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August 30, 2002**

Part IV

**Department of
Health and Human
Services**

Centers for Medicare & Medicaid Services

**Medicare Program; Hospice Wage Index
Fiscal Year 2003; Notice**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS-1211-N]

RIN 0938-AL41

Medicare Program; Hospice Wage Index Fiscal Year 2003

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

ACTION: Notice.

SUMMARY: This notice announces the annual update to the hospice wage index as required by statute. This update is effective October 1, 2002 through September 30, 2003. The wage index is used to reflect local differences in wage levels. The hospice wage index methodology and values are based on recommendations of a negotiated rulemaking advisory committee and were originally published in the **Federal Register** on August 8, 1997.

EFFECTIVE DATE: October 1, 2002.

FOR FURTHER INFORMATION CONTACT: Lynn Riley, (410) 786-1286.

SUPPLEMENTARY INFORMATION

I. Background

A. Statute and Regulations

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

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

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

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

- The revised hospice wage index will be calculated using the most current available hospital wage data.
- The revised hospice wage index was phased in over a 3-year transition period. For the first year of the transition period, October 1, 1997 through September 30, 1998, a blended index was calculated by adding two-thirds of the 1983 index value for an area to one-third of the revised wage index value for that area. During the second year of the transition period, October 1, 1998 through September 30, 1999, the calculation was similar, except that the blend was one-third of the 1983 index value and two-thirds of the revised wage index value for that area. We fully implemented the revised wage index during the third transition period, October 1, 1999 through September 30, 2000.
- All hospice wage index values of 0.8 or greater are subject to a budget-neutrality adjustment to ensure that we do not pay more in the aggregate than we would have paid under the original 1983 wage index. The budget-neutrality adjustment is calculated by multiplying the hospice wage index for a given area by the budget-neutrality adjustment factor. The budget-neutrality adjustment is to be applied annually, both during and after the transition period.
- All hospice wage index values below 0.8 receive the greater of the

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

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

Section 4441(a) of the Balanced Budget Act of 1997 (BBA) amended section 1814(i)(1)(C)(ii) of the Act to establish updates to hospice rates for fiscal years (FYs) 1998 through 2002. Hospice rates were to be updated by a factor equal to the market basket index, minus 1 percentage point. However, section 131(a) of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA) changed the payment rates for FYs 2001 and 2002 by increasing the FY 2001 rate by 0.5 percent and the FY 2002 rate by 0.75 percent. Section 131(b) of the BBRA states that any additional payments made under section 131(a) of the BBRA shall not be included in updating the hospice rates after those 2 years.

Section 321(a) of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) amended section 1814(i)(1)(C)(ii)(VI) of the Act by increasing Medicare hospice rates for FY 2001 by 5 percentage points. This amendment was applicable to hospice care furnished on or after April 1, 2001. Section 321(b) of the BIPA further stipulated that the 5-percent increase in Medicare hospice rates during the period beginning on April 1, 2001 through September 30, 2001 were to be treated as the payment rates in effect during FY 2001. This means that the 5-percent increase was made to the base that is updated annually according to a statutorily dictated percentage of the market basket update, as provided in section 1814(i) of the Act. The new Medicare rates for this time period were announced through HCFA Program Memorandum (PM) A-01-04 on January 16, 2001.

Also, section 321(d) of the BIPA specified that the Secretary of Health and Human Services use 1.0043 as the hospice wage index value for the Wichita, Kansas MSA in calculating payments for a hospice program providing hospice care in this MSA during FY 2000.

Payment rates for FY 2003 will be updated according to section 1814(i) of the Act. The FY 2003 rates will be the full market basket percentage increase for the FY. This rate update will be implemented through a separate PM and is not part of this notice.

B. Update to the Hospice Wage Index

This annual update is effective October 1, 2002 through September 30, 2003. In accordance with the agreement we signed with other members of the Hospice Wage Index Negotiated Rulemaking Committee, we are using the most current hospital data available to us, including any changes to the definitions of MSAs. The FY 2002 hospital wage index was the most current hospital wage data available when the FY 2003 wage index values were calculated. We used the pre-reclassified and pre-floor hospital area wage index data.

All wage index values are adjusted by a budget-neutrality factor of 1.063422 and are subject to the wage index floor adjustment, if applicable. We have completed all of the calculations described above and have included

them in the wage index values reflected in both Tables A and B below. A detailed description of the method used to compute the hospice wage index is contained in both the September 4, 1996 proposed rule published in the **Federal Register** (61 FR 46579) and the August 8, 1997 final rule published in the **Federal Register** (62 FR 42860).

1. Metropolitan Statistical Areas

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

2. MSA Wage Index Values Lower Than Rural Values

As explained above, any area not included in an MSA is considered to be nonurban and receives the statewide rural rate. We are aware that in the past, a number of MSAs have had wage index values that were lower than their rural statewide value. This difference is due to variations in local wage data as compared to national wage data. The hospice wage index is computed by dividing the hourly wage rate for an MSA or nonurban area by a national hourly wage rate. Nonurban areas could receive a higher wage index value than urban areas in the same State if the hourly wage rate in the nonurban area increased at a greater rate.

C. Tables

TABLE A.—HOSPICE WAGE INDEX FOR URBAN AREAS

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
0040	Abilene, TX	0.8470
	Taylor, TX	
0060	Aguadilla, PR	0.5385
	Aguada, PR	
	Aguadilla, PR	
	Moca, PR	
0080	Akron, OH	1.0502
	Portage, OH	
	Summit, OH	
0120	Albany, GA	1.1315
	Dougherty, GA	
	Lee, GA	
0160	Albany-Schenectady-Troy, NY	0.9039
	Albany, NY	
	Montgomery, NY	
	Rensselaer, NY	
	Saratoga, NY	
	Schenectady, NY	
	Schoharie, NY	
0200	Albuquerque, NM	1.0378
	Bernalillo, NM	
	Sandoval, NM	
	Valencia, NM	
0220	Alexandria, LA	0.8538
	Rapides, LA	
0240	Allentown-Bethlehem-Easton, PA	1.0716
	Carbon, PA	
	Lehigh, PA	
	Northampton, PA	
0280	Altoona, PA	0.9705
	Blair, PA	
0320	Amarillo, TX	0.9263
	Potter, TX	
	Randall, TX	
0380	Anchorage, AK	1.3367
	Anchorage, AK	
0440	Ann Arbor, MI	1.1802
	Lenawee, MI	
	Livingston, MI	
	Washtenaw, MI	
0450	Anniston, AL	0.8801
	Calhoun, AL	

