX	0.9310

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
0860	Hardin, TX Jefferson, TX Orange, TX Bellingham, WA Whatcom, WA	1.2179
0870	Benton Harbor, MI Berrien, MI	0.9232
0875	Bergen-Passaic, NJ Bergen, NJ Passaic, NJ	1.2615
0880	Billings, MT Yellowstone, MT	1.0205
0920	Biloxi-Gulfport-Pascagoula, MS Hancock, MS Harrison, MS Jackson, MS	0.8769
0960	Binghamton, NY Broome, NY Tioga, NY	0.9252
1000	Birmingham, AL Blount, AL Jefferson, AL St. Clair, AL Shelby, AL	0.8999
1010	Bismarck, ND Burleigh, ND Morton, ND	0.8204
1020	Bloomington, IN Monroe, IN	0.9298
1040	Bloomington-Normal, IL McLean, IL	0.9684
1080	Boise City, ID Ada, ID Canyon, ID	0.9589
1123	Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH Bristol, MA Essex, MA Middlesex, MA Norfolk, MA Plymouth, MA Suffolk, MA Worcester, MA Hillsborough, NH Merrimack, NH Rockingham, NH Strafford, NH	1.1882
1125	Boulder-Longmont, CO Boulder, CO	1.0361
1145	Brazoria, TX Brazoria, TX	0.9218
1150	Bremerton, WA Kitsap, WA	1.1685
1240	Brownsville-Harlingen-San Benito, TX Cameron, TX	0.9287
1260	Bryan-College Station, TX Brazos, TX	0.8770
1280	Buffalo-Niagara Falls, NY Erie, NY Niagara, NY	1.0200
1303	Burlington, VT Chittenden, VT Franklin, VT Grand Isle, VT	1.1430
1310	Caguas, PR Caguas, PR Cayey, PR Cidra, PR Gurabo, PR San Lorenzo, PR	0.5246
1320	Canton-Massillon, OH Carroll, OH	0.9140

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
1350	Stark, OH Casper, WY Natrona, WY	0.9289
1360	Cedar Rapids, IA Linn, IA	0.9301
1400	Champaign-Urbana, IL Champaign, IL	0.9793
1440	Charleston-North Charleston, SC Berkeley, SC Charleston, SC Dorchester, SC	0.9623
1480	Charleston, WV Kanawha, WV Putnam, WV	0.9838
1520	Charlotte-Gastonia-Rock Hill, NC-SC Cabarrus, NC Gaston, NC Lincoln, NC Mecklenburg, NC Rowan, NC Stanly, NC Union, NC York, SC	0.9999
1540	Charlottesville, VA Albemarle, VA Charlottesville City, VA Fluvanna, VA Greene, VA	1.1487
1560	Chattanooga, TN-GA Catoosa, GA Dade, GA Walker, GA Hamilton, TN Marion, TN	1.0469
1580	Cheyenne, WY Laramie, WY	0.8846
1600	Chicago, IL Cook, IL DeKalb, IL Du Page, IL Grundy, IL Kane, IL Kendall, IL Lake, IL McHenry, IL Will, IL	1.1867
1620	Chico-Paradise, CA Butte, CA	1.0560
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	1.0024
1660	Clarksville-Hopkinsville, TN-KY Christian, KY Montgomery, TN	0.8735
1680	Cleveland-Lorain-Elyria, OH Ashtabula, OH Cuyahoga, OH Geauga, OH Lake, OH Lorain, OH Medina, OH	1.0218

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
1720	Colorado Springs, CO El Paso, CO	1.0325
1740	Columbia, MO Boone, MO	0.9541
1760	Columbia, SC Lexington, SC Richland, SC	1.0172
1800	Columbus, GA-AL Chattahoochee, GA Harris, GA Muscogee, GA Russell, AL	0.9123
1840	Columbus, OH Delaware, OH Fairfield, OH Franklin, OH Licking, OH Madison, OH Pickaway, OH	1.0242
1880	Corpus Christi, TX Nueces, TX San Patricio, TX	0.9291
1890	Corvallis, Oregon Benton, OR	1.2059
1900	Cumberland, MD-WV Allegany, MD Mineral, WV	0.8911
1920	Dallas, TX Collin, TX Dallas, TX Denton, TX Ellis, TX Henderson, TX Hunt, TX Kaufman, TX Rockwall, TX	1.0555
1950	Danville, VA Danville City, VA Pittsylvania, VA	0.9145
1960	Davenport-Moline-Rock Island, IA-IL Scott, IA Henry, IL Rock Island, IL	0.9474
2000	Dayton-Springfield, OH Clark, OH Greene, OH Miami, OH Montgomery, OH	1.0053
2020	Daytona Beach, FL Flagler, FL Volusia, FL	0.9795
2030	Decatur, AL Lawrence, AL Morgan, AL	0.9086
2040	Decatur, IL Macon, IL	0.8651
2080	Denver, CO Adams, CO Arapahoe, CO Denver, CO Douglas, CO Jefferson, CO	1.0840
2120	Des Moines, IA Dallas, IA Polk, IA Warren, IA	0.9708
2160	Detroit, MI Lapeer, MI Macomb, MI Monroe, MI Oakland, MI	1.1190

