DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Care Financing Administration

[BPD–867–NC]

RIN 0938–AH54

Medicare Program; Schedule of Limits on Home Health Agency Costs Per Visit for Cost Reporting Periods Beginning On or After July 1, 1996

AGENCY: Health Care Financing Administration (HCFA), HHS.

ACTION: Notice with comment period.

SUMMARY: This notice sets forth a revised schedule of limits on home health agency costs that may be paid under the Medicare program. These limits replace the per-visit limits that were set forth in our February 14, 1995 notice with comment period (60 FR 8389). This notice also responds to comments on the February 14, 1995 notice. This notice does not provide for a permanent extension of the provision of the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) that there be no changes in the home health agency cost limits for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996. However, a proposal to extend the effects of the OBRA '93 freeze is included in President Clinton's FY 1997 Budget.

DATES: *Effective Date:* The schedule of limits is effective for cost reporting periods beginning on or after July 1, 1996.

Comment Date: Written comments will be considered if we receive them at the appropriate address, as provided below, no later than 5 p.m. on August 30, 1996.

ADDRESSES: Mail comments (one original and three copies) to the following address:

Health Care Financing Administration, Department of Health and Human Services,
Attention: BPD–867–NC
P.O. Box 7517
Baltimore, MD 21207–0517

If you prefer, you may deliver your written comments (one original and three copies) to one of the following addresses:

Room 309–G, Hubert H. Humphrey Building, 200 Independence Avenue, SW, Washington, DC 20221, or
Room C5–09–26, 7500 Security Boulevard, Baltimore, Maryland 21244–1850.

Because of staffing and resource limitations, we cannot accept comments by facsimile (FAX) transmission. In commenting please refer to file code BPD–867–NC. Comments received timely will be available for public inspection as they are received, generally beginning approximately 3 weeks after publication of a document, in Room 309–G of the Department's offices at 200 Independence Avenue, SW., Washington, DC, on Monday through Friday of each week from 8:30 a.m. to 5 p.m. (Phone: (202) 690–7890).

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FOR FURTHER INFORMATION CONTACT: Michael Bussacca, (410) 786–4602.

SUPPLEMENTARY INFORMATION:

I. Background

Section 1861(v)(1)(A) of the Social Security Act (the Act) authorizes the Secretary to establish limits on allowable costs incurred by a provider of services that may be paid under the Medicare program, based on estimates of the costs necessary in the efficient delivery of needed health services. Under this authority, we have maintained limits on home health agency (HHA) per-visit costs since 1979. The limits may be applied to direct or indirect overall costs or to the costs incurred for specific items or services furnished by the provider. Implementing regulations are located at 42 CFR 413.30. Additional statutory provisions specifically governing the limits applicable to HHAs are contained at section 1861(v)(1)(L) of the Act. Section 1861(v)(1)(L)(i) of the Act specifies that the cost limits are not to exceed 112 percent of the mean of the labor-related and nonlabor per-visit costs for freestanding HHAs. For cost reporting periods beginning on or after July 1, 1986, and before October 1, 1993, section 1861(v)(1)(L)(ii) of the Act requires that the Secretary make an adjustment to the cost limits for the administrative and general (A&G) costs of hospital-based HHAs. Section 1861(v)(1)(L)(iii) of the Act requires that the Secretary establish HHA cost limits on an annual basis for cost reporting periods beginning on or after July 1 of each year (except for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996). In establishing these limits, the Act directs the Secretary to use the applicable hospital wage index, as discussed below.

On February 14, 1995, we published in the Federal Register (60 FR 8389) a notice with comment period that set forth a revised schedule of limits on HHA costs that may be paid under the Medicare program for cost reporting periods beginning on or after July 1, 1993. These limits replaced the per-visit limits that were set forth in our July 8, 1993 notice with comment period (58 FR 36748). Like the July 8, 1993 limits, the February 14, 1995 limits were computed using the actual cost-per-visit data from cost reporting periods ending on or after June 30, 1989, and before May 31, 1991, and were adjusted by later estimates in the ''market basket'' index to reflect changes in the prices of goods and services furnished by HHAs. The February 14, 1995 notice also provided, in accordance with section 13564(a) of the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) (Public Law 103–66), that there be no changes in the HHA costs limits for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996 (except as needed to take into account the elimination of the A&G add-on for hospital-based HHAs, effective for cost reporting periods beginning on or after October 1, 1993).

This notice with comment period sets forth cost limits for cost reporting periods beginning on or after July 1, 1996. As required by section 1861(v)(1)(L)(iii) of the Act, we are using the area wage index applicable under section 1886(d)(3)(E) of the Act determined using the survey of the most recent available wages and wage-related costs of hospitals located in the geographic area in which the HHA is located. For purposes of this notice, the HHA wage index is based on the most recent hospital wage index, that is, the hospital wage index effective for hospital discharges on or after October 1, 1995, which uses FY 1992 wage data. As the statute also specifies, in applying the hospital wage index to HHAs, no adjustments are to be made to account for hospital reclassifications under section 1886(d)(8)(B) of the Act, decisions of the Medicare Geographic Classification Review Board under

section 1886(d)(10) of the Act, or decisions by the Secretary.

II. Analysis of and Response to Public Comments

We received 14 items of timely correspondence on the February 14, 1995 notice with comment period. These comments and our responses are discussed below.

Comment: Nine commenters stated that, in view of the elimination, effective for cost reporting periods beginning on or after October 1, 1993, of the payment adjustment for the A&G cost of hospital-based HHAs, it was no longer appropriate to establish cost limits based only on cost reporting data from freestanding HHAs. Although the commenters acknowledged that section 1861(v)(1)(L)(i) of the Act continues to require that the limits be based on the ''* * * per visit costs for freestanding home health agencies'', they suggested that this provision was inconsistent with the elimination of the A&G add-on under section 13564(b) of OBRA '93 and requested that cost reporting data from both hospital-based and freestanding agencies be used in establishing the limits.

Response: As the commenters noted, section 1861(v)(1)(L)(i) of the Act specifies that the Secretary is to establish a single schedule of HHA cost limits based on the mean per-visit costs of freestanding agencies. Although section 13564(b) of OBRA '93 amended section 1861(v)(1)(L)(ii) of the Act to provide that, effective for cost reporting periods beginning on or after October 1, 1993, we no longer make a payment adjustment to the limits to account for the A&G costs of hospital-based agencies, this provision of OBRA '93 did not amend the explicit requirement of section 1861(v)(1)(L)(i) of the Act concerning the agency costs upon which the limits are to be based. Therefore, the limits continue to be based on the costs of freestanding home health agencies, as required by the Act. We have no discretion to include hospital-based providers in the calculation of HHA limits.

Comment: One commenter suggested that certain services be allowed when provided by a pharmacist in the patient's home such as patient counseling/education, clinical assessment, drug regimen review and drug therapy monitoring.

Response: Section 1861(m) of the Act provides for per-visit payment to HHAs solely for those services provided by the six home health disciplines. Current policy does not provide for payment for home visits by pharmacists as suggested by the commenter.

Comment: One commenter asked if the special adjustment factors for cost reporting periods of other than 12 months would have to be revised because of the changes in the revised schedule of limits published on February 14, 1995.

Response: The projected annual rates of inflation used in the July 8, 1993 and February 14, 1995 notices were the same, as were the adjustment factors in both notices. Therefore, no change in the special adjustment factors to be applied by the intermediaries was necessary.

Comment: Two commenters requested clarification on how HCFA applies the add-on adjustment to the limits for those agencies with costs in excess of their limit that are attributable to the Occupational Safety and Health Administration (OSHA) universal precaution requirement.

Response: As discussed in detail later, the OSHA add-on is no longer necessary for cost reporting periods beginning on or after July 1, 1996. Even for cost reporting periods prior to that date, the OSHA add-on is not an automatic adjustment to the home health agency cost limits. An agency must apply to the intermediary for the add-on amount and the agency must demonstrate that it will exceed its cost limit and provide adequate documentation to support the add-on adjustment. The agency must show that it has incurred expenses to comply with the OSHA requirements.

Documentation should include copies of the agency's infection control procedure, invoices documenting the purchase of gloves, gowns and other disposable items. The costs of inoculations of hepatitis B vaccine can also be used to support the adjustment. An HHA can also provide documentation that it has given training to the employees concerning blood-borne pathogens. We provided instructions to HCFA's intermediaries spelling out these requirements in a 1994 program memorandum.

Comment: One commenter stated that the HHA market basket increases have consistently lagged behind actual cost-per-visit increases.

Response: As discussed in detail below in section IV of this notice and the Appendix, we have used a revised and rebased market basket in calculating the cost limits set forth in this notice. Actual aggregate cost-per-visit increases reflect changes in both the mix of visit types and the quantity and intensity of services per visit, as well as discretionary purchase price increases higher than reasonable costs. In contrast, the HHA market basket is designed to measure price to inflation for inputs used to produce HHA service. Thus, we would not expect actual aggregate cost-per-visit increases to equal changes in an HHA market basket that reflects pure price increases for efficient purchases.

Comment: Nine commenters questioned whether HCFA had correctly interpreted the requirement under section 13564(a) of OBRA '93 that there be no changes in the previous per-visit HHA cost limits for cost reporting periods beginning on or after July 1, 1994 and before July 1, 1996. The commenters pointed out that, under our July 8, 1993 notice, the cost limits of HHAs with cost reporting periods beginning on or after July 1, 1993, and before July 1, 1994, were subject to monthly cost reporting period adjustment factors to allow for the effects of inflation on the cost limits of HHAs with different cost reporting periods. Subsequently, under our February 14, 1995 notice, we specified that each HHA's latest per-visit cost limit for a period beginning on or after July 1, 1993, and before July 1, 1994, was to remain in effect until its cost reporting period beginning on or after July 1, 1996. Thus, HHAs with cost reporting periods beginning on July 1, 1993, for example, would be subject to lower limits than HHAs with cost reporting periods that began any time after that date. Commenters asserted that this policy created continuing inequities and suggested several alternatives, including:

- Eliminate the monthly cost reporting period adjustment factors for all HHAs.
- Set the cost reporting period adjustment factor for all HHAs to the level that would have been in effect for an agency whose cost reporting period began on June 30, 1994, effectively equalizing payment to all HHAs at the highest possible level under the limits effective for cost reporting periods beginning on or after July 1, 1993, until the establishment of the new limits effective for cost reporting periods beginning on or after July 1, 1996.
- Amend OBRA '93 to allow for the use of the market basket inflation factors set forth in our July 8, 1993 notice with comment period.

Response: We recognize that the provisions of OBRA '93 produced differences in per-visit limits for HHAs depending on their cost reporting periods. However, we do not believe that the interpretations of OBRA '93 suggested by the commenter are within our authority, given the explicit language of section 13564 of OBRA '93, which precludes ''any change'' to the existing limits (except for those related

to the elimination of the A&G add-on for hospital-based HHAs). The Congress undoubtedly was aware that not all HHAs have the same cost reporting periods, but chose not to make any adjustments to the existing cost limits in setting forth the relevant provisions. In our view, none of the three specific alternatives raised by the commenters could be accomplished through rulemaking, but would require further legislative action.

Comment: Several commenters recommended that HCFA study the weighting and price proxies of the present market basket index.

Response: As discussed in detail below, in the process of developing a revised and rebased market basket, we have thoroughly examined the current market basket cost categories, weights, and price proxies. We have tabulated freestanding HHA 1993 Medicare cost report data, the latest available data that are relatively complete, in order to develop the cost structure of freestanding home health agencies. New cost categories based on the latest Medicare Cost Reports and other sources have been used and revised price proxies have been applied that more accurately represent reasonable price changes of the new cost categories.

The 1993-based weights reflect the latest available structure of costs for HHAs. The 1993-based market basket has 12 cost categories, only three of which replicate the previous, 1976-based market basket cost categories. Both the wages and salaries and employee benefit price proxies are occupational indexes and have relative weights specific to the home health industry. Price proxies reflect economy-wide as well as hospital wages. The occupational indexes each contain four occupational subcategories: professional and technical workers (including registered nurses, therapists, medical social workers and other professional/technical workers); managerial and supervisory workers; clerical workers; and service workers (which includes home health aides). The non-labor proxies include price series which represent specific cost categories such as telephones and postage expenses as well as more general categories, such as All Other Expenses.

We believe that the 1993-based market basket cost categories accurately reflect the structure of HHA costs, and that the price proxies accurately reflect the price changes in the goods and services purchased by prudent HHAs.

Comment: Several commenters recommended that HCFA include service-related measures in order to make the market basket a better prognosticator of costs per visit.

Response: Under a case-mix system of payment, service-related measures may be useful in setting upper limits for particular illness levels for each of the categories of HHA visits, just as prospective payment system for hospitals uses different illness levels for various diagnostic groups. Under the current HHA payment system, however, different intensities of HHA services associated with patients' illness levels and needs for care are reflected in the mix of types of visits used and in the number and length of visits per week. The percent increase in costs per visit per unit of time are approximately the same for all categories of visits. Thus, we apply a uniform HHA market basket inflation adjustment, just as the hospital prospective payment system uses a single hospital market basket adjustment factor for all DRGs.

Comment: One commenter stated that the wage indices in the February 14, 1995 and July 8, 1993 notices should have reflected changes to the Metropolitan Statistical Areas (MSAs) that were included in the hospital prospective payment system proposed rule published on May 26, 1993 (58 FR 30222).