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
0460	Appleton-Oshkosh-Neenah, WI Calumet, WI Outagamie, WI Winnebago, WI	0.9827
0470	Arecibo, PR Arecibo, PR Camuy, PR Hatillo, PR	0.8507
0480	Asheville, NC Buncombe, NC Madison, NC	0.9783
0500	Athens, GA Clarke, GA Madison, GA Oconee, GA	1.0466
0520	Atlanta, GA Barrow, GA Bartow, GA Carroll, GA Cherokee, GA Clayton, GA Cobb, GA Coweta, GA DeKalb, GA Douglas, GA Fayette, GA Forsyth, GA Fulton, GA Gwinnett, GA Henry, GA Newton, GA Paulding, GA Pickens, GA Rockdale, GA Spalding, GA Walton, GA	1.0696
0560	Atlantic-Cape May, NJ Atlantic, NJ Cape May, NJ	1.2009
0580	Auburn-Opelika, AL Lee, AL	0.8752
0600	Augusta-Aiken, GA-SC Columbia, GA McDuffie, GA Richmond, GA Aiken, SC Edgefield, SC	1.0602
0640	Austin-San Marcos, TX Bastrop, TX Caldwell, TX Hays, TX Travis, TX Williamson, TX	1.0241
0680	Bakersfield, CA Kern, CA	1.0123
0720	Baltimore, MD Anne Arundel, MD Baltimore, MD Baltimore City, MD Carroll, MD Harford, MD Howard, MD Queen Anne's, MD	1.0481
0733	Bangor, ME Penobscot, ME	1.0201
0743	Barnstable-Yarmouth, MA Barnstable, MA	1.4490

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
0760	Baton Rouge, LA Ascension, LA East Baton Rouge, LA Livingston, LA West Baton Rouge, LA	0.8666
0840	Beaumont-Port Arthur, TX Hardin, TX Jefferson, TX Orange, TX	0.8977
0860	Bellingham, WA Whatcom, WA	1.2576
0870	Benton Harbor, MI Berrien, MI	0.9451
0875	Bergen-Passaic, NJ Bergen, NJ Passaic, NJ	1.2430
0880	Billings, MT Yellowstone, MT	0.9945
0920	Biloxi-Gulfport-Pascagoula, MS Hancock, MS Harrison, MS Jackson, MS	0.8975
0960	Binghamton, NY Broome, NY Tioga, NY	0.8982
1000	Birmingham, AL Blount, AL Jefferson, AL St. Clair, AL Shelby, AL	0.9367
1010	Bismarck, ND Burleigh, ND Morton, ND	0.8490
1020	Bloomington, IN Monroe, IN	0.9403
1040	Bloomington-Normal, IL McLean, IL	0.9611
1080	Boise City, ID Ada, ID Canyon, ID	0.9624
1123	Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH Bristol, MA Essex, MA Middlesex, MA Norfolk, MA Plymouth, MA Suffolk, MA Worcester, MA Hillsborough, NH Merrimack, NH Rockingham, NH Strafford, NH	1.2105
1125	Boulder-Longmont, CO Boulder, CO	1.0420
1145	Brazoria, TX Brazoria, TX	0.8730
1150	Bremerton, WA Kitsap, WA	1.1440
1240	Brownsville-Harlingen-San Benito, TX Cameron, TX	0.9584
1260	Bryan-College Station, TX Brazos, TX	0.9920
1280	Buffalo-Niagara Falls, NY Erie, NY Niagara, NY	1.0059
1303	Burlington, VT Chittenden, VT Franklin, VT Grand Isle, VT	1.0510

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
1310	Caguas, PR Caguas, PR Cayey, PR Cidra, PR Gurabo, PR San Lorenzo, PR	0.5404
1320	Canton-Massillon, OH Carroll, OH Stark, OH	0.9524
1350	Casper, WY Natrona, WY	1.0098
1360	Cedar Rapids, IA Linn, IA	0.9251
1400	Champaign-Urbana, IL Champaign, IL	0.9896
1440	Charleston-North Charleston, SC Berkeley, SC Charleston, SC Dorchester, SC	0.9790
1480	Charleston, WV Kanawha, WV Putnam, WV	0.9852
1520	Charlotte-Gastonia-Rock Hill, NC-SC Cabarrus, NC Gaston, NC Lincoln, NC Mecklenburg, NC Rowan, NC Stanly, NC Union, NC York, SC	0.9928
1540	Charlottesville, VA Albermale, VA Charlottesville City, VA Fluvanna, VA Greene, VA	1.1236
1560	Chattanooga, TN-GA Catoosa, GA Dade, GA Walker, GA Hamilton, TN Marion, TN	0.9963
1580	Cheyenne, WY Laramie, WY	0.8814
1600	Chicago, IL Cook, IL DeKalb, IL Du Page, IL Grundy, IL Kane, IL Kendall, IL Lake, IL McHenry, IL Will, IL	1.1747
1620	Chico-Paradise, CA Butte, CA	1.0481
1640	Cincinnati, OH-KY-IN Brown, OH Clermont, OH Hamilton, OH Warren, OH Boone, KY Campbell, KY Gallatin, KY Grant, KY Kenton, KY Pendleton, KY Dearborn, IN Ohio, IN	1.0074

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
1660	Clarksville-Hopkinsville, TN-KY Christian, KY Montgomery, TN	0.8866
1680	Cleveland-Lorain-Elyria, OH Ashtabula, OH Cuyahoga, OH Geauga, OH Lake, OH Lorain, OH Medina, OH	1.0057
1720	Colorado Springs, CO El Paso, CO	1.0362
1740	Columbia, MO Boone, MO	0.9237
1760	Columbia, SC Lexington, SC Richland, SC	1.0094
1800	Columbus, GA-AL Chattahoochee, GA Harris, GA Muscogee, GA Russell, AL	0.8975
1840	Columbus, OH Delaware, OH Fairfield, OH Franklin, OH Licking, OH Madison, OH Pickaway, OH	1.0172
1880	Corpus Christi, TX Nueces, TX San Patricio, TX	0.8870
1890	Corvallis, Oregon Benton, OR	1.2385
1900	Cumberland, MD-WV Allegany, MD Mineral, WV	0.8833
1920	Dallas, TX Collin, TX Dallas, TX Denton, TX Ellis, TX Henderson, TX Hunt, TX Kaufman, TX Rockwall, TX	1.0566
1950	Danville, VA Danville City, VA Pittsylvania, VA	0.9159
1960	Davenport-Moline-Rock Island, IA-IL Scott, IA Henry, IL Rock Island, IL	0.9186
2000	Dayton-Springfield, OH Clark, OH Greene, OH Miami, OH Montgomery, OH	0.9810
2020	Daytona Beach, FL Flagler, FL Volusia, FL	0.9541
2030	Decatur, AL Lawrence, AL Morgan, AL	0.9332
2040	Decatur, IL Macon, IL	0.8494