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
2180	St. Clair, MI Wayne, MI Dothan, AL Dale, AL Houston, AL	0.8457
2190	Dover, DE Kent, DE	1.0730
2200	Dubuque, IA Dubuque, IA	0.9312
2240	Duluth-Superior, MN-WI St. Louis, MN Douglas, WI	1.0681
2281	Dutchess County, NY Dutchess, NY	1.0912
2290	Eau Claire, WI Chippewa, WI Eau Claire, WI	0.9359
2320	El Paso, TX El Paso, TX	0.9951
2330	Elkhart-Goshen, IN Elkhart, IN	0.9737
2335	Elmira, NY Chemung, NY	0.9099
2340	Enid, OK Garfield, OK	0.9167
2360	Erie, PA Erie, PA	0.9567
2400	Eugene-Springfield, OR Lane, OR	1.1675
2440	Evansville-Henderson, IN-KY Posey, IN Vanderburgh, IN Warrick, IN Henderson, KY	0.8702
2520	Fargo-Moorhead, ND-MN Clay, MN Cass, ND	0.9315
2560	Fayetteville, NC Cumberland, NC	0.9215
2580	Fayetteville-Springdale-Rogers, AR Benton, AR Washington, AR	0.8422
2620	Flagstaff, AZ-UT Coconino, AZ Kane, UT	1.1378
2640	Flint, MI Genesee, MI	1.1930
2650	Florence, AL Colbert, AL Lauderdale, AL	0.8109
2655	Florence, SC Florence, SC	0.9345
2670	Fort Collins-Loveland, CO Larimer, CO	1.1336
2680	Ft. Lauderdale, FL Broward, FL	1.0776
2700	Fort Myers-Cape Coral, FL Lee, FL	0.9846
2710	Fort Pierce-Port St. Lucie, FL Martin, FL St. Lucie, FL	1.0155
2720	Fort Smith, AR-OK Crawford, AR Sebastian, AR Sequoyah, OK	0.8573
2750	Fort Walton Beach, FL Okaloosa, FL	1.0229
2760	Fort Wayne, IN Adams, IN Allen, IN De Kalb, IN	0.9226

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
2800	Huntington, IN Wells, IN Whitley, IN Forth Worth-Arlington, TX Hood, TX Johnson, TX Parker, TX Tarrant, TX	1.0144
2840	Fresno, CA Fresno, CA Madera, CA	1.0758
2880	Gadsden, AL Etowah, AL	0.8968
2900	Gainesville, FL Alachua, FL	1.0726
2920	Galveston-Texas City, TX Galveston, TX	1.0560
2960	Gary, IN Lake, IN Porter, IN	1.0066
2975	Glens Falls, NY Warren, NY Washington, NY	0.8902
2980	Goldsboro, NC Wayne, NC	0.8968
2985	Grand Forks, ND-MN Grand Forks, ND Polk, MN	0.9387
2995	Grand Junction, CO Mesa, CO	0.9699
3000	Grand Rapids-Muskegon-Holland, MI Allegan, MI Kent, MI Muskegon, MI Ottawa, MI	1.0911
3040	Great Falls, MT Cascade, MT	0.9652
3060	Greeley, CO Weld, CO	1.0449
3080	Green Bay, WI Brown, WI	0.9822
3120	Greensboro-Winston-Salem-High Point, NC Alamance, NC Davidson, NC Davie, NC Forsyth, NC Guilford, NC Randolph, NC Stokes, NC Yadkin, NC	0.9722
3150	Greenville, NC Pitt, NC	0.9991
3160	Greenville-Spartanburg-Anderson, SC Anderson, SC Cherokee, SC Greenville, SC Pickens, SC Spartanburg, SC	0.9586
3180	Hagerstown, MD Washington, MD	1.0018
3200	Hamilton-Middletown, OH Butler, OH	0.9648
3240	Harrisburg-Lebanon-Carlisle, PA Cumberland, PA Dauphin, PA Lebanon, PA Perry, PA	0.9994
3283	Hartford, CT Hartford, CT Litchfield, CT Middlesex, CT	1.2109