Response: Section 1861(v)(I)(L)(iii) of the Act specifies that in establishing the HHA cost limits, we use the area wage index applicable under section 1886(d)(3)(E) of the Act. The hospital wage index used in both our July 8, 1993 and February 14, 1995 notices was the index applicable on July 1, 1993, the effective date of the July 8, 1993 and February 14, 1995 cost limits notices. (Subsequently, section 13564(a) of OBRA '93 specified that there be no changes in the HHA costs limits, except those related to the elimination of the A&G add-on, for cost reporting periods beginning on or after July 1, 1994 and before July 1, 1996.) As noted in our May 26, 1993 proposed rule and confirmed in the September 1, 1993 hospital prospective payment system final rule, the revisions to MSA designations that were discussed in the May 26, 1993 proposed rule did not take effect until October 1, 1993 (58 FR 46292). Thus, for HHA payment purposes these MSA changes are now taking effect, under this notice, for cost reporting periods beginning on or after July 1, 1996.

III. Updating the Wage Index on a Budget-Neutral Basis

Section 4207(d)(2) of the Omnibus Budget Reconciliation Act of l990 (OBRA '90) (Public Law 101–508) requires that, in updating the wage index, aggregate payments to HHAs will remain the same as they would have been if the wage index had not been updated. Therefore, overall payments to HHAs are not affected by changes in the wage index values.

To comply with the requirement of section 4207(d)(2) of OBRA '90 that updating the wage index be budget neutral, we determined that it is necessary to apply a budget neutrality adjustment factor of 0.91 to the labor-related portion of the cost limits. This adjustment ensures that aggregate payments to HHAs are not affected by the change to a wage index based on the hospital wage index published on September 1, 1995. That is, an adjustment of −9.1 percent in the labor-related portion of the limits results in the same program expenditures as if we had not updated the wage index (See the example in section VIII.A of this notice regarding the adjustment of cost limits by the wage index and the budget neutrality factor.)

IV. Update of Limits

The methodology used to develop the schedule of limits set forth in this notice is the same as that used in setting the limits effective July 1, 1993. We are continuing to use the latest settled cost report data from freestanding HHAs to develop the HHA cost limits. We have updated the cost limits to reflect the expected cost increases occurring between the cost reporting periods for the data contained in the data base and June 30, 1997.

A. Data Used

To develop the schedule of limits effective July 1, 1996, we extracted actual cost per-visit data from settled Medicare cost reports for periods beginning on or after June 1, 1991, and settled by October 1, 1995. The majority of the cost reports were from Federal fiscal year (FY) 1993. We then adjusted the data using the latest available market basket indexes to reflect expected cost increases occurring between the cost reporting periods contained in our data base and June 30, 1997.

In previous cost limits, HCFA used the market basket index to adjust the cost report data to the midpoint (December 31) of the first cost reporting period to which the limits applied (July 1). The present limits adjust the data to the end of the first cost reporting period to which the limits apply (June 30, 1997), a change that will enable fiscal intermediaries to calculate the applicable adjustment factors for HHAs with a cost reporting period of fewer than 12 months. Previously, the

intermediaries had to contact HCFA's central office for this adjustment.

We note that, under this notice, we are no longer providing for an add-on to the HHA cost limits for those HHAs that incur costs associated with the OSHA universal precaution requirements. This add-on is no longer necessary because these updated limits were computed using a data base that includes the costs of complying with the OSHA standards.

B. Wage Index

The wage index is used to adjust the labor-related portion of the limits to reflect differing wage levels among areas. In setting this schedule of limits, we used the FY 1996 hospital wage index, which is based on 1992 hospital wage data.

Each HHA's labor market area is determined based on the definitions of MSAs issued by the Office of Management and Budget (OMB). Section 1861(v)(1)(L) of the Act requires that we use the current hospital wage index (that is, the FY 1996 hospital wage index, which was published in the Federal Register on September 1, 1995 (60 FR 45883)) to establish the HHA cost limits. Therefore, this schedule of limits reflects the MSA definitions that currently are in effect under the hospital prospective payment system.

We are continuing to incorporate exceptions to the MSA classification system for certain New England counties that were identified in the July 1, 1992 notice (57 FR 29410). These exceptions have been recognized in setting hospital cost limits for cost reporting periods beginning on and after July 1, 1979 (45 FR 41218), and were authorized under section 601(g) of the Social Security Amendments of 1983 (Public Law 98–21). Section 601(g) of Public Law 98–21 requires that any hospital in New England that was classified as being in an urban area under the classification system in effect in 1979 will be considered urban for the purposes of the hospital prospective payment system. This provision is intended to ensure equitable treatment under the hospital prospective payment system. Under this authority, the following counties have been deemed to be urban areas for purposes of payment under the inpatient hospital prospective payment system:

- Litchfield County, CT in the Hartford, CT MSA.
- York County, ME and Sagadahoc County, ME in the Portland, ME MSA.
- Merrimack County, NH in the Boston-Brockton-Nashua, MA–NH MSA.
- Newport County, RI in the Providence Fall-Warwick, RI MSA.

We are continuing to grant these urban exceptions for the purpose of applying the HCFA hospital wage index to the HHA cost limits. These exceptions result in the same New England County Metropolitan Area (NECMA) definitions for hospitals, SNFs, and HHAs. In New England, MSAs are defined on town boundaries rather than on county lines but exclude parts of the four counties cited above that would be considered urban under the MSA definition. Under this notice, those four counties are urban under either definition, NECMA or MSA.

V. Provisions of the HHA Schedule of Limits

The schedule of limits set forth below was calculated using 112 percent of the mean per-visit costs of free-standing HHAs and is adjusted by the latest estimates in the market basket index.

The schedule of limits effective for cost reporting periods beginning on or after July 1, 1996 is based on the latest settled cost data available and provides for the following:

- A classification system based on whether an HHA is located within an MSA, a NECMA, or a non-MSA area. (See Tables 7a and 7b in section X of this notice for the listing of MSAs, NECMAs, and rural areas.)
- The use of a single schedule of limits for hospital-based and freestanding agencies. This single limit is based on the cost experience of freestanding agencies.
- The use of a market basket index, which was developed from the price of goods and services purchased by HHAs to account for the impact of changing wage and price levels on HHA costs. The market basket has been rebased and revised as described in section VI of this notice.
- The use of the current hospital wage index. The wage index is used to adjust the labor-related portion of the limits. The employee wage portion of the market basket index, including a proportionate share of contract services (64.226 percent), and the employee benefits portion (13.442 percent) are used to determine the labor component (77.668 percent) of all HHA per-visit costs used to set the limits.
- Separate treatment of the labor-related and nonlabor components of per-visit costs. The separate components of costs are calculated by obtaining actual HHA cost data for each agency for cost periods beginning on or after June 1, 1991 and settled before October 1, 1995, and increasing those data by the actual and projected increases in the HHA market basket index. We then separate each HHA's per-visit costs into labor and nonlabor portions, and divide the labor portion by the wage index value for the agency's location to control for the effect of geographic variations in prevailing wage levels. Separate means are computed for the labor and nonlabor components of per-visit costs. For each comparison group, the resulting amounts are shown in Table 6 of section IX of this notice.
- The application of a cost-of-living adjustment to the nonlabor portion of the limit for HHAs located in Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands.
- Limits that are determined for the per-visit cost of each type of home health service: skilled nursing care, physical therapy, speech pathology, occupational therapy, medical social services, and home health aide.
- Application of the limits in the aggregate after an HHA's actual costs are adjusted. An HHA's actual costs are adjusted for individual items of cost that are found to be excessive under Medicare principles of provider payment and for costs that are not included in the limitation amount. The limits are applied in the aggregate to the cost remaining after these adjustments are made. Payment is limited to the lower of the actual costs or the cost limits.

VI. Rebasing and Revising of the Home Health Agency Market Basket

A. Background

Effective for cost reporting periods beginning on or after July 1, 1980, HCFA developed and adopted a home health agency input price index (that is, the home health agency ''market basket''). Although ''market basket'' technically describes the mix of goods and services used to produce home health care, this term is also commonly used to denote the input price index derived from that market basket. Accordingly, the term ''market basket'' used in this notice refers to the home health agency input price index.

The percentage change in the market basket reflects the average change in the price of goods and services purchased by home health agencies to furnish reasonable cost home health care services. HCFA first used the market basket to adjust home health agency cost limits by an amount that reflected the average increase in the prices of the goods and services used to furnish reasonable cost home health care. This approach linked the increase in the cost limits to the efficient utilization of resources. For background information on the home health agency market basket, see the February 15, 1980

Federal Register (45 FR 10451) and the February 14, 1995 Federal Register (60 FR 8392).

The home health agency market basket is a fixed-weight Laspeyres type price index constructed in three steps. First, a base period is selected and total base period expenditures are estimated for mutually exclusive and exhaustive spending categories based upon type of expenditure. Then the proportion of total costs that each category represents is determined. These proportions are called ''cost'' or ''expenditure weights.'' The next step essential for developing an input price index is to match each expenditure category to an appropriate price/wage variable, called a price proxy. These proxy variables are drawn from a publicly available statistical series published on a consistent schedule, preferably at least quarterly. In the final step, the price level for each spending category is multiplied by the expenditure weight for that category. The sum of these products (that is, weights multiplied by proxied indexed levels) for all cost categories yields the composite index level in the market basket in a given year. Repeating the third step (that is, establishing a price proxy for each expenditure category) for other years will produce a time series of market basket index levels. Dividing one index level by an earlier index will produce rates of growth in the input price index.

The market basket is described as a fixed-weight index because it answers the question of how much more or less it would cost, at a later time, to purchase the same mix of goods and services that was purchased in the base period. The effects on total expenditures resulting from changes in the quantity or mix of goods and services purchased subsequent to the base period are by design not considered.

HCFA believes that it is desirable to rebase the market basket so the cost weights reflect changes in the mix of goods and services that HHAs purchase (HHA inputs) in furnishing home health care. The current HHA cost weights are from calendar year 1976. To the extent feasible, the data used to rebase the home health agency market basket are from FY 1993. If data from other periods supplemented FY 1993 data, they were aged forward or backward for price changes.

B. Rebasing and Revising the Home Health Agency Market Basket

The terms ''rebasing'' and ''revising'', while often used interchangeably, actually denote different activities. Rebasing is the term used to define moving the base year for the structure of costs of an input price index (that is, for this notice we are moving the base year cost structure from calendar year 1976 to Federal fiscal year 1993). Revising is the term used to define changing data sources, cost categories, and/or price proxies used in the input price index.

HCFA has rebased and revised the home health agency market basket to:

- Reflect 1993 cost data, the latest available data on the structure of HHA costs, rather than 1976 cost data;
- Create additional cost categories; and
- Modify certain variables used as the price proxies for some of the cost categories, using improved price proxies that were not available when the current market basket was developed.

In developing the revised market basket, HCFA reviewed HHA expenditure data for the market basket cost categories. For each freestanding HHA, we reviewed the latest settled cost report whose cost reporting period began on or after June 1, 1991 and was settled by October 1, 1995. These reports primarily were from FY 1993. Earlier and later year cost data were aged forward or backward for price changes to FY 1993. Data on home health agency expenditures for nine major expense categories (wages and salaries, employee benefits, transportation, operation and maintenance, administrative and general, insurance, fixed capital, movable capital, and a residual ''all other'') were tabulated. Expenditures for contract services were also tabulated from these Medicare cost reports. After totals for these main cost categories were calculated, we then determined the proportion of total costs that each category represents. The proportions represent the major rebased market basket weights.

Weights for the telephone, paper and printing, postage, and residual all other administrative and general subcategories were determined using the latest available (1987) U.S. Department of Commerce Bureau of Economic Analysis (BEA) Input-Output Table, from which data for other medical and health services were extracted. These data were aged from 1987 to 1993 using relative price changes. The BEA Input-Output database, which is updated at 5-year intervals, was most recently described in the Survey of Current Business article, ''Benchmark Input-Output Accounts for the U.S. Economy, 1987'' (April 1994).

This work resulted in the identification of 12 separate cost categories. The 1976-based home health agency market basket had nine separate cost categories. Detailed descriptions of each category and respective price proxy are provided in the Appendix to this notice. The differences between the major categories for the 1993-based index and those used for the current 1976-based index are summarized in Table 1 below. HCFA has allocated the Contracted Services weight to the Wages and Salaries and Employee Benefits cost categories in the 1976-based index in the same way as the 1993-based index for consistency and ease of comparison. See Table 2 for documentation of how HCRIS contract services' labor was allocated to three cost category components.

TABLE 1.—COMPARISON OF 1993 AND 1976 HOME HEALTH AGENCY MAJOR COST CATEGORIES AND WEIGHTS

Cost categories	Rebased 1993 Home Health Agency market basket	1976-based market basket, adjusted for consistency of contract labor with rebased 1993-based market basket
Wages and Salaries, including allocated Contract Services' Labor	64.226	70.724
Employee Benefits, including allocated Contract Services' Labor	13.442	8.577
All Other, including allocated Contract Services' Non-Labor to Other Administrative & General and Other Expenses	22.332	20.699
Total	100.000	100.000

The 1993-based cost categories and weights are listed in Table 2 below.