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
2080	Denver, CO Adams, CO Arapahoe, CO Denver, CO Douglas, CO Jefferson, CO	1.0983
2120	Des Moines, IA Dallas, IA Polk, IA Warren, IA	0.9336
2160	Detroit, MI Lapeer, MI Macomb, MI Monroe, MI Oakland, MI St. Clair, MI Wayne, MI	1.1152
2180	Dothan, AL Dale, AL Houston, AL	0.8452
2190	Dover, DE Kent, DE	1.0949
2200	Dubuque, IA Dubuque, IA	0.9059
2240	Duluth-Superior, MN-WI St. Louis, MN Douglas, WI	1.0936
2281	Dutchess County, NY Dutchess, NY	1.1200
2290	Eau Claire, WI Chippewa, WI Eau Claire, WI	0.9463
2320	El Paso, TX El Paso, TX	0.9799
2330	Elkhart-Goshen, IN Elkhart, IN	1.0249
2335	Elmira, NY Chemung, NY	0.8949
2340	Enid, OK Garfield, OK	0.8887
2360	Erie, PA Erie, PA	0.9269
2400	Eugene-Springfield, OR Lane, OR	1.2199
2440	Evansville-Henderson, IN-KY Posey, IN Vanderburgh, IN Warrick, IN Henderson, KY	0.9054
2520	Fargo-Moorhead, ND-MN Clay, MN Cass, ND	0.9855
2560	Fayetteville, NC Cumberland, NC	0.9600
2580	Fayetteville-Springdale-Rogers, AR Benton, AR Washington, AR	0.8981
2620	Flagstaff, AZ-UT Coconino, AZ Kane, UT	1.1225
2640	Flint, MI Genesee, MI	1.1605
2650	Florence, AL Colbert, AL Lauderdale, AL	0.8343
2655	Florence, SC Florence, SC	0.9275
2670	Fort Collins-Loveland, CO Larimer, CO	1.0682
2680	Ft. Lauderdale, FL Broward, FL	1.0946

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
2700	Fort Myers-Cape Coral, FL Lee, FL	0.9969
2710	Fort Pierce-Port St. Lucie, FL Martin, FL St. Lucie, FL	1.0862
2720	Fort Smith, AR-OK Crawford, AR Sebastian, AR Sequoyah, OK	0.8564
2750	Fort Walton Beach, FL Okaloosa, FL	0.9573
2760	Fort Wayne, IN Adams, IN Allen, IN De Kalb, IN Huntington, IN Wells, IN Whitley, IN	0.9787
2800	Fort Worth-Arlington, TX Hood, TX Johnson, TX Parker, TX Tarrant, TX	0.9990
2840	Fresno, CA Fresno, CA Madera, CA	1.0617
2880	Gadsden, AL Etowah, AL	0.9350
2900	Gainesville, FL Alachua, FL	1.0082
2920	Galveston-Texas City, TX Galveston, TX	1.0967
2960	Gary, IN Lake, IN Porter, IN	1.0134
2975	Glens Falls, NY Warren, NY Washington, NY	0.8865
2980	Goldsboro, NC Wayne, NC	0.9261
2985	Grand Forks, ND-MN Grand Forks, ND Polk, MN	0.9644
2995	Grand Junction, CO Mesa, CO	1.0176
3000	Grand Rapids-Muskegon-Holland, MI Allegan, MI Kent, MI Muskegon, MI Ottawa, MI	1.0685
3040	Great Falls, MT Cascade, MT	0.9433
3060	Greeley, CO Weld, CO	1.0097
3080	Green Bay, WI Brown, WI	0.9792
3120	Greensboro-Winston-Salem-High Point, NC Alamance, NC Davidson, NC Davie, NC Forsyth, NC Guilford, NC Randolph, NC Stokes, NC Yadkin, NC	1.0144
3150	Greenville, NC Pitt, NC	0.9878

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
3160	Greenville-Spartanburg-Anderson, SC Anderson, SC Cherokee, SC Greenville, SC Pickens, SC Spartanburg, SC	0.9802
3180	Hagerstown, MD Washington, MD	0.8896
3200	Hamilton-Middletown, OH Butler, OH	0.9876
3240	Harrisburg-Lebanon-Carlisle, PA Cumberland, PA Dauphin, PA Lebanon, PA Perry, PA	1.0023
3283	Hartford, CT Hartford, CT Litchfield, CT Middlesex, CT Tolland, CT	1.2264
3285	Hattiesburg, MS Forrest, MS Lamar, MS	0.8000
3290	Hickory-Morganton-Lenoir, NC Alexander, NC Burke, NC Caldwell, NC Catawba, NC	0.9961
3320	Honolulu, HI Honolulu, HI	1.2271
3350	Houma, LA Lafourche, LA Terrebonne, LA	0.8481
3360	Houston, TX Chambers, TX Fort Bend, TX Harris, TX Liberty, TX Montgomery, TX Waller, TX	1.0242
3400	Huntington-Ashland, WV-KY-OH Boyd, KY Carter, KY Greenup, KY Lawrence, OH Cabell, WV Wayne, WV	1.0226
3440	Huntsville, AL Limestone, AL Madison, AL	0.9446
3480	Indianapolis, IN Boone, IN Hamilton, IN Hancock, IN Hendricks, IN Johnson, IN Madison, IN Marion, IN Morgan, IN Shelby, IN	1.0313
3500	Iowa City, IA Johnson, IA	1.0484
3520	Jackson, MI Jackson, MI	0.9844
3560	Jackson, MS Hinds, MS Madison, MS Rankin, MS	0.9030
3580	Jackson, TN Madison, TN Chester, TN	0.9585