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
3285	Tolland, CT Hattiesburg, MS Forrest, MS Lamar, MS	0.8000
3290	Hickory-Morganton-Lenoir, NC Alexander, NC Burke, NC Caldwell, NC Catawba, NC	0.9591
3320	Honolulu, HI Honolulu, HI	1.2631
3350	Houma, LA Lafourche, LA Terrebonne, LA	0.8609
3360	Houston, TX Chambers, TX Fort Bend, TX Harris, TX Liberty, TX Montgomery, TX Waller, TX	1.0362
3400	Huntington-Ashland, WV-KY-OH Boyd, KY Carter, KY Greenup, KY Lawrence, OH Cabell, WV Wayne, WV	1.0515
3440	Huntsville, AL Limestone, AL Madison, AL	0.9510
3480	Indianapolis, IN Boone, IN Hamilton, IN Hancock, IN Hendricks, IN Johnson, IN Madison, IN Marion, IN Morgan, IN Shelby, IN	1.0420
3500	Iowa City, IA Johnson, IA	1.0282
3520	Jackson, MI Jackson, MI	0.9725
3560	Jackson, MS Hinds, MS Madison, MS Rankin, MS	0.9382
3580	Jackson, TN Madison, TN Chester, TN	0.9365
3600	Jacksonville, FL Clay, FL Duval, FL Nassau, FL St. Johns, FL	0.9804
3605	Jacksonville, NC Onslow, NC	0.8280
3610	Jamestown, NY Chautauqua, NY	0.8324
3620	Janesville-Beloit, WI Rock, WI	1.0205
3640	Jersey City, NJ Hudson, NJ	1.2246
3660	Johnson City-Kingsport-Bristol, TN-VA Carter, TN Hawkins, TN Sullivan, TN Unicoi, TN Washington, TN	0.8807

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
3680	Bristol City, VA Scott, VA Washington, VA Johnstown, PA	0.9419
3700	Cambria, PA Somerset, PA Jonesboro, AR	0.8339
3710	Craighead, AR Joplin, MO	0.8675
3720	Jasper, MO Newton, MO Kalamazoo-Battlecreek, MI	1.1130
3740	Calhoun, MI Kalamazoo, MI Van Buren, MI Kankakee, IL	1.05423
3760	Kankakee, IL Kansas City, KS-MO	1.0144
3800	Johnson, KS Leavenworth, KS Miami, KS Wyandotte, KS Cass, MO Clay, MO Clinton, MO Jackson, MO LaFayette, MO Platte, MO Ray, MO Kenosha, WI	1.0233
3810	Kenosha, WI Kileen-Temple, TX	1.0774
3840	Bell, TX Coryell, TX Knoxville, TN	0.8880
3850	Anderson, TN Blount, TN Loudon, TN Sevier, TN Union, TN Kokomo, IN	1.0134
3870	Howard, IN Tipton, IN La Crosse, WI-MN	0.9807
3880	Houston, MN La Crosse, WI Lafayette, LA	0.9040
3920	Acadia, LA Lafayette, LA St. Landry, LA St. Martin, LA Lafayette, IN	0.9406
3960	Clinton, IN Tippecanoe, IN Lake Charles, LA	0.8000
3980	Calcasieu, LA Lakeland-Winter Haven, FL	0.9837
4000	Polk, FL Lancaster, PA	0.9858
4040	Lancaster, PA Lansing-East Lansing, MI	1.0577
4080	Clinton, MI Eaton, MI Ingham, MI Laredo, TX	0.8697
4100	Webb, TX Las Cruces, NM	0.9218
4120	Dona Ana, NM Las Vegas, NV-AZ	1.1495
	Mohave, AZ Clarke, NV	