TABLE 2.—1993-BASED COST CATEGORIES, WEIGHTS, AND PRICE PROXIES

Cost Category	1993-based market basket weight	Price proxy
Compensation, including allocated Contract Services' Labor	77.668	
Wages and Salaries, including allocated Contract Services' Labor	64.226	HHA Occupational Wage Index.
Employee benefits, including allocated Contract Services' Labor	13.442	HHA Occupational Benefits Index.
Operations & Maintenance	0.832	CPI–U Fuel & Other Utilities.
Administrative & General, including allocated Contract Services' Non-Labor	9.569	
Telephone	0.725	CPI–U Telephone.
Paper & Printing	0.529	CPI–U Household Paper, Paper Products & Stationery Supplies.
Postage	0.724	CPI–U Postage.
Other Administrative & General, including allocated Contract services Non-Labor	7.591	CPI–U Services.
Transportation	3.405	CPI–U Private Transportation.
Capital-Related	3.204	
Insurance	0.560	CPI–U Household Insurance.
Fixed Capital	1.764	CPI–U Owner's Equivalent Rent.
Movable Capital	0.880	PPI Machinery & Equipment.
Other Expenses, including allocated Contract Services' Non-Labor	5.322	CPI–U All Items Less Food & Energy.
Total	100.000	

In the 1976-based market basket, the labor-related portion was 79.301 and the remaining share was 20.699. In the revised and rebased market basket, the labor-related share is 77.668. The labor-related share includes wages and salaries, employee benefits, and contracted services' labor. The nonlabor-related share is 22.332. The higher share of nonlabor-related cost in 1993 may reflect in part the changing cost structure associated with the post-prospective payment system case mix of home health agencies. Table 3 details the components of the labor-related share for the 1976-based and 1993-based market baskets.

TABLE 3.—LABOR-RELATED SHARE OF HOME HEALTH AGENCY MARKET BASKET

Cost category	1993-based market basket weight	1976-based market basket weight
Wages and Salaries, including Contract Services' Labor allocation	64.226	70.724
Employee Benefits, including Contract Services' Labor allocation	13.442	8.577
Contracted Services, Labor-Related share	(1)	(1)
Total Labor Related	77.668	79.301
Total Non-Labor Related	22.332	20.699

[1]Included above.

After the 1993 cost weights for the rebased home health agency market basket were computed, we selected the most appropriate wage and price proxies currently available to monitor the rate of increase for each expenditure category. The indicators are based on Bureau of Labor Statistics (BLS) data and are grouped into one of the following BLS categories:

• Employment Cost Indexes—Employment Cost Indexes (ECIs) measure the rate of change in employee wage rates and employer costs for employee benefits per hour worked. These indexes are fixed-weight indexes and strictly measure the change in wage rates and employee benefits per hour. They are not affected by shifts in employment mix. ECIs were not available when we developed the calendar year 1976-based home health agency market basket. ECIs are superior to average hourly earnings as price proxies for input price indexes for two reasons: (1) They measure pure price change, and (2) they are available by occupational groups, not just by industry.

• Consumer Price Indexes—Consumer Price Indexes (CPIs) measure change in the prices of final goods and services bought by the typical consumer. Consumer price indexes were used when the expenditure was more similar to that of retail consumers in general rather than a purchase at the wholesale level, or if no appropriate Producer Price Index (PPI) was available.

• Producer Price Indexes—PPIs are used to measure price changes for goods sold in other than retail markets. For example, a PPI for movable equipment was used, rather than a CPI for equipment. PPIs in some cases are preferable price proxies for goods that home health agencies purchase as inputs utilized in the process of producing their outputs.

• Average Hourly Earnings—Average Hourly Earnings (AHEs) are used to measure the rate of change of earnings for various industries and, therefore, can reflect a changing occupational mix within a particular industry. The AHE series is calculated by dividing gross payrolls by total hours, and it measures actual earnings rather than pure wage rates. It is a current-weight series rather than a fixed-weight index and thus reflects shifts in employment mix. An AHE rather than an ECI is used when there is no corresponding ECI category that is an appropriate measure of growth for a given labor category or when the ECI does not have sufficient length of history to be useful for our purpose. The 1993-based HHA input price index does not use AHE as a price proxy, but the 1976-based index did.

Our price proxies for the rebased home health agency market basket are summarized in the Appendix to this notice. The forecasted rate of growth for the fiscal year, beginning July 1, 1996, for the rebased home health agency market basket is 3.1 percent, while the forecasted rate of growth for the 1976-based home health agency market basket is 3.3 percent. A comparison of the yearly changes from 1993–1998 for the 1976-based market basket and the 1993-based market basket is shown below.

TABLE 4—COMPARISON OF THE 1993-BASED MARKET BASKET AND THE 1976–MARKET BASKET, PERCENT CHANGE, 1993–1998

Fiscal years beginning July 1	Home Health Agency market basket, FY 1993 base	Home Health Agency market basket, CY 1976 base	Difference (1993-based minus 1976-based
Historical:			
July 1992, FY 1993	3.4	3.8	(0.4)
July 1993, FY 1994	3.0	2.7	0.3
July 1994, FY 1995	2.9	3.2	(0.3)
Forecasted:			
July 1995, FY 1996	2.7	3.1	(0.4)
July 1996, FY 1997	3.1	3.3	(0.2)
July 1997, FY 1998	3.2	3.4	(0.2)
Historical Average: 1993–1995	3.1	3.2	(0.1)
Forecasted Average: 1996–1998	3.0	3.3	(0.3)

Source: DRI/McGraw Hill HCC, 1st QTR 1996;@USSIM/TREND25YR0296 @CISSIM/CONTROL961.
Released by HCFA, OACT, Office of National Health Statistics.

Note that the historical average rate of growth for 1993–1995 for the home health agency 1993-based market basket was only 0.1 percentage points less than that of the 1976-based market basket, an insignificant difference. HCFA believes that the 1993-based HHA market basket gives a more accurate measure of the annual increases in reasonable cost care because (1) The cost structure reflects 1993 rather than 1976 costs, and (2) superior new wage-price variables have been incorporated into the 1993-based index. The forecasted average annual rate of growth for 1996–1998 is 3.0 percent for the 1993-based market basket, and 3.3 percent for the 1976-based market basket. Given the complexities of forecasting, this difference is very small.

HCFA has developed a HHA Blended Wage and Salary Index and a HHA Blended Benefits Index. HCFA will use these blended indexes as price proxies for the wages and salary and the employee benefits portions of the market basket. In the 1976-based market basket, the average hourly earnings in the hospital industry (nonsupervisory workers) was used as a price proxy for wages and salaries, and the supplements to wages and salaries per worker in nonagricultural establishments were used as a price proxy for employee benefits.

The new price proxies for these two cost categories are similar to those used in the prospective payment hospital market basket and the excluded hospital market basket, but with occupational weights reflecting the occupational mix in home health agencies. These proxies are a combination of internal and external proxies (health industry specific and economy-wide). HCFA has disaggregated the mix of home health agency workers into specific categories and applied a combination of internal and external price proxies in the HCFA HHA Occupational Wage and Salary and Benefits Indexes. The supply and demand relationships for certain professional-technical occupations such as registered nurses may be more appropriately reflected in the blended indicators of compensation changes for professional and technical employees. The occupational composition of the HHA Occupational Wage and Salary Index and the HHA Occupational Benefits Index are shown in the Appendix to this notice.

VII. Methodology for Determining Cost-per-Visit Limits

A. Data

For this notice, the cost-per-visit limit values were determined by extracting settled actual cost-per-visit data from Medicare cost reports for periods beginning on or after June 30, 1991, and settled before October 1, 1995. We then adjusted the data using the latest available market basket factors to reflect expected cost increases occurring between the cost reporting periods contained in our data base and June 30, 1997. The following adjustment factors were used to compute the per-visit costs:

TABLE 5.—FACTORS FOR INFLATING DATA BASE DOLLARS TO JUNE 30, 1997

[Inflation Adjustment Factors] [1]

Fiscal year end	1992	1993	1994
January 31	.....	1.13729	1.10178
February 28	.....	1.13412	1.09908
March 31	.....	1.13096	1.09642
April 30	.....	1.12782	1.09380
May 31	.....	1.12473	1.09121
June 30	1.15976	1.12172	1.08863
July 31	1.15643	1.11878	1.08606
August 31	1.15316	1.11589	1.08349
September 30	1.14995	1.11301	1.08090
October 31	1.14678	1.11015	1.07830
November 30	1.14363	1.10731	1.07571
December 31	1.14047	1.10453	1.07316

[1] By multiplying nominal dollars for a given fiscal year end by its respective inflation adjustment factor will express those dollars in the dollar levels for June 30, 1997.

Sources: Input Price Index used to develop adjustment factors were obtained from DRI/McGraw-Hill for the period between 1989:4 and 1999:4. The forecasts are from DRI's 1st QTR 1996;@USSIM/TREND25YR 0296 @CISSIM/Control 961 forecast exercise which has historical data through 1995:4.

B. Cost Reporting Periods Consisting of Fewer Than 12 Months

HHAs may have cost reporting periods that are fewer than 12 months in duration. This may happen, for example, when a new provider enters the Medicare program after its selected fiscal year has already begun, or when a provider experiences a change of ownership before the end of the cost reporting period. As explained in section IV of this preamble, the data used in calculating the cost limits were updated to June 30, 1997. Therefore, the cost limits published in this notice are for a 12-month cost reporting period beginning July 1, 1996 and ending June 30, 1997. For 12-month cost reporting periods beginning after July 1, 1996 and before July 1, 1997, cost reporting year adjustment factors are provided in Table 8. However, when a cost reporting period consists of fewer than 12 months, adjustments must be made to the data that have been developed for use with 12-month cost reporting periods. In previous notices, we instructed intermediaries to contact HCFA for short period adjustment factors. In this notice, however, to promote the efficient dissemination of cost limits to providers with cost reporting periods of fewer than 12 months, we are publishing the following examples and tables to enable intermediaries to calculate the applicable adjustment factors.

Cost reporting periods of fewer than 12 months may not necessarily begin on the first of the month or end on the last day of the month. In order to simplify the process in calculating ''short period'' adjustment factors, if the short cost reporting period begins before the sixteenth of the month, we will consider the period have begun on the first of that month. If the start period begins on or after the sixteenth of the month, it will be considered to have begun at the beginning of the next month. Also, if the short period ends before the sixteenth of the month, we will consider the period to have ended at the end of the preceding month; if the short period ends on or after the sixteenth of the month it will be considered to have ended at the end of that month.

Examples

1. After approval by its intermediary, an HHA changes its fiscal year end from June 30 to December 31. Therefore, the HHA had a short cost reporting period beginning on July 1, 1996 and ending on December 31, 1996. The cost limits that apply to this short period must be adjusted as follows:

Step 1—From Table 9, sum the index levels for the months of July, 1996 through December, 1996: 6.84863.

Step 2—Divide the results from Step 1 by the number of months in the short period.

6.84963 ÷ 6 = 1.141438

Step 3—From Table 9, sum the index levels for the months in the common period of July, 1996 through June, 1997.

13.79728

Step 4—Divide the results in Step 3 by the number of months in the common period.

13.79728 ÷ 12 = 1.149773

Step 5—Divide the results from Step 2 by the results from Step 4. This is the adjustment factor to be applied to the published limits

1.141438 ÷ 1.149773 = .992751

Step 6—Apply the results from Step 5 to the published cost limits.

a. Urban Skilled Nursing Labor Portion

$76.57 × .992751 = $76.01

b. Urban Skilled Nursing Nonlabor Portion

$21.62 × .992751 = $21.46.

2. A HHA with a fiscal year end of November 30, 1996 changes ownership on September 21, 1997. The HHA is required to file a terminated cost report for the period of December 1, 1996 to September 21, 1997. The cost limits that apply to this short period must be adjusted as follows:

Step 1—From Table 9, sum the index level for the month of December, 1996 through September, 1997.

11.61295

Step 2—Divide the results from Step 1 by the number of months in the short period.

11.61295 ÷ 10 = 1.161295

Step 3—From Table 9, sum the index levels for the months in the common period of July, 1996, through June, 1997.

13.79728

Step 4—Divide the results from Step 3 by the number of months in the common period.

13.79728 ÷ 12 = 1.149773

Step 5—Divide the results from Step 2 by the results from Step 4.

1.161295 ÷ 1.149773 = 1.010021

Step 6—Apply the results from Step 5 to the published cost limits.

a. Urban Skilled Nursing Labor Portion

$76.57 × 1.010021 = $77.34

b. Urban Skilled Nursing Non-Labor Portion

$21.62 × 1.010021 = $21.84

C. Standardization for Wage Levels

After adjustment by the market basket index, we divided each HHA's per-visit

costs into labor and nonlabor portions. The labor portion of costs (77.668 percent as determined by the market basket) represents the employee wage and benefit factor plus the contract services factor from the market basket. We then divided the labor portion of per-visit costs by the wage index applicable to the HHA's location to arrive at an adjusted labor cost.

D. Adjustment for ''Outliers''

We transformed all per-visit cost data into their natural logarithms and grouped them by type of service and MSA, NECMA, or non-MSA location, in order to determine the mean cost and standard deviation for each group. We then eliminated all ''outlier'' costs, retaining only those per-visit costs within two standard deviations of the mean in each service.

E. Basic Service Limit

We calculate a basic service limit equal to 112 percent of the mean labor and nonlabor portions of the per-visit costs of freestanding HHAs for each type of service. (See Table 6 in section IX.)

VIII. Computing the Adjusted Limit

A. Adjustment of Cost Limits by Wage Index

To arrive at the adjusted limit, which is to be applied to each service furnished by an HHA, the HHA's intermediary first determines the adjusted labor-related component by multiplying the labor-related component of the limit by the appropriate wage index and by multiplying the adjusted labor-related component by the special labor adjustment for budget neutrality. (See example below and Tables 7a and 7b in section X of this notice.) The sum of the nonlabor component plus the labor-related component is the adjusted limit applicable to an HHA.