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
3600	Jacksonville, FL Clay, FL Duval, FL Nassau, FL St. Johns, FL	0.9808
3605	Jacksonville, NC Onslow, NC	0.8105
3610	Jamestown, NY Chautauqua, NY	0.8561
3620	Janesville-Beloit, WI Rock, WI	1.0357
3640	Jersey City, NJ Hudson, NJ	1.1887
3660	Johnson City-Kingsport-Bristol, TN-VA Carter, TN Hawkins, TN Sullivan, TN Unicoi, TN Washington, TN Bristol City, VA Scott, VA Washington, VA	0.9164
3680	Johnstown, PA Cambria, PA Somerset, PA	0.9276
3700	Jonesboro, AR Craighead, AR	0.8959
3710	Joplin, MO Jasper, MO Newton, MO	0.9280
3720	Kalamazoo-Battlecreek, MI Calhoun, MI Kalamazoo, MI Van Buren, MI	1.1314
3740	Kankakee, IL Kankakee, IL	1.0516
3760	Kansas City, KS-MO Johnson, KS Leavenworth, KS Miami, KS Wyandotte, KS Cass, MO Clay, MO Clinton, MO Jackson, MO Lafayette, MO Platte, MO Ray, MO	1.0141
3800	Kenosha, WI Kenosha, WI	1.0175
3810	Killeen-Temple, TX Bell, TX Coryell, TX	0.9008
3840	Knoxville, TN Anderson, TN Blount, TN Knox, TN Loudon, TN Sevier, TN Union, TN	0.9454
3850	Kokomo, IN Howard, IN Tipton, IN	0.9705
3870	La Crosse, WI-MN Houston, MN La Crosse, WI	0.9837
3880	Lafayette, LA Acadia, LA Lafayette, LA St. Landry, LA St. Martin, LA	0.9086

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
3920	Lafayette, IN Clinton, IN Tippecanoe, IN	0.9700
3960	Lake Charles, LA Calcasieu, LA	0.8257
3980	Lakeland-Winter Haven, FL Polk, FL	0.9642
4000	Lancaster, PA Lancaster, PA	0.9886
4040	Lansing-East Lansing, MI Clinton, MI Eaton, MI Ingham, MI	1.0265
4080	Laredo, TX Webb, TX	0.8347
4100	Las Cruces, NM Dona Ana, NM	0.9168
4120	Las Vegas, NV-AZ Mohave, AZ Clarke, NV Nye, NV	1.1891
4150	Lawrence, KS Douglas, KS	0.8307
4200	Lawton, OK Comanche, OK	0.9233
4243	Lewiston-Auburn, ME Androscoggin, ME	0.9876
4280	Lexington, KY Bourbon, KY Clark, KY Fayette, KY Jessamine, KY Madison, KY Scott, KY Woodford, KY	0.9349
4320	Lima, OH Allen, OH Auglaize, OH	1.0071
4360	Lincoln, NE Lancaster, NE	1.0818
4400	Little Rock-North Little Rock, AR Faulkner, AR Lonoke, AR Pulaski, AR Saline, AR	0.9523
4420	Longview-Marshall, TX Gregg, TX Harrison, TX Upshur, TX	0.9115
4480	Los Angeles-Long Beach, CA Los Angeles, CA	1.2706
4520	Louisville, KY-IN Clark, IN Floyd, IN Harrison, IN Scott, IN Bullitt, KY Jefferson, KY Oldham, KY	1.0133
4600	Lubbock, TX Lubbock, TX	0.8985
4640	Lynchburg, VA Amherst, VA Bedford, VA Bedford City, VA Campbell, VA Lynchburg City, VA	0.9680

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
4680	Macon, GA Bibb, GA Houston, GA Jones, GA Peach, GA Twiggs, GA	0.9525
4720	Madison, WI Dane, WI	1.0993
4800	Mansfield, OH Crawford, OH Richland, OH	0.9260
4840	Mayaguez, PR Anasco, PR Cabo Rojo, PR Hormigueros, PR Mayaguez, PR Sabana Grande, PR San German, PR	0.5589
4880	McAllen-Edinburg-Mission, TX Hidalgo, TX	0.8909
4890	Medford-Ashland, OR Jackson, OR	1.0968
4900	Melbourne-Titusville-Palm Bay, FL Brevard, FL	1.0542
4920	Memphis, TN-AR-MS Crittenden, AR DeSoto, MS Fayette, TN Shelby, TN Tipton, TN	0.9547
4940	Merced, CA Merced, CA	1.0578
5000	Miami, FL Dade, FL	1.0581
5015	Middlesex-Somerset-Hunterdon, NJ Hunterdon, NJ Middlesex, NJ Somerset, NJ	1.2196
5080	Milwaukee-Waukesha, WI Milwaukee, WI Ozaukee, WI Washington, WI Waukesha, WI	1.0603
5120	Minneapolis-St. Paul, MN-WI Anoka, MN Carver, MN Chisago, MN Dakota, MN Hennepin, MN Isanti, MN Ramsey, MN Scott, MN Sherburne, MN Washington, MN Wright, MN Pierce, WI St. Croix, WI	1.1623
5140	Missoula, MT Missoula, MT	0.9958
5160	Mobile, AL Baldwin, AL Mobile, AL	0.8595
5170	Modesto, CA Stanislaus, CA	1.1506
5190	Monmouth-Ocean, NJ Monmouth, NJ Ocean, NJ	1.1539
5200	Monroe, LA Ouachita, LA	0.8721

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
5240	Montgomery, AL Autauga, AL Elmore, AL Montgomery, AL	0.8000
5280	Muncie, IN Delaware, IN	1.0569
5330	Myrtle Beach, SC Horry, SC	0.9327
5345	Naples, FL Collier, FL	1.0314
5360	Nashville, TN Cheatham, TN Davidson, TN Dickson, TN Robertson, TN Rutherford TN Sumner, TN Williamson, TN Wilson, TN	1.0373
5380	Nassau-Suffolk, NY Nassau, NY Suffolk, NY	1.4508
5483	New Haven-Bridgeport-Stamford-Waterbury-Danbury, CT Fairfield, CT New Haven, CT	1.3014
5523	New London-Norwich, CT New London, CT	1.2257
5560	New Orleans, LA Jefferson, LA Orleans, LA Plaquemines, LA St. Bernard, LA St. Charles, LA St. James, LA St. John The Baptist, LA St. Tammany, LA	0.9609
5600	New York, NY Bronx, NY Kings, NY New York, NY Putnam, NY Queens, NY Richmond, NY Rockland, NY Westchester, NY	1.5342
5640	Newark, NJ Essex, NJ Morris, NJ Sussex, NJ Union, NJ Warren, NJ	1.2359
5660	Newburgh, NY-PA Orange, NY Pike, PA	1.1818
5720	Norfolk-Virginia Beach-Newport News, VA-NC 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	0.9123