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
4150	Nye, NV Lawrence, KS	0.8720
4200	Douglas, KS Lawton, OK Comanche, OK	0.9578
4243	Lewiston-Auburn, ME	0.9621
4280	Androscoggin, ME Lexington, KY Bourbon, KY Clark, KY Fayette, KY Jessamine, KY Madison, KY Scott, KY Woodford, KY	0.9440
4320	Lima, OH Allen, OH Auglaize, OH	0.9923
4360	Lincoln, NE Lancaster, NE	1.0249
4400	Little Rock-North Little Rock, AR Faulkner, AR Lonoke, AR Pulaski, AR Saline, AR	0.9482
4420	Longview-Marshall, TX Gregg, TX Harrison, TX Upshur, TX	0.9499
4480	Los Angeles-Long Beach, CA Los Angeles, CA	1.2772
4520	Louisville, KY-IN Clark, IN Floyd, IN Harrison, IN Scott, IN Bullitt, KY Jefferson, KY Oldham, KY	0.9955
4600	Lubbock, TX Lubbock, TX	0.9410
4640	Lynchburg, VA Amherst, VA Bedford, VA Bedford City, VA Campbell, VA Lynchburg City, VA	0.9441
4680	Macon, GA Bibb, GA Houston, GA Jones, GA Peach, GA Twiggs, GA	0.9555
4720	Madison, WI Dane, WI	1.0936
4800	Mansfield, OH Crawford, OH Richland, OH	0.9252
4840	Mayaguez, PR Anasco, PR Cabo Rojo, PR Hormigueros, PR Mayaguez, PR Sabana Grande, PR San German, PR	0.5277
4880	McAllen-Edinburg-Mission, TX Hidalgo, TX	0.9120
4890	Medford-Ashland, OR Jackson, OR	1.1014
4900	Melbourne-Titusville-Palm Bay, FL Brevard, FL	1.0315

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
4920	Memphis, TN-AR-MS	0.9288
	Crittenden, AR	
	DeSoto, MS	
	Fayette, TN	
	Shelby, TN	
	Tipton, TN	
4940	Merced, CA	1.0270
	Merced, CA	
5000	Miami, FL	1.0710
	Dade, FL	
5015	Middlesex-Somerset-Hunterdon, NJ	1.1792
	Hunterdon, NJ	
	Middlesex, NJ	
	Somerset, NJ	
5080	Milwaukee-Waukesha, WI	1.0399
	Milwaukee, WI	
	Ozaukee, WI	
	Washington, WI	
	Waukesha, WI	
5120	Minneapolis-St. Paul, MN-WI	1.1730
	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	0.9874
	Missoula, MT	
5160	Mobile, AL	0.8691
	Baldwin, AL	
	Mobile, AL	
5170	Modesto, CA	1.1069
	Stanislaus, CA	
5190	Monmouth-Ocean, NJ	1.2008
	Monmouth, NJ	
	Ocean, NJ	
5200	Monroe, LA	0.8939
	Ouachita, LA	
5240	Montgomery, AL	0.8148
	Autauga, AL	
	Elmore, AL	
	Montgomery, AL	
5280	Muncie, IN	1.1679
	Delaware, IN	
5330	Myrtle Beach, SC	0.8986
	Horry, SC	
5345	Naples, FL	1.0286
	Collier, FL	
5360	Nashville, TN	1.0104
	Cheatham, TN	
	Davidson, TN	
	Dickson, TN	
	Robertson, TN	
	Rutherford, TN	
	Sumner, TN	
	Williamson, TN	
	Wilson, TN	
5380	Nassau-Suffolk, NY	1.4834
	Nassau, NY	
	Suffolk, NY	
5483	New Haven-Bridgeport-Stamford-Waterbury-Danbury, CT	1.3093
	Fairfield, CT	
	New Haven, CT	
5523	New London-Norwich, CT	1.2844

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
5560	New London, CT 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	0.9897
5600	New York, NY Bronx, NY Kings, NY New York, NY Putnam, NY Queens, NY Richmond, NY Rockland, NY Westchester, NY	1.5599
5640	Newark, NJ Essex, NJ Morris, NJ Sussex, NJ Union, NJ Warren, NJ	1.2603
5660	Newburgh, NY-PA Orange, NY Pike, PA	1.1549
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	0.8956
5775	Oakland, CA Alameda, CA Contra Costa, CA	1.5953
5790	Ocala, FL Marion, FL	0.9841
5800	Odessa-Midland, TX Ector, TX Midland, TX	0.9801
5880	Oklahoma City, OK Canadian, OK Cleveland, OK Logan, OK McClain, OK Oklahoma, OK Pottawatomie, OK	0.9393
5910	Olympia, WA Thurston, WA	1.1368
5920	Omaha, NE-IA Pottawattamie, IA Cass, NE Douglas, NE Sarpy, NE Washington, NE	1.0192
5945	Orange County, CA Orange, CA	1.2209
5960	Orlando, FL Lake, FL	1.0232