Example—Calculation of Adjusted Occupational Therapy Limit for a Freestanding HHA in Dallas, TX

Labor component (Table 6)	83.41
Wage index value (Table 7a)	0.9804
Labor portion	81.78
Special labor adjustment for budget neutrality	0.91
Adjusted labor portion	74.42
Nonlabor component (Table 6)	23.84
Adjusted occupational therapy limit	98.26

B. Adjustment for Reporting Year

If an HHA has a 12-month cost reporting period beginning on or after August 1, 1996, the adjusted per-visit limit for each service is again revised by an adjustment factor from Table 8 that corresponds to the month and year in which the cost reporting period begins. Each factor represents the compounded rate of monthly increase derived from the projected annual increase in the market basket index, and is used to account for inflation in costs that will occur after the date on which the limits become effective.

For example, if the HHA in the example above had a cost reporting period beginning January 1, 1997, its per-visit therapy limit would be further adjusted as follows:

Computation of Revised Limit for Occupational Therapy

Adjusted per-visit limit	98.26
Adjustment factor from Table 8	1.01524
Revised per-visit limit	99.76

In this example, the revised adjusted per-visit limit for occupational therapy applicable to this HHA for the cost reporting period beginning January 1, l997, is $99.76 per visit.

If an HHA uses a cost reporting period that is not 12 months in duration, a special calculation of the adjustment factor must be made. This results from the fact that projections are computed to June 30, 1997. This calculation is done using the methodology described in section VII.B.

IX. Schedule of Limits

The schedule of limits set forth below applies to cost reporting periods beginning on or after July 1, 1996. The intermediaries will compute the adjusted limits using the wage index published in Tables 7a and 7b of section X and will notify each HHA they service of its applicable cost per-visit limit for each type of service. Each HHA's aggregate limit cannot be determined prospectively, but depends on each HHA's Medicare visits for each type of service for the cost reporting periods subject to this notice.

The HHA costs that are subject to the limits include the cost of medical supplies routinely furnished in conjunction with patient care. Durable medical equipment, orthotics, prosthetics, and other medical supplies directly identifiable as services to an individual patient are excluded from the per-visit costs and are paid without regard to this schedule of limits. (See Chapter IV of the Home Health Agency Manual (HCFA Pub. ll).)

The intermediary will determine the limit for each HHA by multiplying the number of Medicare visits for each type of service furnished by the HHA, by the respective per-visit cost limit. The sum of these amounts is compared to the HHA's total allowable cost.

Example: HHA X, a freestanding agency located in Richmond, VA, furnished 5,000 covered skilled nursing visits, 2,000 physical therapy visits, and 4,000 home health aide visits to Medicare beneficiaries during its 12-month cost reporting period beginning July 1, 1996. The aggregate cost limit for the HHA is calculated as follows:

DETERMINING THE AGGREGATE COST LIMIT

Type of visit	Visits	Nonlabor portion	Adjusted labor portion	Adjusted limit [1]	Aggregate limit
Skilled nursing	5,000	$21.62	$63.09	$84.71	$423,550
Physical therapy	2,000	23.59	69.09	92.65	185,360
Home health aide	4,000	10.56	30.60	41.16	164,640
Total Visits	11,000				
Aggregate cost limit					773,5501

[1] Includes special labor adjustment of 0.91 for budget neutrality.

Before the limits are applied during settlement of the cost report, the HHA's actual costs are reduced by the amount of individual items of cost (for example, administrative compensation and contract services) that are found to be excessive under the Medicare principles of provider payment. That is, the intermediary reviews the various reported costs, taking into account all the Medicare payment principles; for example, the cost guidelines for

physical therapy furnished under arrangements (see 42 CFR 413.106) and the limitation on costs that are substantially out of line with those comparable home health agencies (see 42 CFR 413.9).

TABLE 6.—PER VISIT LIMITS FOR HOME HEALTH AGENCIES

Type of visit	Limit	Labor portion	Nonlabor portion [1]
MSA (NECMA) location:			
Skilled nursing care	98.19	76.57	21.62
Physical therapy	107.43	83.84	23.59
Speech pathology	107.99	84.11	23.88
Occupational therapy	107.25	83.41	23.84
Medical social services	142.05	110.59	31.46
Home health aide	47.70	37.14	10.56
Non-MSA location:			
Skilled nursing care	109.62	89.53	20.09
Physical therapy	119.65	97.61	22.04
Speech pathology	130.61	106.31	24.30
Occupational therapy	129.30	105.06	24.24
Medical social services	184.03	149.82	34.21
Home health aide	47.60	38.87	8.73

[1] Nonlabor portion of limits for HHA located in Alaska, Hawaii, Puerto Rico, and the Virgin Islands are increased by multiplying them by the following cost-of-living adjustment factors:

Location	Adjustment factor
Alaska	1.250
Hawaii:	
Oahu	1.225
Kauai	1.175
Maui, Lanai, and Molokai	1.200
Hawaii (Island)	1.150
Puerto Rico	1.100
Virgin Islands	1.125

X. Wage Indexes

TABLE 7A.—WAGE INDEX FOR URBAN AREAS

Urban area (constituent counties or county equivalents)	Wage index
0040 Abilene, TX	0.8546
Taylor, TX	
0060 Aguadilla, PR	0.4744
Aguada, PR	
Aguadilla, PR	
Moca, PR	
0080 Akron, OH	0.9558
Portage, OH	
Summit, OH	
0120 Albany, GA	0.8608
Dougherty, GA	
Lee, GA	
0160 Albany-Schenectady-Troy, NY	0.8818
Albany, NY	
Montgomery, NY	
Rensselaer, NY	
Saratoga, NY	
Schenectady, NY	
Schoharie, NY	
0200 Albuquerque, NM	0.9542
Bernalillo, NM	
Sandoval, NM	
Valencia, NM	
0220 Alexandria, LA	0.7917
Rapides, LA	
0240 Allentown-Bethlehem-Easton, PA	1.0198