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
5775	Oakland, CA Alameda, CA Contra Costa, CA	1.6291
5790	Ocala, FL Marion, FL	1.0162
5800	Odessa-Midland, TX Ector, TX Midland, TX	1.0745
5880	Oklahoma City, OK Canadian, OK Cleveland, OK Logan, OK McClain, OK Oklahoma, OK Pottawatomie, OK	0.9245
5910	Olympia, WA Thurston, WA	1.2070
5920	Omaha, NE-IA Pottawattamie, IA Cass, NE Douglas, NE Sarpy, NE Washington, NE	1.0328
5945	Orange County, CA Orange, CA	1.1828
5960	Orlando, FL Lake, FL Orange, FL Osceola, FL Seminole, FL	1.0254
5990	Owensboro, KY Davies, KY	0.8863
6015	Panama City, FL Bay, FL	0.9636
6020	Parkersburg-Marietta, WV-OH Washington, OH Wood, WV	0.8649
6080	Pensacola, FL Escambia, FL Santa Rosa, FL	0.8891
6120	Peoria-Pekin, IL Peoria, IL Tazewell, IL Woodford, IL	0.9329
6160	Philadelphia, PA-NJ Burlington, NJ Camden, NJ Gloucester, NJ Salem, NJ Bucks, PA Chester, PA Delaware, PA Montgomery, PA Philadelphia, PA	1.1641
6200	Phoenix-Mesa, AZ Maricopa, AZ Pinal, AZ	1.0249
6240	Pine Bluff, AR Jefferson, AR	0.8396
6280	Pittsburgh, PA Allegheny, PA Beaver, PA Butler, PA Fayette, PA Washington, PA Westmoreland, PA	1.0166
6323	Pittsfield, MA Berkshire, MA	1.0930
6340	Pocatello, ID Bannock, ID	1.0047

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
6360	Ponce, PR Guayanilla, PR Juana Diaz, PR Penuelas, PR Ponce, PR Villalba, PR Yauco, PR	0.6001
6403	Portland, ME Cumberland, ME Sagadahoc, ME York, ME	1.0025
6440	Portland-Vancouver, OR--WA Clackamas, OR Columbia, OR Multnomah, OR Washington, OR Yamhill, OR Clark, WA	1.1816
6483	Providence-Warwick-Pawtucket, RI Bristol, RI Kent, RI Newport, RI Providence, RI Washington, RI	1.1490
6520	Provo-Orem, UT Utah, UT	1.0467
6560	Pueblo, CO Pueblo, CO	0.9150
6580	Punta Gorda, FL Charlotte, FL	0.9587
6600	Racine, WI Racine, WI	0.9925
6640	Raleigh-Durham-Chapel Hill, NC Chatham, NC Durham, NC Franklin, NC Johnston, NC Orange, NC Wake, NC	1.0441
6660	Rapid City, SD Pennington, SD	0.9431
6680	Reading, PA Berks, PA	1.0191
6690	Redding, CA Shasta, CA	1.1862
6720	Reno, NV Washoe, NV	1.1082
6740	Richland-Kennewick-Pasco, WA Benton, WA Franklin, WA	1.1655
6760	Richmond-Petersburg, VA Charles City County, VA Chesterfield, VA Colonial Heights City, VA Dinwiddie, VA Goochland, VA Hanover, VA Henrico, VA Hopewell City, VA New Kent, VA Petersburg City, VA Powhatan, VA Prince George, VA Richmond City, VA	1.0292
6780	Riverside-San Bernardino, CA Riverside, CA San Bernardino, CA	1.1817

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
6800	Roanoke, VA Botetourt, VA Roanoke, VA Roanoke City, VA Salem City, VA	0.8902
6820	Rochester, MN Olmsted, MN	1.2189
6840	Rochester, NY Genesee, NY Livingston, NY Monroe, NY Ontario, NY Orleans, NY Wayne, NY	0.9940
6880	Rockford, IL Boone, IL Ogle, IL Winnebago, IL	0.9788
6895	Rocky Mount, NC Edgecombe, NC Nash, NC	0.9687
6920	Sacramento, CA El Dorado, CA Placer, CA Sacramento, CA	1.2581
6960	Saginaw-Bay City-Midland, MI Bay, MI Midland, MI Saginaw, MI	1.0198
6980	St. Cloud, MN Benton, MN Stearns, MN	1.0476
7000	St. Joseph, MO Andrew, MO Buchanan, MO	0.8391
7040	St. Louis, MO-IL Franklin, MO Jefferson, MO Lincoln, MO St. Charles, MO St. Louis, MO St. Louis City, MO Warren, MO Clinton, IL Jersey, IL Madison, IL Monroe, IL St. Clair, IL	0.9497
7080	Salem, OR Marion, OR Polk, OR	1.0646
7120	Salinas, CA Monterey, CA	1.5615
7160	Salt Lake City-Ogden, UT Davis, UT Salt Lake, UT Weber, UT	1.0489
7200	San Angelo, TX Tom Green, TX	0.8713
7240	San Antonio, TX Bexar, TX Comal, TX Guadalupe, TX Wilson, TX	0.9128
7320	San Diego, CA San Diego, CA	1.1979
7360	San Francisco, CA Marin, CA San Francisco, CA San Mateo, CA	1.5037

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
7400	San Jose, CA	1.5093
	Santa Clara, CA	
7440	San Juan-Bayamon, PR	0.5476
	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	1.1687
	San Luis Obispo, CA	
7480	Santa Barbara-Santa Maria-Lompoc, CA	1.1487
	Santa Barbara, CA	
7485	Santa Cruz-Watsonville, CA	1.4856
	Santa Cruz, CA	
7490	Santa Fe, NM	1.0841
	Los Alamos, NM	
	Santa Fe, NM	
7500	Santa Rosa, CA	1.3861
	Sonoma, CA	
7510	Sarasota-Bradenton, FL	1.0730
	Manatee, FL	
	Sarasota, FL	
7520	Savannah, GA	1.0653
	Bryan, GA	
	Chatham, GA	
	Effingham, GA	
7560	Scranton-Wilkes-Barre-Hazleton, PA	0.9234
	Columbia, PA	
	Lackawanna, PA	
	Luzerne, PA	
	Wyoming, PA	
7600	Seattle-Bellevue-Everett, WA	1.2082
	Island, WA	
	King, WA	
	Snohomish, WA	
7610	Sharon, PA	0.8429
	Mercer, PA	
7620	Sheboygan, WI	0.8961
	Sheboygan, WI	
7640	Sherman-Denison, TX	0.9967
	Grayson, TX	
7680	Shreveport-Bossier City, LA	0.9624
	Bossier, LA	
	Caddo, LA	
	Webster, LA	