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
5990	Orange, FL Osceola, FL Seminole, FL Owensboro, KY	0.8687
6015	Davies, KY Panama City, FL	0.9593
6020	Bay, FL Parkersburg-Marietta, WV-OH	0.8810
6080	Washington, OH Wood, WV Pensacola, FL	0.8705
6120	Escambia, FL Santa Rosa, FL Peoria-Pekin, IL	0.9205
6160	Peoria, IL Tazewell, IL Woodford, IL Philadelphia, PA-NJ	1.1645
6200	Burlington, NJ Camden, NJ Gloucester, NJ Salem, NJ Bucks, PA Chester, PA Delaware, PA Montgomery, PA Philadelphia, PA Phoenix-Mesa, AZ	1.0295
6240	Maricopa, AZ Pinal, AZ Pine Bluff, AR	0.8295
6280	Jefferson, AR Pittsburgh, PA	1.0371
6323	Allegheny, PA Beaver, PA Butler, PA Fayette, PA Washington, PA Westmoreland, PA Pittsfield, MA	1.0954
6340	Berkshire, MA Pocatello, ID	0.9663
6360	Bannock, ID Ponce, PR	0.5757
6403	Guayanilla, PR Juana Diaz, PR Penuelas, PR Ponce, PR Villalba, PR Yauco, PR Portland, ME	1.0379
6440	Cumberland, ME Sagadahoc, ME York, ME Portland-Vancouver, OR-WA	1.1616
6483	Clackamas, OR Columbia, OR Multnomah, OR Washington, OR Yamhill, OR Clark, WA Providence-Warwick-Pawtucket, RI	1.1567
6520	Bristol, RI Kent, RI Newport, RI Providence, RI Washington, RI Provo-Orem, UT	1.0678
6560	Utah, UT Pueblo, CO	0.9386
6560	Pueblo, CO	

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
6580	Punta Gorda, FL Charlotte, FL	1.0235
6600	Racine, WI	0.9845
6640	Raleigh-Durham-Chapel Hill, NC Chatham, NC Durham, NC Franklin, NC Johnston, NC Orange, NC Wake, NC	1.0270
6660	Rapid City, SD Pennington, SD	0.9439
6680	Reading, PA Berks, PA	0.9744
6690	Redding, CA Shasta, CA	1.2419
6720	Reno, NV Washoe, NV	1.1233
6740	Richland-Kennewick-Pasco, WA Benton, WA Franklin, WA	1.2202
6760	Richmond-Petersburg, VA 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	1.0239
6780	Riverside-San Bernardino, CA Riverside, CA San Bernardino, CA	1.1966
6800	Roanoke, VA Botetourt, VA Roanoke, VA Roanoke City, VA Salem City, VA	0.9316
6820	Rochester, MN Olmsted, MN	1.2047
6840	Rochester, NY Genesee, NY Livingston, NY Monroe, NY Ontario, NY Orleans, NY Wayne, NY	0.9776
6880	Rockford, IL Boone, IL Ogle, IL Winnebago, IL	0.9390
6895	Rocky Mount, NC Edgecombe, NC Nash, NC	0.9422
6920	Sacramento, CA El Dorado, CA Placer, CA Sacramento, CA	1.2723
6960	Saginaw-Bay City-Midland, MI Bay, MI Midland, MI Saginaw, MI	1.0195
6980	St. Cloud, MN Benton, MN Stearns, MN	1.0664
7000	St. Joseph, MO	0.9658

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
7040	Andrew, MO Buchanan, MO 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	0.9635
7080	Salem, OR Marion, OR Polk, OR	1.0848
7120	Salinas, CA Monterey, CA	1.5441
7160	Salt Lake City-Ogden, UT Davis, UT Salt Lake, UT Weber, UT	1.0442
7200	San Angelo, TX Tom Green, TX	0.8606
7240	San Antonio, TX Bexar, TX Comal, TX Guadalupe, TX Wilson, TX	0.9135
7320	San Diego, CA San Diego, CA	1.2547
7360	San Francisco, CA Marin, CA San Francisco, CA San Mateo, CA	1.5072
7400	San Jose, CA Santa Clara, CA	1.4536
7440	San Juan-Bayamon, PR 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.	0.5394
7460	San Luis Obispo-Atascadero-Paso Robles, CA	1.1364