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Carbon, PA	
Lehigh, PA	
Northampton, PA	
0280 Altoona, PA	0.9007
Blair, PA	
0320 Amarillo, TX	0.8759
Potter, TX	
Randall, TX	
0380 AK Anchorage, AK	1.3373
Anchorage,	
0440 Ann Arbor, MI	1.2116
Lenawee, MI	
Livingston, MI	
Washtenaw, MI	
0450 Anniston, AL	0.8158
Calhoun, AL	
0460 Appleton-Oshkosh-Neenah, WI	0.8844
Calumet, WI	
Outagamie, WI	
Winnebago, WI	
0470 Arecibo, PR	0.4498
Arecibo, PR	
Camuy, PR	
Hatillo, PR	
0480 Asheville, NC	0.9218
Buncombe, NC	
Madison, NC	
0500 Athens, GA	0.9097
Clarke, GA	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Madison, GA	
Oconee, GA	
0520 *Atlanta, GA	1.0069
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	
0560 Atlantic City- Cape May, NJ	1.0935
Atlantic City, NJ	
Cape May, NJ	
0600 Augusta-Aiken, GA-SC	0.8955
Columbia, GA	
McDuffie, GA	
Richmond, GA	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Aiken, SC	
Edgefield, SC	
0640 Austin-San Marcos, TX	0.9255
Bastrop, TX	
Caldwell, TX	
Hays, TX	
Travis, TX	
Williamson, TX	
0680 Bakersfield, CA	1.0502
Kern, CA	
0720 *Baltimore, MD	0.9865
Anne Arundel, MD	
Baltimore, MD	
Baltimore City, MD	
Carroll, MD	
Harford, MD	
Howard, MD	
Queen Annes, MD	
0733 Bangor, ME	0.9360
Penobscot, ME	
0743 Barnstable-Yarmouth, MA	1.3457
Barnstable, MA	
0760 Baton Rouge, LA	0.8670
Ascension, LA	
East Baton Rouge, LA	
Livingston, LA	
West Baton Rouge, LA	
0840 Beaumont-Port Arthur, TX	0.8603
Hardin, TX	
Jefferson, TX	
Orange, TX	
0860 Bellingham, WA	1.2681
Whatcom, WA	
0870 Benton Harbor, MI	0.8258
Berrien, MI	
0875 *Bergen-Passaic, NJ	1.1677
Bergen, NJ	
Passaic, NJ	
0880 Billings, MT	0.8705
Yellowstone, MT	
0920 Biloxi-Gulfport-Pascagoula, MS	0.8448
Hancock, MS	
Harrison, MS	
Jackson, MS	
0960 Binghamton, NY	0.9005
Broome, NY	
Tioga, NY	
1000 Birmingham, AL	0.9144
Blount, AL	
Jefferson, AL	
St. Clair, AL	
Shelby, AL	
1010 Bismarck, ND	0.8299
Burleigh, ND	
Morton, ND	
1020 Bloomington, IN	0.8429
Monroe, IN	
1040 Bloomington-Normal, IL	0.8740
McLean, IL	
1080 Boise City, ID	0.9051
Ada, ID	
Canyon, ID	
1123 *Boston-Brockton-Nashua-MA-NH	1.1684
Bristol, MA	
Essex, MA	
Middlesex, MA	
Norfolk, MA	
Plymouth, MA	
Suffolk, MA	
Worcester, MA	
Hillsborough, NH	
Merrimack, NH	
Rockingham, NH	
Strafford, NH	
1125 Boulder-Longmont, CO	0.9780
Boulder, CO	
1145 Brazoria, TX	0.8814
Brazoria, TX	
1150 Bremerton, WA	1.0295
Kitsap, WA	
1240 Brownsville-Harlingen-San Benito, TX	0.8649
Cameron, TX	
1260 Bryan-College Station, TX	0.8987
Brazos, TX	
1280 *Buffalo-Niagara Falls, NY	0.9186
Erie, NY	
Niagara, NY	
1303 Burlington, VT	0.9252
Chittenden, VT	
Franklin, VT	
Grand Isle, VT	
1310 Caguas, PR	0.4706
Caguas, PR	
Cayey, PR	
Cidra, PR	
Gurabo, PR	
San Lorenzo, PR	
1320 Canton-Massillon, OH	0.8749
Carroll, OH	
Stark, OH	
1350 Casper, WY	0.8429
Natrona, WY	
1360 Cedar Rapids, IA	0.8359
Linn, IA	
1400 Champaign-Urbana, IL	0.8867
Champaign, IL	
1440 Charleston-North Charleston, SC	0.8928
Berkeley, SC	
Charleston, SC	
Dorchester, SC	
1480 Charleston, WV	0.9498
Kanawha, WV	
Putnam, WV	
1520 *Charlotte-Gastonia-Rock Hill, NC-SC	0.9661
Cabarrus, NC	
Gaston, NC	
Lincoln, NC	
Mecklenburg, NC	
Rowan, NC	
Union, NC	
York, SC	
1540 Charlottesville, VA	0.9179
Albemarle, VA	
Charlottesville City, VA	
Fluvanna, VA	
Greene, VA	
1560 Chattanooga, TN–GA	0.9129
Catoosa, GA	
Dade, GA	
Walker, GA	
Hamilton, TN	
Marion, TN	
1580 Cheyenne, WY	0.7935
Laramie, WY	
1600 *Chicago, IL	1.0632
Cook, IL	
DeKalb, IL	
DuPage, IL	
Grundy, IL	
Kane, IL	
Kendall, IL	
Lake, IL	
McHenry, IL	
Will, IL	
1620 Chico-Paradise, CA	1.0531
Butte, CA	
1640 *Cincinnati, OH–KY–IN	0.9418
Dearborn, IN	
Ohio, IN	
Boone, KY	
Campbell, KY	
Gallatin, KY	
Grant, KY	
Kenton, KY	
Pendleton, KY	
Brown, OH	
Clermont, OH	
Hamilton, OH	
Warren, OH	
1660 Clarksville-Hopkinsville, TN–KY	0.7542
Christian, KY	
Montgomery, TN	
1680 *Cleveland-Lorain-Elyria, OH	0.9835
Ashtabula, OH	
Cuyahoga, OH	
Geauga, OH	
Lake, OH	
Lorain, OH	
Medina, OH	
1720 Colorado Springs, CO	0.9294
El Paso, CO	
1740 Columbia, MO	0.9461
Boone, MO	
1760 Columbia, SC	0.9033
Lexington, SC	
Richland, SC	
1800 Columbus, GA–AL.	
Russell, AL	0.7756
Chattanoochee, GA	
Harris, GA	
Muscogee, GA	
1840 *Columbus, OH	0.9734
Delaware, OH	
Fairfield, OH	
Franklin, OH	
Licking, OH	
Madison, OH	
Pickaway, OH	
1880 Corpus Christi, TX	0.8941
Nueces, TX	
San Patricio, TX	
1900 Cumberland, MD–WV	0.8372
Allegany, MD	
Mineral, WV	
1920 *Dallas, TX	0.9804
Collin, TX	
Dallas, TX	
Denton, TX	
Ellis, TX	
Henderson, TX	
Hunt, TX	
Kaufman, TX	
Rockwall, TX	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
1950 Danville, VA	0.8465
Danville City, VA	
Pittsylvania, VA	
1960 Davenport-Rock Island-Moline, IA–IL	0.8347
Scott, IA	
Henry, IL	
Rock Island, IL	
2000 Dayton-Springfield, OH	0.9428
Clark, OH	
Greene, OH	
Miami, OH	
Montgomery, OH	
2020 Daytona Beach, FL	0.8902
Flagler, FL	
Volusia, FL	
2030 Decatur, AL	0.8180
Lawrence, AL	
Morgan, AL	
2040 Decatur, IL	0.7790
Macon, IL	
2080 *Denver, CO	1.0447
Adams, CO	
Arapahoe, CO	
Denver, CO	
Douglas, CO	
Jefferson, CO	
2120 Des Moines, IA	0.8792
Dallas, IA	
Polk, IA	
Warren, IA	
2160 *Detroit, MI	1.0831
Lapeer, MI	
Macomb, MI	
Monroe, MI	
Oakland, MI	
St. Clair, MI	
Wayne, MI	
2180 Dothan, AL	0.7751
Dale, AL	
Houston, AL	
2190 Dover, DE	0.8960
Kent, DE	
2200 Dubuque, IA	0.8054
Dubuque, IA	
2240 Duluth-Superior, MN–WI	0.9660
St. Louis, MN	
Douglas, WI	
2281 Dutchess County, NY	1.0754
Dutchess, NY	
2290 Eau Claire, WI	0.8660
Chippewa, WI	
Eau Claire, WI	
2320 El Paso, TX	0.9266
El Paso, TX	
2330 Elkhart-Goshen, IN	0.8764
Elkhart, IN	
2335 Elmira, NY	0.8460
Chemung, NY	
2340 Enid, OK	0.8170
Garfield, OK	
2360 Erie, PA	0.9196
Erie, PA	
2400 Eugene-Springfield, OR	1.1138
Lane, OR	
2440 Evansville-Henderson, IN–KY	0.8899
Posey, IN	
Vanderburgh, IN	
Warrick, IN	
Henderson, KY	
2520 Fargo-Moorhead, ND–MN	0.8912
Clay, MN	
Cass, ND	
2560 Fayetteville, NC	0.8843
Cumberland, NC	
2580 Fayetteville-Springdale-Rogers, AR	0.7090
Benton, AR	
Washington, AR	
2620 Flagstaff, AZ–UT	0.8619
Coconino, AZ	
Kane, UT	
2640 Flint, MI	1.0738
Genesee, MI	
2650 Florence, AL	0.7700
Colbert, AL	
Lauderdale, AL	
2655 Florence, SC	0.8522
Florence, SC	
2670 Fort Collins-Loveland, CO	1.0595
Larimer, CO	
2680 *Ft. Lauderdale, FL	1.0499
Broward, FL	
2700 Fort Myers-Cape Coral, FL	0.9666
Lee, FL	
2710 Fort Pierce-Port St. Lucie, FL	1.0401
Martin, FL	
St. Lucie, FL	
2720 Fort Smith, AR–OK	0.7588
Crawford, AR	
Sebastian, AR	
Sequoyah, OK	
2750 Fort Walton Beach, FL	0.8705
Okaloosa, FL	
2760 Fort Wayne, IN	0.8691
Adams, IN	
Allen, IN	
DeKalb, IN	
Huntington, IN	
Wells, IN	
Whitley, IN	
2800 *Forth Worth-Arlington, TX	1.0059
Hood, TX	
Johnson, TX	
Parker, TX	
Tarrant, TX	
2840 Fresno, CA	1.0522
Fresno, CA	
Madera, CA	
2880 Gadsden, AL	0.8568
Etowah, AL	
2900 Gainesville, FL	0.9007
Alachua, FL	
2920 Galveston-Texas City, TX	1.0304
Galveston, TX	
2960 Gary, IN	0.9517
Lake, IN	
Porter, IN	
2975 Glens Falls, NY	0.9276
Warren, NY	
Washington, NY	
2980 Goldsboro, NC	0.8165
Wayne, NC	
2985 Grand Forks, ND–MN	0.8946
Polk, MN	
Grand Forks, ND	
2995 Grand Junction, CO	0.8957
Mesa, CO	
3000 Grand Rapids-Muskegon-Holland, MI	1.0055
Allegan, MI	
Kent, MI	
Muskegon, MI	
Ottawa, MI	
3040 Great Falls, MT	0.8913
Cascade, MT	
3060 Greeley, CO	0.9146
Weld, CO	
3080 Green Bay, WI	0.8910
Brown, WI	
3120 *Greensboro-Winston-Salem-High Point, NC	0.9160
Alamance, NC	
Davidson, NC	
Davie, NC	
Forsyth, NC Guilford, NC	
Randolph, NC	
Stokes, NC	
Yadkin, NC	
3150 Greenville, NC	0.9102
Pitt, NC	
3160 Greenville-Spartanburg-Anderson, SC	0.9047
Anderson, SC	
Cherokee, SC	
Greenville, SC	
Pickens, SC	
Spartanburg, SC	
3180 Hagerstown, MD	0.9074
Washington, MD	
3200 Hamilton-Middletown, OH	0.8782
Butler, OH	
3240 Harrisburg-Lebanon-Carlisle, PA	0.9972
Cumberland, PA	
Dauphin, PA	
Lebanon, PA	
Perry, PA	
3283 *Hartford, CT	1.2391
Hartford, CT	
Litchfield, CT	
Middlesex, CT	
Tolland, CT	
3285 Hattiesburg, MS	0.7245
Forrest, MS	
Lamar, MS	
3290 Hickory-Morganton-Lenoir, NC	0.8677
Alexander, NC	
Burke, NC	
Caldwell, NC	
Catawba, NC	
3320 Honolulu, HI	1.1212
Honolulu, HI	
3350 Houma, LA	0.7596
Lafourche, LA	
Terrebonne, LA	
3360 *Houston, TX	0.9874
Chambers, TX	
Fort Bend, TX	
Harris, TX	
Liberty, TX	
Montgomery, TX	
Waller, TX	
3400 Huntington-Ashland, WV–KY–OH	0.8997
Boyd, KY	
Carter, KY	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Greenup, KY	
Lawrence, OH	
Cabell, WV	
Wayne, WV	
3440 Huntsville, AL	0.8113
Limestone, AL	
Madison, AL	
3480 *Indianapolis, IN	0.9757
Boone, IN	
Hamilton, IN	
Hancock, IN	
Hendricks, IN	
Johnson, IN	
Madison, IN	
Marion, IN	
Morgan, IN	
Shelby, IN	
3500 Iowa City, IA	0.9371
Johnson, IA	
3520 Jackson, MI	0.9132
Jackson, MI	
3560 Jackson, MS	0.7543
Hinds, MS	
Madison, MS	
Rankin, MS	
3580 Jackson, TN	0.8511
Madison, TN	
3600 Jacksonville, FL	0.8953
Clay, FL	
Duval, FL	
Nassau, FL	
St. Johns, FL	
3605 Jacksonville, NC	0.6926
Onslow, NC	
3610 Jamestown, NY	0.7535
Chautaqua, NY	
3620 Janesville-Beloit, WI	0.8786
Rock, WI	
3640 Jersey City, NJ	1.1050
Hudson, NJ	
3660 Johnson City-Kingsport-Bristol, TN–VA	0.8746
Carter, TN	
Hawkins, TN	
Sullivan, TN	
Unicoi, TN	
Washington, TN	
Bristol City, VA	
Scott, VA	
Washington, VA	
3680 Johnstown, PA	0.8948
Cambria, PA	
Somerset, PA	
3710 Joplin, MO	0.7923
Jasper, MO	
Newton, MO	
3720 Kalamazoo-Battlecreek, MI	1.0657
Calhoun, MI	
Kalamazoo, MI	
Van Buren, MI	
3740 Kankakee, IL	0.9114
Kankakee, IL	
3760 *Kansas City, KS–MO	0.9351
Johnson, KS	
Leavenworth, KS	
Miami, KS	
Wyandotte, KS	
Cass, MO	
Clay, MO	
Clinton, MO	
Jackson, MO	
Lafayette, MO	
Platte, MO	
Ray, MO	
3800 Kenosha, WI	0.8872
Kenosha, WI	
3810 Killeen-Temple, TX	1.0526
Bell, TX	
Coryell, TX	
3840 Knoxville, TN	0.8518
Anderson, TN	
Blount, TN	
Knox, TN	
Loudon, TN	
Sevier, TN	
Union, TN	
3850 Kokomo, IN	0.8834
Howard, IN	
Tipton, IN	
3870 La Crosse, WI–MN	0.8519
Houston, MN	
La Crosse, WI	
3880 Lafayette, LA	0.8443
Acadia, LA	
Lafayette, LA	
St. Landry, LA	
St. Martin, LA	
3920 Lafayette, IN	0.8328
Clinton, IN	
Tippecanoe, IN	
3960 Lake Charles, LA	0.8094
Calcasieu, LA	
3980 Lakeland-Winter Haven, FL	0.8879
Polk, FL	
4000 Lancaster, PA	0.9569
Lancaster, PA	
4040 Lansing-East Lansing, MI	1.0105
Clinton, MI	
Eaton, MI	
Ingham, MI	
4080 Laredo, TX	0.6834
Webb, TX	
4100 Las Cruces, NM	0.8861
Dona Ana, NM	
4120 *Las Vegas, NV–AZ	1.0934
Mohave, AZ	
Clark, NV	
Nye, NV	
4150 Lawrence, KS	0.8549
Douglas, KS	
4200 Lawton, OK	0.8594
Comanche, OK	
4243 Lewiston-Auburn, ME	0.9433
Androscoggin, ME	
4280 Lexington, KY	0.8348
Bourbon, KY	
Clark, KY	
Fayette, KY	
Jessamine, KY	
Madison, KY	
Scott, KY	
Woodford, KY	
4320 Lima, OH	0.8863
Allen, OH	
Auglaize, OH	
4360 Lincoln, NE	0.9093
Lancaster, NE	
4400 Little Rock-North Little Rock, AR	0.8527
Faulkner, AR	
Lonoke, AR	
Pulaski, AR	
Saline, AR	
4420 Longview-Marshall, TX	0.8727
Gregg, TX	
Harrison, TX	
Upshur, TX	
4480 *Los Angeles-Long Beach, CA	1.2491
Los Angeles, CA	
4520 Louisville, KY–IN	0.9327
Clark, IN	
Floyd, IN	
Harrison, IN	
Scott, IN	
Bullitt, KY	
Jefferson, KY	
Oldham, KY	
4600 Lubbock, TX	0.8443
Lubbock, TX	
4640 Lynchburg, VA	0.8319
Amherst, VA	
Bedford, VA	
Bedford City, VA	
Campbell, VA	
Lynchburg City, VA	
4680 Macon, GA	0.8991
Bibb, GA	
Houston, GA	
Jones, GA	
Peach, GA	
Twiggs, GA	
4720 Madison, WI	1.0055
Dane, WI	
4800 Mansfield, OH	0.8373
Crawford, OH	
Richland, OH	
4840 Mayaguez, PR	0.4644
Anasco, PR	
Cabo Rojo, PR	
Hormigueros, PR	
Mayaguez, PR	
Sabana Grande, PR	
San German, PR	
4880 McAllen-Edinburg-Mission, TX	0.8669
Hidalgo, TX	
4890 Medford-Ashland, OR	0.9944
Jackson, OR	
4900 Melbourne-Titusville-Palm Bay, FL	0.9323
Brevard, FL	
4920 *Memphis, TN–AR–MS	0.8399
Crittenden, AR	
DeSoto, MS	
Fayette, TN	
Shelby, TN	
Tipton, TN	
4940 Merced, CA	1.0877
Merced, CA	
5000 *Miami, FL	1.0163
Dade, FL	
5015 *Middlesex-Somerset-Hunterdon, NJ	1.0809
Hunterdon, NJ	
Middlesex, NJ	
Somerset, NJ	
5080 *Milwaukee-Waukesha, WI	0.9498
Milwaukee, WI	
Ozaukee, WI	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Washington, WI	
Waukesha, WI	
5120 *Minneapolis-St. Paul, MN–WI	1.0744
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	
5160 Mobile, AL	0.7801
Baldwin, AL	
Mobile, AL	
5170 Modesto, CA	1.1161
Stanislaus, CA	
5190 *Monmouth-Ocean, NJ	1.0562
Monmouth, NJ	
Ocean, NJ	
5200 Monroe, LA	0.7900
Ouachita, LA	
5240 Montgomery, AL	0.7878
Autauga, AL	
Elmore, AL	
Montgomery, AL	
5280 Muncie, IN	0.9125
Delaware, IN	
5330 Myrtle Beach, SC	0.7961
Horry, SC	
5345 Naples, FL	0.9871
Collier, FL	
5360 *Nashville, TN	0.9266
Cheatham, TN	
Davidson, TN	
Dickson, TN	
Robertson, TN	
Rutherford TN	
Sumner, TN	
Williamson, TN	
Wilson, TN	
5380 *Nassau-Suffolk, NY	1.3590
Nassau, NY	
Suffolk, NY	
5483 *New Haven-Bridgeport-Stamford-Danbury-Waterbury, CT	1.2534
Fairfield, CT	
New Haven, CT	
5523 New London-Norwich, CT	1.1899
New London, CT	
5560 *New Orleans, LA	0.9454
Jefferson, LA	
Orleans, LA	
Plaquemines, LA	
St. Bernard, LA	
St. Charles, LA	
St. James, LA	
St. John The Baptist, LA	
St. Tammany, LA	
5600 *New York, NY	1.3815
Bronx, NY	
Kings, NY	
New York, NY	
Putnam, NY	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Queens, NY	
Richmond, NY	
Rockland, NY	
Westchester, NY	
5640 *Newark, NJ	1.1407
Essex, NJ	
Morris, NJ	
Sussex, NJ	
Union, NJ	
Warren, NJ	
5660 Newburgh, NY-PA	1.0619
Orange, NY	
Pike, PA	
5720 *Norfolk-Virginia Beach-Newport News, VA–NC	0.8411
Currituck, NC	
Chesapeake City, VA	
Gloucester, VA	
Hampton City, VA	
Isle of Wight, VA	
James City, VA	
Mathews, VA	
Newport News City, VA	
Norfolk City, VA	
Poquoson City, VA	
Portsmouth City, VA	
Suffolk City, VA	
Virginia Beach City, VA	
Williamsburg City, VA	
York, VA	
5775 *Oakland, CA	1.5202
Alameda, CA	
Contra Costa, CA	
5790 Ocala, FL	0.8942
Marion, FL	
5800 Odessa-Midland, TX	0.8753
Ector, TX	
Midland, TX	
5880 *Oklahoma City, OK	0.8358
Canadian, OK	
Cleveland, OK	
Logan, OK	
McClain, OK	
Oklahoma, OK	
Pottawatomie, OK	
5910 Olympia, WA	1.1109
Thurston, WA	
5920 Omaha, NE–IA	0.9794
Pottawattamie, IA	
Cass, NE	
Douglas, NE	
Sarpy, NE	
Washington, NE	
5945 *Orange County, CA	1.2299
Orange, CA	
5960 *Orlando, FL	0.9515
Lake, FL	
Orange, FL	
Osceola, FL	
Seminole, FL	
5990 Owensboro, KY	0.7498
Daviess, KY	
6015 Panama City, FL	0.8182
Bay, FL	
6020 Parkersburg-Marietta, WV–OH	0.7751
Washington, OH	
Wood, WV	
6080 Pensacola, FL	0.8183
Escambia, FL	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Santa Rosa, FL	
6120 Peoria-Pekin, IL	0.8619
Peoria, IL	
Tazewell, IL	
Woodford, IL	
6160 *Philadelphia, PA–NJ	1.1112
Burlington, NJ	
Camden, NJ	
Gloucester, NJ	
Salem, NJ	
Bucks, PA	
Chester, PA	
Delaware, PA	
Montgomery, PA	
Philadelphia, PA	
6200 *Phoenix-Mesa, AZ	0.9808
Maricopa, AZ	
Pinal, AZ	
6240 Pine Bluff, AR	0.7985
Jefferson, AR	
6280 *Pittsburgh, PA	0.9743
Allegheny, PA	
Beaver, PA	
Butler, PA	
Fayette, PA	
Washington, PA	
Westmoreland, PA	
6323 Pittsfield, MA	1.0838
Berkshire, MA	
6360 Ponce, PR	0.4780
Guayanilla, PR	
Juana Diaz, PR	
Penuelas, PR	
Ponce, PR	
Villalba, PR	
Yauco, PR	
6403 Portland, ME	0.9744
Cumberland, ME	
Sagadahoc, ME	
York, ME	
6440 *Portland-Vancouver, OR–WA	1.1248
Clackamas, OR	
Columbia, OR	
Multnomah, OR	
Washington, OR	
Yamhill, OR	
Clark, WA	
6483 Providence-Warwick, RI	1.1027
Bristol, RI	
Kent, RI	
Newport, RI	
Providence, RI	
Washington, RI	
6520 Provo-Orem, UT	0.9843
Utah, UT	
6560 Pueblo, CO	0.8508
Pueblo, CO	
6580 Punta Gorda, FL	0.9402
Charlotte, FL	
6600 Racine, WI	0.8704
Racine, WI	
6640 Raleigh-Durham-Chapel Hill, NC	0.9539
Chatham, NC	
Durham, NC	
Franklin, NC	
Johnston, NC	
Orange, NC	
Wake, NC	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
6660 Rapid City, SD	0.8267
Pennington, SD	
6680 Reading, PA	0.9570
Berks, PA	
6690 Redding, CA	1.1796
Shasta, CA	
6720 Reno, NV	1.1087
Washoe, NV	
6740 Richland-Kennewick-Pasco, WA	1.0011
Benton, WA	
Franklin, WA	
6760 Richmond-Petersburg, VA	0.9055
Charles City County, VA	
Chesterfield, VA	
Colonial Heights City, VA	
Dinwiddie, VA	
Goochland, VA	
Hanover, VA	
Henrico, VA	
Hopewell City, VA	
New Kent, VA	
Petersburg City, VA	
Powhatan, VA	
Prince George, VA	
Richmond City, VA	
6780 *Riverside-San Bernardino, CA	1.1616
Riverside, CA	
San Bernardino, CA	
6800 Roanoke, VA	0.8483
Botetourt, VA	
Roanoke, VA	
Roanoke City, VA	
Salem City, VA	
6820 Rochester, MN	1.0545
Olmsted, MN	
6840 *Rochester, NY	0.9585
Genesee, NY	
Livingston, NY	
Monroe, NY	
Ontario, NY	
Orleans, NY	
Wayne, NY	
6880 Rockford, IL	0.8872
Boone, IL	
Ogle, IL	
Winnebago, IL	
6895 Rocky Mount, NC	0.8760
Edgecombe, NC	
Nash, NC	
6920 *Sacramento, CA	1.2539
El Dorado, CA	
Placer, CA	
Sacramento, CA	
6960 Saginaw-Bay City-Midland, MI	0.9489
Bay, MI	
Midland, MI	
Saginaw, MI	
6980 St. Cloud, MN	0.9549
Benton, MN	
Stearns, MN	
7000 St. Joseph, MO	0.8457
Andrews, MO	
Buchanan, MO	
7040 *St. Louis, MO–IL	0.8880
Clinton, IL	
Jersey, IL	
Madison, IL	
Monroe, IL	
St. Clair, IL	
Franklin, MO	
Jefferson, MO	
Lincoln, MO	
St. Charles, MO	
St. Louis, MO	
St. Louis City, MO	
Warren, MO	
7080 Salem, OR	0.9590
Marion, OR	
Polk, OR	
7120 Salinas, CA	1.4263
Monterey, CA	
7160 *Salt Lake City-Ogden, UT	0.9681
Davis, UT	
Salt Lake, UT	
Weber, UT	
7200 San Angelo, TX	0.7777
Tom Green, TX	
7240 *San Antonio, TX	0.8414
Bexar, TX	
Comal, TX	
Guadalupe, TX	
Wilson, TX	
7320 *San Diego, CA	1.1844
San Diego, CA	
7360 *San Francisco, CA	1.4413
Marin, CA	
San Francisco, CA	
San Mateo, CA	
7400 *San Jose, CA	1.4429
Santa Clara, CA	
7440 *San Juan-Bayamon, PR	0.4514
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	
7460 San Luis Obispo-Atascadero-Paso Robles, CA	1.1405
San Luis Obispo, CA	
7480 Santa Barbara-Santa Maria-Lompoc, CA	1.1136
Santa Barbara, CA	
7485 Santa Cruz-Watsonville, CA	1.3944
Santa Cruz, CA	
7490 Santa Fe, NM	1.1108
Los Alamos, NM	
Santa Fe, NM	
7500 Santa Rosa, CA	1.2693
Sonoma, CA	
7510 Sarasota-Bradenton, FL	0.9737
Manatee, FL	
Sarasota, FL	
7520 Savannah, GA	0.8968
Bryan, GA	
Chatham, GA	
Effingham, GA	
7560 Scranton—Wilkes-Barre—Hazleton, PA	0.8724
Columbia, PA	
Lackawanna, PA	
Luzerne, PA	
Wyoming, PA	
7600 *Seattle-Bellevue-Everett, WA	1.1305
Island, WA	
King, WA	
Snohomish, WA	
7610 Sharon, PA	0.8903
Mercer, PA	
7620 Sheboygan, WI	0.7981
Sheboygan, WI	
7640 Sherman-Denison, TX	0.8780
Grayson, TX	
7680 Shreveport-Bossier City, LA	0.9007
Bossier, LA	
Caddo, LA	
Webster, LA	
7720 Sioux City, IA–NE	0.8436
Woodbury, IA	
Dakota, NE	
7760 Sioux Falls, SD	0.8761
Lincoln, SD	
Minnehaha, SD	
7800 South Bend, IN	0.9475
St. Joseph, IN	
7840 Spokane, WA	1.0377
Spokane, WA	
7880 Springfield, IL	0.8940
Menard, IL	
Sangamon, IL	
7920 Springfield, MO	0.7896
Christian, MO	
Greene, MO	
Webster, MO	
8003 Springfield, MA	1.0517
Hampden, MA	
Hampshire, MA	
8050 State College, PA	1.0162
Centre, PA	
8080 Steubenville-Weirton, OH–WV	0.8455
Jefferson, OH	
Brooke, WV	
Hancock, WV	
8120 Stockton-Lodi, CA	1.1536
San Joaquin, CA	
8140 Sumter, SC	0.8344
Sumter, SC	
8160 Syracuse, NY	0.9531
Cayuga, NY	
Madison, NY	
Onondaga, NY	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Oswego, NY	
8200 Tacoma, WA	1.0828
Pierce, WA	
8240 Tallahassee, FL	0.8321
Gadsden, FL	
Leon, FL	
8280 *Tampa-St. Petersburg-Clearwater, FL	0.9262
Hernando, FL	
Hillsborough, FL	
Pasco, FL	
Pinellas, FL	
8320 Terre Haute, IN	0.8672
Clay, IN	
Vermillion, IN	
Vigo, IN	
8360 Texarkana, AR-Texarkana, TX	0.8198
Miller, AR	
Bowie, TX	
8400 Toledo, OH	1.0424
Fulton, OH	
Lucas, OH	
Wood, OH	
8440 Topeka, KS	0.9735
Shawnee, KS	
8480 Trenton, NJ	1.0033
Mercer, NJ	
8520 Tucson, AZ	0.9289
Pima, AZ	
8560 Tulsa, OK	0.8245
Creek, OK	
Osage, OK	
Rogers, OK	
Tulsa, OK	
Wagoner, OK	
8600 Tuscaloosa, AL	0.8090
Tuscaloosa, AL	
8640 Tyler, TX	0.9430
Smith, TX	
8680 Utica-Rome, NY	0.8514
Herkimer, NY	
Oneida, NY	
8720 Vallejo-Fairfield-Napa, CA	1.3483
Napa, CA	
Solano, CA	
8735 Ventura, CA	1.1924
Ventura, CA	
8750 Victoria, TX	0.8435
Victoria, TX	
8760 Vineland-Millville-Bridgeton, NJ	0.9966
Cumberland, NJ	
8780 Visalia-Tulare-Porterville, CA	1.0446
Tulare, CA	
8800 Waco, TX	0.7898
McLennan, TX	
8840 *Washington, DC–MD–VA–WV	1.1116
District of Columbia, DC	
Calvert, MD	
Charles, MD	
Frederick, MD	
Montgomery, MD	
Prince Georges, MD	
Alexandria City, VA	
Arlington, VA	
Clarke, VA	
Culpepper, VA	