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
7720	Sioux City, IA—NE Woodbury, IA Dakota, NE	0.9323
7760	Sioux Falls, SD Lincoln, SD Minnehaha, SD	0.9719
7800	South Bend, IN St. Joseph, IN	1.0627
7840	Spokane, WA Spokane, WA	1.1345
7880	Springfield, IL Menard, IL Sangamon, IL	0.9226
7920	Springfield, MO Christian, MO Greene, MO Webster, MO	0.9110
8003	Springfield, MA Hampden, MA Hampshire, MA	1.1571
8050	State College, PA Centre, PA	0.9712
8080	Steubenville-Weirton, OH—WV Jefferson, OH Brooke, WV Hancock, WV	0.9185
8120	Stockton-Lodi, CA San Joaquin, CA	1.1501
8140	Sumter, SC Sumter, SC	0.8288
8160	Syracuse, NY Cayuga, NY Madison, NY Onondaga, NY Oswego, NY	1.0231
8200	Tacoma, WA Pierce, WA	1.2353
8240	Tallahassee, FL Gadsden, FL Leon, FL	0.9068
8280	Tampa-St. Petersburg-Clearwater, FL Hernando, FL Hillsborough, FL Pasco, FL Pinellas, FL	0.9491
8320	Terre Haute, IN Clay, IN Vermillion, IN Vigo, IN	0.9073
8360	Texarkana, AR—Texarkana, TX Miller, AR Bowie, TX	0.8855
8400	Toledo, OH Fulton, OH Lucas, OH Wood, OH	1.0431
8440	Topeka, KS Shawnee, KS	0.9477
8480	Trenton, NJ Mercer, NJ	1.1077
8520	Tucson, AZ Pima, AZ	0.9536
8560	Tulsa, OK Creek, OK Osage, OK Rogers, OK Tulsa, OK Wagoner, OK	0.9467
8600	Tuscaloosa, AL Tuscaloosa, AL	0.8689
8640	Tyler, TX Smith, TX	1.0252

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
8680	Utica-Rome, NY Herkimer, NY Oneida, NY	0.8857
8720	Vallejo-Fairfield-Napa, CA Napa, CA Solano, CA	1.4422
8735	Ventura, CA Ventura, CA	1.1691
8750	Victoria, TX Victoria, TX	0.8856
8760	Vineland-Millville-Bridgeton, NJ Cumberland, NJ	1.1103
8780	Visalia-Tulare-Porterville, CA Tulare, CA	1.0239
8800	Waco, TX McLennan, TX	0.8645
8840	Washington, DC—MD—VA—WV District of Columbia, DC Calvert, MD Charles, MD Frederick, MD Montgomery, MD Prince Georges, MD Alexandria City, VA Arlington, VA Clarke, VA Culpeper, VA Fairfax, VA Fairfax City, VA Falls Church City, VA Fauquier, VA Fredericksburg City, VA King George, VA Loudoun, VA Manassas City, VA Manassas Park City, VA Prince William, VA Spotsylvania, VA Stafford, VA Warren, VA Berkeley, WV Jefferson, WV	1.1657
8920	Waterloo-Cedar Falls, IA Black Hawk, IA	0.8551
8940	Wausau, WI Marathon, WI	1.0311
8960	West Palm Beach-Boca Raton, FL Palm Beach, FL	1.0397
9000	Wheeling, WV—OH Belmont, OH Marshall, WV Ohio, WV	0.8491
9040	Wichita, KS Butler, KS Harvey, KS Sedgwick, KS	1.0215
9080	Wichita Falls, TX Archer, TX Wichita, TX	0.8366
9140	Williamsport, PA Lycoming, PA	0.9175
9160	Wilmington-Newark, DE—MD New Castle, DE Cecil, MD	1.1567
9200	Wilmington, NC Brunswick, NC New Hanover, NC	1.0006
9260	Yakima, WA Yakima, WA	1.1237
9270	Yolo, CA Yolo, CA	1.0316

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

MSA Code No.	Urban area (constituent counties or county equivalents) ¹	Wage index ²
9280	York, PA	1.0040
9320	Youngstown-Warren, OH Columbiana, OH Mahoning, OH Trumbull, OH	1.0170
9340	Yuba City, CA Sutter, CA Yuba, CA	1.1016
9360	Yuma, AZ	0.9559

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

² Wage index values are based on FY 1998 hospital cost report data before reclassification. This wage index is further adjusted. Wage index values greater than 0.8 are subject to a budget-neutrality adjustment of 1.063422. Wage index values below 0.8 are adjusted to be the greater of a 15-percent increase, subject to a maximum wage index value of 0.8, or an adjustment by multiplying the hospital wage index value for a given area by the budget-neutrality adjustment. We have completed all of these adjustments and included them in the wage index values reflected in this table.

TABLE B.—WAGE INDEX FOR RURAL AREAS

MSA code No.	Nonurban area	Wage index ³
9901	Alabama	0.8000
9902	Alaska	1.2614
9903	Arizona	0.9232
9904	Arkansas	0.8000
9905	California	1.0272
9906	Colorado	0.9370
9907	Connecticut	1.2843
9908	Delaware	1.0197
9910	Florida	0.9352
9911	Georgia	0.8821
9912	Hawaii	1.1817
9913	Idaho	0.9271
9914	Illinois	0.8564
9915	Indiana	0.9274
9916	Iowa	0.8664
9917	Kansas	0.8307
9918	Kentucky	0.8468
9919	Louisiana	0.8078
9920	Maine	0.9274
9921	Maryland	0.9421
9922	Massachusetts	1.2180
9923	Michigan	0.9571
9924	Minnesota	0.9608
9925	Mississippi	0.8005
9926	Missouri	0.8391
9927	Montana	0.9204
9928	Nebraska	0.8658
9929	Nevada	1.0344
9930	New Hampshire	1.0399
9931	New Jersey ⁴
9932	New Mexico	0.9226
9933	New York	0.9089
9934	North Carolina	0.9076
9935	North Dakota	0.8379
9936	Ohio	0.9218
9937	Oklahoma	0.8046
9938	Oregon	1.0663
9939	Pennsylvania	0.9153
9940	Puerto Rico	0.5520
9941	Rhode Island ⁴
9942	South Carolina	0.9052
9943	South Dakota	0.8360
9944	Tennessee	0.8431
9945	Texas	0.8201
9946	Utah	0.9625
9947	Vermont	1.0066
9948	Virgin Islands	0.7759
9949	Virginia	0.8764
9950	Washington	1.0856

TABLE B.—WAGE INDEX FOR RURAL AREAS—Continued

MSA code No.	Nonurban area	Wage index ³
9951	West Virginia	0.8579
9952	Wisconsin	0.9641
9953	Wyoming	0.9302
9965	Guam	1.0221

³ Wage index values are based on FY 1998 hospital cost report data before reclassification. This wage index is further adjusted. Wage index values greater than 0.8 are subject to a budget-neutrality adjustment of 1.063422. Wage index values below 0.8 are adjusted to be the greater of a 15-percent increase, subject to a maximum wage index value of 0.8, or an adjustment by multiplying the hospital wage index value for a given area by the budget-neutrality adjustment. We have completed all of these adjustments and have included them in the wage index values reflected in this table.