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
7480	San Luis Obispo, CA Santa Barbara-Santa Maria-Lompoc, CA	1.1283
7485	Santa Barbara, CA Santa Cruz-Watsonville, CA	1.4949
7490	Santa Cruz, CA Santa Fe, NM Los Alamos, NM Santa Fe, NM	1.1219
7500	Santa Rosa, CA Sonoma, CA	1.3465
7510	Sarasota-Bradenton, FL Manatee, FL Sarasota, FL	1.0444
7520	Savannah, GA Bryan, GA Chatham, GA Effingham, GA	1.0325
7560	Scranton-Wilkes-Barre-Hazleton, PA Columbia, PA Lackawanna, PA Luzerne, PA Wyoming, PA	0.8966
7600	Seattle-Bellevue-Everett, WA Island, WA King, WA Snohomish, WA	1.1708
7610	Sharon, PA Mercer, PA	0.8441
7620	Sheboygan, WI Sheboygan, WI	0.8921
7640	Sherman-Denison, TX Grayson, TX	0.9257
7680	Shreveport-Bossier City, LA Bossier, LA Caddo, LA Webster, LA	0.9316
7720	Sioux City, IA-NE Woodbury, IA Dakota, NE	0.9021
7760	Sioux Falls, SD Lincoln, SD Minnehaha, SD	0.9359
7800	South Bend, IN St. Joseph, IN	1.0647
7840	Spokane, WA Spokane, WA	1.1193
7880	Springfield, IL Menard, IL Sangamon, IL	0.9247
7920	Springfield, MO Christian, MO Greene, MO Webster, MO	0.9037
8003	Springfield, MA Hampden, MA Hampshire, MA	1.1325
8050	State College, PA Centre, PA	0.9623
8080	Steubenville-Weirton, OH-WV Jefferson, OH Brooke, WV Hancock, WV	0.9101
8120	Stockton-Lodi, CA San Joaquin, CA	1.1317
8140	Sumter, SC Sumter, SC	0.8806
8160	Syracuse, NY Cayuga, NY Madison, NY Onondaga, NY Oswego, NY	1.0167

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
8200	Tacoma, WA Pierce, WA	1.2312
8240	Tallahassee, FL Gadsden, FL Leon, FL	0.9098
8280	Tampa-St. Petersburg-Clearwater, FL Hernando, FL Hillsborough, FL Pasco, FL Pinellas, FL	0.9563
8320	Terre Haute, IN Clay, IN Vermillion, IN Vigo, IN	0.8841
8360	Texarkana, AR-Texarkana, TX Miller, AR Bowie, TX	0.8904
8400	Toledo, OH Fulton, OH Lucas, OH Wood, OH	1.0468
8440	Topeka, KS Shawnee, KS	0.9707
8480	Trenton, NJ Mercer, NJ	1.0793
8520	Tucson, AZ Pima, AZ	0.9363
8560	Tulsa, OK Creek, OK Osage, OK Rogers, OK Tulsa, OK Wagoner, OK	0.9001
8600	Tuscaloosa, AL Tuscaloosa, AL	0.8586
8640	Tyler, TX Smith, TX	1.0013
8680	Utica-Rome, NY Herkimer, NY Oneida, NY	0.9114
8720	Vallejo-Fairfield-Napa, CA Napa, CA Solano, CA	1.3679
8735	Ventura, CA Ventura, CA	1.1744
8750	Victoria, TX Victoria, TX	0.8682
8760	Vineland-Millville-Bridgeton, NJ Cumberland, NJ	1.1181
8780	Visalia-Tulare-Porterville, CA Tulare, CA	1.0169
8800	Waco, TX McLennan, TX	0.8852
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	1.1451

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS—Continued

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
	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 Black Hawk, IA	0.8948
8940	Wausau, WI Marathon, WI	1.0028
8960	West Palm Beach-Boca Raton, FL Palm Beach, FL	1.0309
9000	Wheeling, WV-OH Belmont, OH Marshall, WV Ohio, WV	0.8234
9040	Wichita, KS Butler, KS Harvey, KS Sedgwick, KS	1.0162
9080	Wichita Falls, TX Archer, TX Wichita, TX	0.8164
9140	Williamsport, PA Lycoming, PA	0.8935
9160	Wilmington-Newark, DE-MD New Castle, DE Cecil, MD	1.1915
9200	Wilmington, NC Brunswick, NC New Hanover, NC	1.0011
9260	Yakima, WA Yakima, WA	1.0548
9270	Yolo, CA Yolo, CA	1.0859
9280	York, PA York, PA	0.9864
9320	Youngstown-Warren, OH Columbiana, OH Mahoning, OH Trumbull, OH	1.0161
9340	Yuba City, CA Sutter, CA Yuba, CA	1.1399
9360	Yuma, AZ Yuma, AZ	1.0146

¹ This 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.

² Wage index values are based on FY 1997 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 of 1.064726. 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 an adjustment by multiplying the hospital wage index value for a given area by the budget-neutrality adjustment. 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 No.	Nonurban area	Wage index ³
9901	Alabama	0.8000
9902	Alaska	1.3194
9903	Arizona	0.8855
9904	Arkansas	0.8000
9905	California	1.0499
9906	Colorado	0.9548
9907	Connecticut	1.2473
9908	Delaware	0.9661
9910	Florida	0.9496
9911	Georgia	0.8868