TABLE 7A.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (constituent counties or county equivalents)	Wage index
Fairfax, VA	
Fairfax City, VA	
Falls Church City, VA	
Fauquier, VA	
Fredericksburg City, VA	
King George, VA	
Loudoun, VA	
Manassas City, VA	
Manassas Park City, VA	
Prince William, VA	
Spotsylvania, VA	
Stafford, VA	
Warren, VA	
Berkeley, WV	
Jefferson, WV	
8920 Waterloo-Cedar Falls, IA	0.8600
Black Hawk, IA	
8940 Wausau, WI	1.0034
Marathon, WI	
8960 West Palm Beach-Boca Raton, FL	1.0217
Palm Beach, FL	
9000 Wheeling, OH–WV	0.7518
Belmont, OH	
Marshall, WV	
Ohio, WV	
9040 Wichita, KS	0.9562
Butler, KS	
Harvey, KS	
Sedgwick, KS	
9080 Wichita Falls, TX	0.7826
Archer, TX	
Wichita, TX	
9140 Williamsport, PA	0.8508
Lycoming, PA	
9160 Wilmington-Newark, DE–MD	1.1539
New Castle, DE	
Cecil, MD	
9200 Wilmington, NC	0.9299
New Hanover, NC	
Brunswick, NC	
9260 Yakima, WA	0.9951
Yakima, WA	
9270 Yolo, CA	1.1615
Yolo, CA	
9280 York, PA	0.9165
York, PA	
9320 Youngstown-Warren, OH	0.9555
Columbiana, OH	
Mahoning, OH	
Trumbull, OH	
9340 Yuba City, CA	1.0611
Sutter, CA	
Yuba, CA	
9360 Yuma, AZ	0.9769
Yuma, AZ	

*Large Urban Area

TABLE 7B.—WAGE INDEX FOR RURAL AREAS

Nonurban area	Wage index
Alabama	0.7164
Alaska	1.2034
Arizona	0.7995
Arkansas	0.6897
California	1.0096

TABLE 7B.—WAGE INDEX FOR RURAL AREAS—Continued

Nonurban area	Wage index
Colorado	0.7988
Connecticut	1.3117
Delaware	0.9019
Florida	0.8668
Georgia	0.7721
Hawaii	0.9847
Idaho	0.8378
Illinois	0.7497
Indiana	0.8067
Iowa	0.7352
Kansas	0.7229
Kentucky	0.7650
Louisiana	0.7275
Maine	0.8425
Maryland	0.8463
Massachusetts	1.0577
Michigan	0.8744
Minnesota	0.8127
Mississippi	0.6697
Missouri	0.7186
Montana	0.8091
Nebraska	0.7219
Nevada	0.8788
New Hampshire	1.0013
New Jersey [1]	.....
New Mexico	0.8329
New York	0.8647
North Carolina	0.7999
North Dakota	0.7265
Ohio	0.8286
Oklahoma	0.6985
Oregon	0.9486
Pennsylvania	0.8521
Puerto Rico	0.4326
Rhode Island [1]	.....
South Carolina	0.7738
South Dakota	0.6987
Tennessee	0.7409
Texas	0.7316
Utah	0.8652
Vermont	0.9043
Virginia	0.7788
Washington	0.9775
West Virginia	0.8036
Wisconsin	0.8391
Wyoming	0.8013

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

TABLE 8.—COST REPORTING YEAR ADJUSTMENT FACTOR [1]

If the HHA cost reporting period begins	The adjustment factor is
August 1, 1996	1.00251
September 1, 1996	1.00505
October 1, 1996	1.00759
November 1, 1996	1.01012
December 1, 1997	1.01266
January 1, 1997	1.01524
February 1,1997	1.01788
March 1, 1997	1.02056
April 1, 1997	1.02326
May 1, 1997	1.02599
June 1, 1997	1.02875

[1] Based on compounded projected market basket inflation rates.