⁴ All counties within the State are classified as urban.

II. Waiver of Proposed Rulemaking

We ordinarily publish a notice of proposed rulemaking in the **Federal Register** to provide a period for public comment before the provisions of a notice such as this take effect. We can waive this procedure, however, if we find good cause that a notice and comment procedure is impracticable, unnecessary, or contrary to the public interest and incorporate a statement of the finding and its reasons in the notice issued.

We find it unnecessary to undertake notice and comment rulemaking as the statute requires annual updates to the hospice payment rates. The methodologies used to determine the wage index have been previously subject to public comments, and this notice merely reflects the application of those previously established methodologies. Therefore, for good cause, we waive notice and comment procedures.

III. Regulatory Impact Analysis

A. Overall Impact

We have examined the impacts of this notice as required by Executive Order 12866 (September 1993, Regulatory Planning and Review), the Regulatory Flexibility Act (RFA) (September 16, 1980, Pub. L. 96–354), section 1102(b) of the Act, the Unfunded Mandates Reform Act of 1995 (Pub.L. 104–4), and Executive Order 13132. In this notice, we identified the impact on hospices as a result of updating the hospice wage index for FY 2003. The methodology for computing the wage index was determined through a negotiated rulemaking committee and implemented in the August 8, 1997 Final Rule (62 FR 42860). This notice only updates the hospice wage index in accordance with that methodology. We believe these changes to be insignificant. As Table C below indicates, we estimate that total hospice payments will increase from last year by 0.3 percent, or \$12,731,000.

Executive Order 12866 directs agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). A regulatory impact analysis (RIA) must be prepared for major rules with economically significant effects (\$100 million or more in any 1 year). We have determined that this notice is not an economically significant rule under this Executive Order.

The RFA requires agencies to determine whether a rule will have a significant economic impact on a substantial number of small entities. For purposes of the RFA, small entities include small businesses, nonprofit organizations, and government agencies. Most hospital and most other providers and suppliers are small entities, either by nonprofit status or by having revenues of \$5 million or less annually. (For details, see the Small Business Administration's regulation that set forth size standards for health care industries (65 FR 69432)). For purposes of the RFA, most hospices are small entities. Approximately 73 percent of Medicare certified hospices are identified as voluntary, government, or other agencies, and, therefore, are considered small entities. Because the National Hospice and Palliative Care Organization estimates that approximately 79 percent of hospice patients are Medicare beneficiaries, we have not considered other sources of revenue in this analysis.

As discussed below, the estimated decreases in payment to hospices overall are very slight. The effects of this notice indicate that on a regional basis, urban hospices in the Middle Atlantic, East North Central, West North Central, West South Central, and Pacific regions will experience a slight decrease in payments. The payment decreases range from a minimum of 0.1 percent (East North Central region) to a maximum of

0.5 percent (Middle Atlantic region). The mid-range of the decrease in estimated payments for urban hospices falls within the Pacific urban region with a 0.3-percent decrease. Rural hospices in the Pacific region will also experience a slight decrease in payment of 0.7 percent. Therefore, based on an analysis of the wage index changes for FY 2003, hospices in the urban areas of the North Central (East and West), South Central (West), and Middle Atlantic regions will be impacted the most. This payment decrease to these small entities indicates that this notice will have an impact on a substantial number of small entities. However, nationwide, hospices will receive an overall slight increase in estimated payments. We estimate that total hospice payments will increase by 0.3 percent, or \$12,731,000. Urban hospices will receive an increase in estimated payments of 0.1 percent and rural hospices will receive an increase in estimated payments of 2.1 percent. Rural hospices, with exception of the Pacific region, received the largest increase in payments for FY 2003. We estimate that rural hospice payments overall will increase by \$9,860,000. Specifically, rural hospices in Puerto Rico are estimated to receive a 13.6-percent increase in payments for FY 2003. This anomaly is due to an increase in hospital wage data for FY 2002.

Under the Medicare hospice benefit, hospices can provide four different levels of care days. The majority of the days provided by a hospice are routine home care days. Therefore, the number of routine home care days can be used as a proxy for the size of the hospice, that is, the more days of care provided, the larger the hospice. Using routine home care days as a proxy for size, our analysis indicates that, overall, the impact of the wage index update on small hospices will be positive. For example, the smallest hospices (those that provide only up to 1,754 days of routine home care) will experience an approximately 4.2 percent increase in hospice payments as a result of the wage

update. Overall, hospices will experience a positive increase in payments. Therefore, we certify that this rule will not have a significant impact on a substantial number of small entities, in accordance with the RFA. Furthermore, the wage index methodology was previously determined by consensus through a negotiated rulemaking committee that included representatives of national hospice associations; rural, urban, large and small hospices; multi-site hospices; and consumer groups. Based on all of the options considered, the committee agreed on the methodology described in the committee statement, and it was adopted into regulation in the August 8, 1997 final rule. The committee also agreed that this was favorable for the hospice community, as well as for beneficiaries. In developing the process for updating the wage index in the 1997 final rule, we fully considered the impact of this methodology on small entities and attempted to mitigate any potential negative effects.

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the provisions of section 604 of the RFA. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside an MSA and has fewer than 100 beds. We have determined that this rule will not have a significant impact on the operations of a substantial number of small rural hospitals.

Section 202 of the Unfunded Mandates Reform Act of 1995 also requires that agencies assess anticipated costs and benefits before issuing any rule that may result in an expenditure in any 1 year by State, local, and tribal governments, in the aggregate, or by the private sector, of \$110 million or more.

This notice has no consequential effect on State, local, or tribal governments. We believe the private sector costs of this notice fall below the threshold as well. We have determined that this rule will not have a significant impact on the operations of a substantial number of small rural hospitals.