TABLE B.—WAGE INDEX FOR RURAL AREAS—Continued

MSA Code No.	Nonurban area	Wage index ³
9912	Hawaii	1.1775
9913	Idaho	0.9240
9914	Illinois	0.8688
9915	Indiana	0.9159
9916	Iowa	0.8550
9917	Kansas	0.8097
9918	Kentucky	0.8444
9919	Louisiana	0.8178
9920	Maine	0.9333
9921	Maryland	0.9211
9922	Massachusetts	1.1929
9923	Michigan	0.9569
9924	Minnesota	0.9456
9925	Mississippi	0.8000
9926	Missouri	0.8196
9927	Montana	0.9250
9928	Nebraska	0.8634
9929	Nevada	0.9830
9930	New Hampshire	1.0482
9931	New Jersey ⁴
9932	New Mexico	0.9047
9933	New York	0.9049
9934	North Carolina	0.8987
9935	North Dakota	0.8215
9936	Ohio	0.9231
9937	Oklahoma	0.8000
9938	Oregon	1.0788
9939	Pennsylvania	0.9133
9940	Puerto Rico	0.4904
9941	Rhode Island ⁴
9942	South Carolina	0.8912
9943	South Dakota	0.8060
9944	Tennessee	0.8345
9945	Texas	0.8000
9946	Utah	0.9622
9947	Vermont	0.9874
9948	Virgin Islands	0.7252
9949	Virginia	0.8719
9950	Washington	1.1109
9951	West Virginia	0.8764
9952	Wisconsin	0.9455
9953	Wyoming	0.9388
9965	Guam	1.0233

³Wage index values are based on FY 1997 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 of 1.064726. 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 an adjustment by multiplying the hospital wage index value for a given area by the budget-neutrality adjustment. We have completed all of these adjustments and have included them in the wage index values reflected in this table.

⁴All counties within the State are classified as urban.

II. Regulatory Impact Statement

A. Overall Impact

We have examined the impacts of this notice as required by Executive Order 12866 (September 1993, Regulatory Planning & Review) and the Regulatory Flexibility Act (RFA) (September 19, 1980 Pub. L. 96-354). In this notice, we identified an impact on hospices as a result of changes in the way we compute the hospice wage index. The change in the methodology for computing the wage index was determined through a negotiated rulemaking committee and implemented in the August 8, 1997 final rule (62 FR 42860). We recognize that

the BIPA adjusted hospice payments upward by 5 percent; however, we did not do a separate analysis of the impact of this payment adjustment. We used the new rates adjusted by the BIPA when estimating the payments to be made under the new wage index and when calculating the budget-neutrality adjustment factor. Overall, we believe the changes included in this notice to be insignificant.

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 determine whether a rule will have a significant economic impact on a substantial number of small entities. For purposes of the RFA, small entities include small businesses, nonprofit organizations and government agencies.

Most hospital and most other providers and suppliers are small entities, either by nonprofit status or by having revenues of \$5 million or less annually. For purposes of the RFA, most hospices are small entities. Approximately 73 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 70 percent of hospice patients are Medicare beneficiaries, we have not considered other sources of revenue in this analysis.

As discussed below, the estimated decreases in payment to hospices overall are very slight. The effects of this notice indicate that on a regional basis, urban hospices in the New England, Middle Atlantic, South Atlantic, East South Central and Pacific regions will experience a slight decrease in payments. The payment decreases range from a minimum of 0.2 percent (East South Central region) to a maximum of 0.7 percent (New England region). The mid-range of the decrease in estimated payments for urban hospices falls within the Middle Atlantic urban region with a 0.4 percent decrease. Rural hospices in the New England and Middle Atlantic regions will also experience a slight decrease in payments, 0.9 and 0.3 percent respectively. Therefore, based on an analysis of the wage index changes for FY 2002, hospices in the urban and rural areas of the New England and Middle Atlantic regions will be impacted the most. This payment decrease to these small entities indicates that this notice will have a significant impact on a substantial number of small entities. However, nationwide, hospices will receive an overall slight increase in estimated payments. We estimate that total hospice payments will increase by 0.5 percent, or \$13,632,000. Urban hospices will receive an increase in estimated payments of 0.3 percent and rural hospices will receive an increase in estimated payments of 1.3 percent.

We would like to emphasize that the methodology for the hospice wage index 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 the options

considered, the committee agreed on the methodology described in the committee statement, and adopted it 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. Therefore, we believe that mitigating any negative effects on small entities has been taken into consideration.

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.

Section 202 of the Unfunded Mandate 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, in any 1 year of \$110 million or more. This notice has no consequential effect on State, local, or tribal governments. We believe the private sector costs of this notice fall below the threshold as well.