These adjustment factors are subject to change based on later estimates of cost increases.

If for any reason we do not publish a new schedule of limits to be effective on July 1, 1997 or do not announce other changes in the current schedule by that date, the current limits will continue in effect. Intermediaries will be notified of the adjustment factors to be applied until a new schedule of limits or other provision is issued.

TABLE 9.—MONTHLY INDEX LEVELS FOR CALCULATING INFLATION FACTORS TO BE APPLIED TO HOME HEALTH AGENCY COST LIMITS

Month	Index level
July 1996	1.13366
August 1996	1.13700
September 1996	1.13999
October 1996	1.14299
November 1996	1.14600
December 1996	1.14899
January 1997	1.15199
February 1997	1.15500
March 1997	1.15700
April 1997	1.15900
May 1997	1.16100
June 1997	1.16466
July 1997	1.16832
August 1997	1.17200
September 1997	1.17499
October 1997	1.17799
November 1997	1.18100
December 1997	1.18466
January 1998	1.18832
February 1998	1.19200
March 1998	1.19433
April 1998	1.19666
May 1998	1.19900

Source: DR/McGraw-Hill HCC, 1st QTR 1996; @USSIM/TREND 25YR0296 @CISSIM/CONTROL961.

XI. Regulatory Impact Statement

For notices such as this, we generally prepare an initial regulatory flexibility analysis that is consistent with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 through 612) unless we certify that the notice will not have a significant economic impact on a substantial number of small entities. For purposes of the RFA, all HHAs are treated as small entities.

As discussed below, the aggregate impact of this notice is relatively small, and we have no evidence that the economic impact on most HHAs will be significant. Moreover, this notice is necessary to implement the provisions of section 1861(v)(1)(L) of the Act; thus no alternatives to the provisions set forth in this notice are available. However, because this notice may have some effect on a large number of providers, we are providing a voluntary regulatory flexibility analysis.

This notice with comment period sets forth a schedule of HHA cost limits for cost reporting periods beginning on or after July 1, 1996. The methodology used to develop the schedule of limits set forth in this notice is the same as that used in setting the limits effective July 1, 1993. (As discussed in section IV.A of this notice, we are no longer providing for an add-on to the HHA cost limits for those HHAs that incur costs associated with the OSHA universal precaution requirements, since these updated limits are computed using a data base that includes the costs of complying with the OSHA standards.) In accordance with section 1861(v)(1)(L)(i) of the Act, we are continuing to set the limits not to exceed 112 percent of the mean of the labor-related and nonlabor per-visit costs for freestanding HHAs. As required by section 1861(v)(1)(L)(iii) of the Act, we are using the most recent hospital wage index to calculate the HHA cost limits, that is, the hospital wage index effective for discharges on or after October 1, 1995, which is based on 1992 wage survey data. The wage index is used to adjust the labor-related portion of the limits to reflect differing wage levels among areas. As discussed in section II of this notice, we are applying a budget neutrality adjustment factor of 0.91 to the labor-related portion of the limits to ensure that aggregate payments to HHAs are not affected by the updating of the wage index.

We continue to use the latest settled cost report data to develop the HHA cost-per-visit limit values for each type of home health service: skilled nursing care, physical therapy, speech pathology, occupational therapy, medical social services, and home health aide. Thus, for this notice, we have updated the cost-per-visit limits by using actual cost-per-visit data from settled Medicare cost reports for periods beginning on or after June 1, 1991, and settled by October 1, 1995. The majority of the cost reports were from FY 1993. The data have been adjusted by the most recent market basket factors to reflect the expected cost increases occurring between the cost reporting periods for the data contained in the data base and June 30, 1997. The intermediary determines the aggregate cost limit for each HHA by multiplying the number of Medicare visits for each type of service furnished by the HHA by the respective per-visit cost limit. Each HHA's aggregate limit cannot be determined prospectively, but depends on each HHA's Medicare visits for each type of service and actual costs for the cost reporting period subject to this notice.

The database used to calculate these limits consists of cost reporting data from 3,190 freestanding HHAs, compared with 2,992 freestanding HHAs used in calculating the limits in effect for cost reporting periods beginning on or after July 1, 1993. We estimate that the revised HHA cost limits implemented in this notice with public comment period will result in the following costs to the Medicare program:

TABLE 10.—HHA COST LIMITS

[Medicare Program Costs] [1]

Fiscal year	Costs (in millions)
1996	0
1997	10

[1] Figures are rounded to the nearest million.

The costs associated with the new HHA cost limits represent the difference between projected aggregate Medicare expenditures under the new limits and projected aggregate expenditures using the limits in effect for cost reporting periods beginning on or after July 1, 1993, updated by the market basket increases since those limits took effect. This notice does not provide for a permanent extension of the OBRA '93 provision that there be no changes in the home health agency cost limits for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996. Because this change would require statutory authority, President Clinton's FY 1997 Budget includes a proposal to do so.

We are unable to identify the effects of changes to the cost limits on individual HHAs. In general, we believe that most HHAs will experience small revenue increases under the new limits; the degree of that increase will vary depending on the proportion of an HHA's revenues that come from Medicare, the distribution of services provided by the HHA, and the HHA's ability to operate within the cost limits. Table 11 below illustrates the proportion of HHAs that are likely to be affected by the limits:

TABLE 11.—HHAS EXCEEDING THE COST LIMITS

	HHAs in database	HHAs exceeding the limits	Percent of HHAs exceeding the limits
Total HHAs	4987	1720	34.5

TABLE 11.—HHAs EXCEEDING THE COST LIMITS—Continued

	HHAs in database	HHAs exceeding the limits	Percent of HHAs exceeding the limits
Free-standing	3190	773	24.2
Hospital-based	1797	947	52.7

Section 1102(b) of the act requires the Secretary to prepare a regulatory impact analysis if a final notice may have a significant impact on the operations of a substantial number of small rural hospitals. Such an analysis must conform to the provisions of section 603 of the RFA. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital located outside a Metropolitan Statistical Area with fewer than 50 beds.

We are not preparing a rural impact statement because the Secretary has determined, and certifies, that this notice will not have a significant impact on a substantial number of rural hospitals.

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

XII. Other Required Information

A. Waiver of Proposed Notice and 30–Day Delay in Effective Date

In adopting notices such as this, we ordinarily publish a proposed notice in the Federal Register with a 60-day period for public comment as required under section 1871(b)(1) of the Act. We also normally provide a delay of 30 days in the effective date for documents such as this. However, we may waive these procedures if we find good cause that prior notice and comment or a delay in the effective date are impracticable, unnecessary, or contrary to public interest.

Section 1861(v)(1)(L)(iii) of the Act requires that the Secretary establish revised HHA cost limits for cost reporting periods beginning on or after July 1, 1991 and annually thereafter (except for cost reporting periods beginning on or after July 1, 1994 and before July 1, 1996). As discussed in section III above, in accordance with the statute, we have used the same methodology to develop the schedule of limits that was used in setting the limits effective for cost reporting periods beginning on or after July 1, 1993. The cost limits have been updated by the appropriate market basket adjustment factor to reflect the cost increases occurring between the cost reporting periods for the data contained in the data base and June 30, 1997. In addition, as required under section 1861(v)(1)(L)(iii) of the Act, we have updated the wage index using the most recent hospital wage index.

If HHAs are to receive timely the benefits of these new cost limits based on the updated wage index and market basket adjustment factors, it is necessary that these limits be published in time to take effect for cost reporting periods beginning on or after July 1, 1996. Because the methodology used to develop this schedule of limits is for the most part dictated by the statute and has been previously published for public comment, we believe that in this instance it would be impracticable, unnecessary, and contrary to the public interest to publish a proposed notice or to provide for a 30-day delay in the effective date of this notice. Therefore, we find good cause to waive publication of a proposed notice and the 30-day delay in the effective date. However, we are providing a 60-day period for public comment, as indicated at the beginning of this notice.

B. Paperwork Reduction Act

This final notice does not impose information collection requirements. Consequently, it does not need to be reviewed by the Office of Management and Budget under the authority of the Paperwork Reduction Act of 1995.

C. Public Comments

Because of the large number of items of correspondence we normally receive on a notice with comment period, we are not able to acknowledge or respond to them individually. However, we will consider all comments concerning the provisions of this notice that we receive by the date and time specified in the ''**DATES**'' section of this notice, and we will respond to those comments in a subsequent notice.

Appendix—Technical Features of the HHA Market Basket Index

As discussed in the preamble of this rule, we are rebasing and revising the home health agency market basket. This appendix describes the technical features of the 1993-based index that we are proposing for this notice. We present this description of the market basket in three steps:

- A synopsis of the structural differences between the 1976- and the 1993-based market baskets.
- A description of the methodology used to develop the cost category weights in the 1993-based market basket.
- A description of the data sources used to measure price change for each component of the 1993-based market basket, making note of the differences from the price proxies used in the 1976-based market basket.

I. Synopsis of Structural Changes Adopted in the Rebased 1993 Home Health Agency Market Basket

Three major structural differences exist between the 1976-based and the 1993-based home health agency market baskets.

1. More recent home health agency expenditure data are being used in the revised and rebased home health agency market basket.

The 1976-based market basket contained cost shares that were derived from 1976 Medicare cost reports and other available health industry surveys. The 1993-based market basket uses data from the latest settled Medicare Cost Reports for Freestanding Home Health Agencies whose cost reporting periods began after June 1, 1991 and were settled by October 1, 1995 (one per HHA). These data were primarily reports from Federal fiscal year 1993; earlier and later data were aged forward and backward to Federal fiscal year 1993 using price changes. Additional information from the U.S. Department of Commerce Bureau of Economic Analysis (BEA) 1987 Input-Output Tables was used for some subcategories. It was aged to 1993 for relative price changes.

2. Some cost categories have been disaggregated and some cost categories have been combined. These category changes reflect the availability of data in the cost reports and in the BEA Input-Output Tables.

3. We will use Blended HHA Occupational Wage and Benefits Indexes. This parallels the use of Blended Wage and Salary and Benefits Indexes in the PPS and Excluded Hospital market baskets, but with adjustments for the occupational mix of home health agencies.

II. Methodology for Developing the Cost Category Weights

Cost category weights for the 1993-based market basket were developed in two stages. First, base weights for nine main categories (Wages and Salaries, Employee Benefits, Transportation, Operation and Maintenance, Administrative and General, Insurance, Fixed Capital, Movable Capital, and a residual All Other) were derived from the Home Health Agency Medicare Cost Reports described above. A weight for

Contract Service Labor was derived from the HHA Medicare Cost Reports, and allocated to (a) Wages & Salaries, (b) Employee Benefits, (c) Other Administrative and General, and (d) Other Expenses. Contract Services costs were allocated to the above four categories with proportionally higher weight given to (a) Wages and Salaries and (b) Employee Benefits to reflect that a substantial portion of contract services are from individual independent contractors with lower overhead than the average home health agency. Second, the weight for Administrative and General was divided into subcategories using cost shares from the 1987 Input-Output Table for the Other Medical and Health Services industry, produced by the U.S. Department of Commerce, Bureau of Economic Analysis, aged to 1993 using price changes. The Other Medical and Health Services industry is the residual of the Health Services industry less the Doctors and Dentists, Hospitals, and Nursing and Personal Care Facilities industries. It includes SIC 804, Other Health Practitioners; SIC 807, Medical and Dental Laboratories; SIC 808, Home Health Agencies; SIC 809 Health and Allied Services, not elsewhere classified; and SIC 074, Veterinary Services. The largest share of employment in these industries is in home health agencies.

Below we describe the source of the nine main category weights and their subcategories in the 1993-based market basket.

1. Wages and Salaries, including an allocation for contract services' labor: The wages and salaries cost category is one of the nine base weights derived from using the Medicare Cost Reports. Contract Services, which is also derived from the Medicare Cost Reports, is split among the (a) Wages and Salaries, (b) Employee Benefits, (c) Other Administrative and General, and (d) Other Expenses cost categories. An example of Contract Service Labor is registered nurses who are employed and paid by firms which contract for their work with home health agencies or a registered nurse who is an independent contractor and works out of his or her personal residence. The wages and salaries cost category was disaggregated into four occupational subcategories (professional and technical, executive and administrative, administrative support, home health aides, and all other service occupations) to reflect the mix of occupational inputs used by home health agencies. The 1993-based weights were developed from the Medicare Cost Reports. The 1976-based market basket had a separate cost category for Contracted Services' Labor.