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

B. Anticipated Effects

We have compared estimated payments using the FY 1983 hospice wage index to estimated payments using the FY 2003 wage index and determined the current hospice rates to be budget-neutral. This impact analysis compares hospice payments using the FY 2002 hospice wage index to the estimated payments using the FY 2003 wage index. The data used in developing the quantitative analysis for this notice were obtained from the March 2002 update of the national claims history file of all bills submitted during FY 2001. We deleted bills from hospices that have since closed.

Table C below demonstrates the results of our analysis. In Column 2 of Table C, we indicate the number of routine home care days that were included in our analysis, although the analysis was performed on all types of hospice care. Column 3 of Table C indicates payments that were made using the FY 2002 wage index. Column 4 of Table C is based on FY 2001 claims (for hospices in business during that time period) and estimates payments to be made to hospices using the FY 2003 wage index. The final column, which compares Columns 3 and 4, shows the percent change in estimated hospice payments made based on the category of the hospice.

Table C categorizes hospices by various geographic and provider characteristics. The first row displays the results of the impact analysis for all Medicare certified hospices. The second and third rows of the table categorize hospices according to their geographic location (urban and rural). Our analysis indicated that there are 1,327 hospices located in urban areas and 854 hospices located in rural areas. The next two groupings in the table indicate the number of hospices by census region, also broken down by urban and rural hospices. The sixth grouping shows the impact on hospices based on the size of the hospice's program. We determined that the majority of hospice payments are made at the routine home care rate. Therefore, we based the size of each individual hospice's program on the number of routine home care days provided in 2001. The next grouping shows the impact on hospices by type of ownership. The final grouping shows the impact on hospices defined by whether they are provider-based or freestanding.

The results of our analysis shows that the greatest increases in payment are for rural areas in the West South Central, Mountain and Puerto Rico regions, with a 7.2 percent, 2.5 percent, and 13.6 percent increase, respectively. The greatest decreases in payment are for urban areas in the Middle Atlantic and Pacific regions.

The breakdown by size, type of ownership, and facility base showed an increase in payments to almost all hospice programs. Small hospice programs showed significant increases of about 4 percent, while larger programs experienced only a negligible increase. In terms of hospice base, hospital-based hospices showed the greatest estimated payment increase while hospices affiliated with skilled nursing facilities showed the smallest amount of payment increase.

TABLE C.—IMPACT OF HOSPICE WAGE INDEX CHANGE

By Geographic Location	Number of Hospices	Number of Routine Home Care Days in Thousands	Payments using FY 2002 Wage Index in Thousands	Estimated Payments using FY 2003 Wage Index in Thousands	Percent Change in Hospice Payments
	(1)	(2)	(3)	(4)	(5)
All Hospices	2,181	28,249	3,684,027	3,696,758	0.3
Urban Hospices	1,327	23,705	3,207,208	3,210,078	0.1
Rural Hospices	854	4,545	476,820	486,680	2.1
By Region—Urban:					
New England	87	755	116,018	116,611	0.5
Middle Atlantic	166	2,651	380,513	378,736	-0.5
South Atlantic	184	5,216	755,293	759,251	0.5

TABLE C.—IMPACT OF HOSPICE WAGE INDEX CHANGE—Continued

By Geographic Location	Number of Hospices	Number of Routine Home Care Days in Thousands	Payments using FY 2002 Wage Index in Thousands	Estimated Payments using FY 2003 Wage Index in Thousands	Percent Change in Hospice Payments
	(1)	(2)	(3)	(4)	(5)
East North Central	224	3,861	515,761	515,007	-0.1
East South Central	98	1,639	191,446	192,498	0.5
West North Central	97	1,443	170,906	170,654	-0.1
West South Central	183	3,337	415,324	414,764	-0.1
Mountain	89	1,635	230,315	231,781	0.6
Pacific	171	2,885	410,028	408,742	-0.3
Puerto Rico	28	283	21,604	22,035	2.0
By Region—Rural:					
New England	27	84	9,942	9,995	0.5
Middle Atlantic	34	200	22,721	22,770	0.2
South Atlantic	127	932	99,489	101,282	1.8
East North Central	139	675	72,904	73,109	0.3
East South Central	88	792	78,897	80,363	1.9
West North Central	180	499	53,251	53,931	1.3
West South Central	105	707	64,846	69,525	7.2
Mountain	93	336	37,037	37,954	2.5
Pacific	57	293	35,822	35,580	-0.7
Puerto Rico	4	28	1,911	2,171	13.6
Routine Home Care Days:					
0–1,754 Days	342	309	35,324	36,811	4.2
1,754–4,373 Days	445	1,337	149,372	151,600	1.5
4,373–9,681 Days	543	3,698	433,227	437,293	0.9
9,681+Days	850	22,540	3,021,406	3,026,583	0.2
Type of Ownership:					
Voluntary	1,335	17,593	2,304,550	2,308,749	0.2
Proprietary	626	9,872	1,286,655	1,294,446	0.6
Government	185	646	76,624	77,398	1.0
Other	35	139	16,199	16,164	-0.2
Hospice Base:					
Freestanding	960	17,736	2,336,621	2,344,044	0.3
Home Health Agency	661	6,184	808,876	810,740	0.2
Hospital	543	4,172	514,913	518,370	0.7
Skilled Nursing Facility	17	158	23,617	23,604	-0.1

C. Conclusion

Our impact analysis compared hospice payments using the FY 2002 wage index to the estimated payments using the FY 2003 wage index. Through the analysis, we estimate that total hospice payments will increase from last year by 0.3 percent, or \$12,731,000. Additionally, we compared estimated payments using the FY 1983 hospice wage index to estimated payments using the FY 2003 wage index and determined the current hospice wage index to be budget neutral, as required by the negotiated rulemaking committee. We have determined that this rule is not an economically significant rule under

Executive Order 12866. We do believe that this rule will not have a significant economic impact on a substantial number of small entities, but took any negative effects into consideration during the negotiated rulemaking process. We have determined that this rule will not have a significant impact on the operations of a substantial number of small rural hospitals. Finally, this rule will have no consequential effect on State, local, or tribal governments.

OMB Review

In accordance with the provisions of Executive Order 12866, the Office of

Management and Budget reviewed this regulation.

Authority: Section 1814(i) of the Social Security Act (42 U.S.C. 1395f (i)(1))(Catalog of Federal Domestic Assistance Program No. 93.773 Medicare—Hospital Insurance Program; and No. 93.774, Medicare—Supplementary Medical Insurance Program)

Dated: June 20, 2002.

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

Dated: July 23, 2002.

Tommy G. Thompson,
Secretary.

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