We have reviewed this notice under the threshold criteria of Executive Order 13132, Federalism, and have determined that this notice will not have any negative 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 2002 wage index and determined the current hospice rates to be budget-neutral. This impact analysis compares hospice payments using the FY 2001 hospice wage index to the estimated payments using the FY 2002 wage index. The data used in developing the quantitative analysis for this notice were obtained from the March 2001 update of the national claims history file of all bills submitted during FY 2000. We deleted bills from hospices that have since closed.

Table C 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 2001 wage index. Column 4 of Table C is based on FY 2000 claims and estimates payments to be made to hospices using the FY 2002 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 1,319 hospices located in urban areas and 824 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 2000. 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 greatest increases in payment are for urban areas in the East North Central and West South Central Regions, with a 1.8 percent and 1.9 percent increase, respectively. The greatest decreases in payment are for urban and rural areas in the New England and Middle Atlantic regions.

The breakdown by size, type of ownership, and facility base showed an increase in payments to all hospice programs. Small hospice programs showed significant increases of about 5 percent, while larger programs experienced only a negligible increase. In terms of hospice base, freestanding hospices showed the greatest estimated payment increase while hospices affiliated with home health agencies and skilled nursing facilities showed the smallest amount of payment increase.

TABLE C.—IMPACT OF HOSPICE WAGE INDEX CHANGE

	Number of hospices (1)	Number of routine home care days in thousands (2)	Payments using FY 2001 wage index in thousands (3)	Estimated payments using FY 2002 wage index in thousands (4)	Percent change in hospice payments (5)
(By Geographic Location)					
All Hospices	2,143	23,765	2,995,014	3,008,646	0.5
Urban Hospices	1,319	20,078	2,616,198	2,624,874	0.3
Rural Hospices	824	3,687	378,816	383,772	1.3
By Region—Urban:					
New England	89	662	98,780	98,045	-0.7
Middle Atlantic	169	2,302	321,614	320,170	-0.4
South Atlantic	184	4,402	618,316	616,008	-0.4
East North Central	225	3,246	408,377	415,850	1.8
East South Central	95	1,312	148,758	148,457	-0.2
West North Central	94	1,220	139,067	139,550	0.3
West South Central	178	2,752	324,985	331,103	1.9
Mountain	87	1,358	186,025	187,093	0.6
Pacific	171	2,553	350,437	348,589	-0.5
Puerto Rico	27	270	19,840	20,010	0.9
By Region—Rural:					
New England	26	67	7,825	7,752	-0.9
Middle Atlantic	35	182	19,862	19,798	-0.3
South Atlantic	122	763	78,343	80,149	2.3
East North Central	138	595	61,827	62,535	1.1
East South Central	82	649	63,742	64,465	1.1
West North Central	178	439	45,187	45,577	0.9
West South Central	98	479	45,051	45,793	1.6
Mountain	86	240	25,762	26,223	1.8
Pacific	56	251	29,687	29,946	0.9
Puerto Rico	3	22	1,530	1,533	0.2
(Skilled)					
Routine Home Care Days:					
0–1,754 Days	386	347	37,277	39,056	4.8
1,754–4,373 Days	480	1,429	154,353	156,256	1.2
4,373–9,681 Days	540	3,600	412,953	414,477	0.4
9,681 + Days	736	18,044	2,348,755	2,357,398	0.4
Type of Ownership:					
Voluntary	1,336	15,108	1,904,983	1,913,143	0.4
Proprietary	590	7,958	1,011,373	1,016,757	0.5
Government	183	594	66,782	66,840	0.1
Other	34	105	11,877	11,906	0.2
Hospice Base:					
Freestanding	910	14,401	1,826,242	1,840,289	0.8
Home Health Agency	680	5,446	688,646	687,239	-0.2
Hospital	536	3,789	460,963	461,980	0.2
Skilled Nursing Facility	17	129	19,163	19,138	-0.1

C. Conclusion

We have determined, and we certify, that this rule will have a significant economic impact on a substantial number of small entities. However, we are not preparing analyses for either the RFA or Section 1102(b) of the Act because the methodology for the hospice wage index was previously determined by consensus through a negotiated rulemaking committee. Based on the options considered, the committee agreed on the methodology described in the committee statement, and adopted it into regulation in the August 8, 1997 final rule. The

committee, which included representatives of national hospice associates, rural, urban, large and small hospice, multi-site hospice, and consumer groups, agreed that this was favorable for the hospice community as well as for beneficiaries. Therefore, we believe that mitigating any negative effects on small entities has been taken into consideration.

OMB Review

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

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: July 10, 2001.

Thomas A. Scully,
Administrator, Centers for Medicare & Medicaid Services.

Dated: August 31, 2001.

Tommy G. Thompson,
Secretary.

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