2. Employee Benefits, including an allocation for contract services' labor: The employee benefits cost category is one of the nine base weights derived from the Medicare cost reports. A share of contract services' labor was allocated to this cost category. Like wages and salaries, the employee benefit weight in the 1993-based market basket is a composite of four labor subcategories. These were developed from the Medicare cost reports.

3. Transportation: The weight for Transportation was derived from the Medicare Cost Reports. The 1976-based market basket had a similar cost category.

4. Operations and Maintenance: The weight for Operations and Maintenance was derived from the Medicare Cost Reports. The 1976-based market basket had Utilities and Miscellaneous Cost Categories which have been replaced.

5. Administrative and General, including an allocation for non-labor associated with contract labor services: The weight for Administrative and General was derived from the Medicare cost reports. The subcategories of Telephone, Paper and Printing, Postage, and residual Other Administrative and General expenses were derived from the 1987 BEA Input-Output Tables, moved forward to 1993 using price changes. A share of contract services non-labor expenses (implied other expenses) was allocated to the Other Administrative and General subcategory. The 1976-based market basket contained an Office Administration Costs category.

6. Capital-related: The weights for the subcategories for Insurance, Fixed Capital, and Movable Capital were derived from the Medicare cost reports. The 1976-based market basket did not contain insurance, fixed capital or movable capital as separate categories, but did contain a Miscellaneous Costs, an Office Administration Costs, a Rental and Leasing, and a Medical Nursing Supplies cost category. Capital-related costs include interest expenses.

7. Other Expenses: The weight for Other Expenses was derived from the Medicare Cost Reports. A share of contract services non-labor expenses (implied other expenses) was allocated to the Other Expenses cost category. The 1976-based market basket had a Miscellaneous Costs cost category.

III. Price Proxies Used To Measure Cost Category Growth

1. Wages and Salaries, including an allocation for contract services' labor: For measuring price growth in the 1993-based market basket, price proxies are applied to the five occupational subcategories within the wages and salaries component, as is done in the hospital market baskets, weighted to reflect the home health agency occupational mix. The Professional and Technical occupational subcategory is represented by a blend of health industry and economy-wide price proxies. Therefore, there are five price proxies for four occupational subcategories (the Professional and Technical occupational subcategory has a blend of two). Table 4 at the end of this appendix describes the wages and salaries component of the market basket.

2. Employee Benefits, including an allocation for contract services' labor: For measuring price growth in the 1993-based market basket, price proxies are applied to the four occupational subcategories within the employee benefits component, as is done in the hospital market baskets, weighted to reflect the home health agency occupational mix. The Professional and Technical occupational subcategory is represented by a blend of health industry and economy-wide price proxies. Therefore there are five price proxies for four occupational subcategories (the Professional and Technical subcategory has a blend of two). Table 5 at the end of this appendix describes the employee benefits component of the market basket.

3. Operations and Maintenance: The percentage change in the price of Fuel and Other Utilities as measured by the Consumer Price Index was applied to this component. This is a revision from the 1976-based index in which the percentage change in the price of utilities was measured by a composite fuel and other utilities index.

4. Telephone: The percentage change in the price of Telephone Service as measured by the Consumer Price Index was applied to this component. This is a revision from the 1976-based index when the cost of telephone service was not specifically measured.

5. Paper and Printing: The percentage change in the price of Paper and Printing as measured by the Consumer Price Index for Household Paper Products and Stationery Supplies was applied to this component. This is a revision from the 1976-based index when the cost of paper and printing was not specifically measured.

6. Postage: The percentage change in the price of Postage as measured by the Consumer Price Index was applied to this component. This is a revision from the 1976-based index when the cost of postage was not specifically measured.

7. Other Administrative and General, including an allocation for non-labor

expenses associated with contract services: The percentage change in the price of services as measured by the Consumer Price Index was applied to this component. In the 1976-based market basket the CPI for Services was used as a proxy for Office Administration costs.

8. Insurance: The percentage change in the price of Household Insurance as measured by the Consumer Price Index was applied to this component. This is a revision from the 1976-based market basket in which the price of insurance was not specifically measured.

9. Transportation: The percentage change in the price of Transportation as measured by the Consumer Price Index was applied to this component. The same proxy was used for Transportation in the 1976-based market basket.

10. Fixed capital: The percentage change in the price of Owner's Equivalent Rent as measured by the Consumer Price Index was applied to this component. The percentage change in the price of Residential Rent as measured by the Consumer Price Index was used as a proxy for Rental and Leasing in the 1976-based market basket.

11. Movable Capital: The percentage change in the price of Machinery and Equipment as measured by the Producer Price Index was applied to this component. In the 1976-based market basket the percentage change in the price of Medical Equipment and Supplies as measured by the Consumer Price Index was applied to the Medical Nursing Supplies component.

12. Other Expenses, including an allocation for non-labor expenses associated with contract services: The percentage change in the price of All Items Less Food and Energy as measured by the Consumer Price Index was applied to this component. This is a revision from the 1976-based index, when the percentage change in the price of All Items as measured by the Consumer Price Index was applied to the Miscellaneous Costs component.

A comparison of price proxies used in the 1993-based and the 1976-based home health agency market baskets follows:

APPENDIX TABLE 1.—A COMPARISON OF PRICE PROXIES USED IN THE 1993–BASED AND 1976–BASED HOME HEALTH AGENCY MARKET BASKETS

Cost category	1993–Based price proxy	1976–Based price proxy
Compensation:		
Wages and Salaries	HHA Occupational Wage Index	AHE Hospitals (Private nonsupervisory workers).
Employee Benefits	HHA Occupational Benefits Index	BEA Supplements to Wages & Salaries per Worker (BLS); (BEA Aggregate Supplements/number of workers from BLS).
Operations and Maintenance	CPI–U Fuel & Other Utilities	Index composed of CPI–U Water & Sewage; IPD Fuel & Oil Coal (PCE); IPD Electricity (PCE); IPD Natural Gas (PCE).
Administrative and General		CPI–U Services (category: Office Administration Costs).
Telephone	CPI–U Telephone	
Paper and Printing	CPI–U Household Paper, Paper Products & Stationery Supplies.	
Postage	CPI–U Postage	
Other Administrative and General	CPI–U Services	
Transportation	CPI–U Private Transportation	CPI–U Transportation.
Capital-Related:		
Insurance	CPI–U Household Insurance	
Fixed Capital	CPI–U Owner's Equivalent Rent	CPI–U Residential Rent category: Rental & Leasing.
Movable Capital	PPI Machinery & Equipment	CPI–U Nonprescription Medical Equipment & Supplies.
Other Expenses	CPI–U All Items Less Food & Energy	CPI–U All Items.
Contracted Services	Contained within Wages & Salaries, Employee Benefits, Other Administrative & General & Other Expenses cost categories; see those price proxies	Composite All Other HHA Cost Category Weights with associated price proxy variables.

We allocated the Contract Services' share of home health agency expenses among (a) Wages and Salaries, (b) Employee Benefits, (c) Other Administrative and General, and (d) Other Expenses. The split chosen is one of three alternatives that we examined. In Alternative A, we split the Contract Services cost share only between (a) Wages and Salaries and (b) Employee Benefits. In Alternative B, we split the Contract Services cost share among (a) Wages and Salaries, (b) Employee Benefits, (c) Other Administrative and General, and (d) Other Expenses. In Alternative C, the option selected, we split the Contract Services cost share among (a) Wages and Salaries, (b) Employee Benefits, (c) Other Administrative and General, and (d) Other Expenses, but we gave proportionally more to (a) Wages and Salaries and (b) Employee Benefits, and less to (c) Other Administrative and General and (d) Other Expenses. This third middle-ground option recognizes that personnel in Contract Services may be employees of a firm contracting with home health agencies or may be independent contractors, working out of their personal residences, with relatively small non-labor expenses.

Results of the three alternatives appear in Appendix Table 2, while a comparison of historical and forecasted percent changes are shown in Appendix Table 3.

APPENDIX TABLE 2.—THREE ALTERNATIVES FOR ALLOCATION OF CONTRACT SERVICES; COST SHARE

Cost category	Alternative A: Split of contract services' cost share between (a) wages and salaries and (b) employee benefits	Alternative B: Split of contract services' cost share among (a) wages and salaries, (b) employee benefits, (c) other administrative and general, and (d) other expenses	Alternative C: Split of contract services' cost share among (a) wages and salaries, (b) employee benefits, (c) other administrative and general, and (d) other expenses, with smaller allocation to (c) and (d) and larger allocation to (a) and (b) (selected)
Compensation	79.224	76.479	77.668
Wages & Salaries	65.512	63.243	64.226
Employee Benefits	13.712	13.327	13.442
Operations & Maintenance	0.832	0.832	0.832
Administrative & General	8.791	10.163	9.569
Telephone	0.725	0.725	0.725
Paper & Printing	0.529	0.529	0.529
Postage	0.724	0.724	0.724
Other Administrative & General	6.813	8.165	7.591
Transportation	3.405	3.405	3.405
Capital-Related	3.204	3.204	3.204
Insurance	0.560	0.560	0.560
Fixed Capital	1.764	1.764	1.764
Movable Capital	0.880	0.880	0.880
All Other Expenses	4.544	5.916	5.322
Total	100.000	100.000	100.000

APPENDIX TABLE 3.—A COMPARISON OF THREE ALTERNATIVES FOR ALLOCATION OF CONTRACT SERVICES' COST SHARE FOR THE 1993-BASED HOME HEALTH AGENCY MARKET BASKET, PERCENT CHANGE, 1993–1998

Fiscal Years beginning July 1	Alternative A: Split of Contract Services' cost share between (a) Wages and Salaries and (b) Employee Benefits	Alternative B: Split of Contract Services' cost share among (a) Wages and Salaries, (b) Employee Benefits, (c) Other Administrative and General, and (d) Other Expenses	Alternative C: Split of Contract Services' cost share among (a) Wages and Salaries, (b) Employee Benefits, (c) Other Administrative and General, and (d) Other Expenses, with smaller allocation to (c) and (d) and larger allocation to (a) and (b) (Selected)
Historical:			
July 1992, FY 1993	3.40	3.40	3.40
July 1993, FY 1994	3.00	3.00	3.00
July 1994, FY 1995	2.90	2.90	2.90
Forecasted:			
July 1995, FY 1996	2.70	2.70	2.70
July 1996, FY 1997	3.10	3.10	3.10
July 1997, FY 1998	3.20	3.20	3.20
Historical Average: 1993–1995	3.10	3.10	3.10
Forecasted Average: 1996–1998	3.00	3.00	3.00

Source: DRI/McGraw Hill HCC, 1st Qtr. 1996;@USSIM/TREND25 YR0296@CISSIM/CONTROL961.
Released by HCFA, OACT, Office of National Health Statistics.

Note that there is no difference in historical performance or forecasts among the three alternatives.

The components of the HHA Occupational Wages and Salaries and Occupational Benefit Indexes are listed below:

APPENDIX TABLE 4.— HCFA HHA OCCUPATIONAL WAGES AND SALARIES INDEX

Cost category	Weight	Price proxy.
Skilled Nursing & Therapists & Other Professional/Technical, Including an allocation for Contract Services' Labor.	45.758	50% ECI for Wages & Salaries in Private Industry for Professional. Specialty & Technical Workers and 50% ECI for Wages & Salaries for Civilian Hospital Workers.
Managerial/Supervisory, including an allocation for Contract Services' Labor.	5.527	ECO for Wages & Salaries in Private Industry for Executive, Administrative & Managerial Workers.
Clerical, including an allocation for Contract Services' Labor	15.019	ECI for Wages & Salaries in Private Industry for Administrative Support, Including Clerical Workers.
Service, including an allocation for Contract Services' Labor	33.696	ECI for Wages & Salaries in Private Industry Service Occupations

APPENDIX TABLE 4.— HCFA HHA OCCUPATIONAL WAGES AND SALARIES INDEX—Continued

Cost category	Weight	Price proxy.
Total	100.00	

The total weight for wages and salaries in the 1993-based Home Health Agency market basket is 64.226 percent.

APPENDIX TABLE 5.—HCFA HHA OCCUPATIONAL BENEFITS INDEX (EMPLOYEE BENEFITS COMPONENT OF THE 1993–BASED MARKET BASKET)

Cost category	Weight	Price proxy
Skilled Nursing & Therapists & Other Professional/Technical, including an allocation for Contract Services' Labor.	44.182	50% ECI for Benefits in Private Industry for Professional. Specialty & Technical Workers and 50% ECI for Benefits for Civilian Hospital Workers.
Managerial/Supervisory, including an allocation for Contract Services' Labor.	5.097	ECI for Benefits in Private Industry for Executive, Administrative & Managerial Workers.
Clerical, including an allocation for Contract Services' Labor	15.848	ECI for Benefits in Private Industry for Administrative Support, Including Clerical Workers.
Service, including an allocation for Contract Services' Labor	34.873	ECI for Benefits in Private Industry Service Occupations.
Total	100.00	

The total weight for employee benefits in the 1993-based Home Health Agency market basket is 13.442 percent.

Authority: Section 1861(v)(1)(L) of the Social Security Act (42 U.S.C. 1395x(v)(1)(L)); section 4207(d) of Pub. L. 101–508 (42 U.S.C. 1395x (note)).

(Catalog of Federal Domestic Assistance Program No. 93.773 Medicare—Hospital Insurance)

Dated: June 24, 1996.

Bruce C. Vladeck,

Administrator, Health Care Financing Administration.

Dated: June 26, 1996.

Donna E. Shalala,

Secretary.

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