

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS–1432–N]

RIN 0938–AR20

Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities for FY 2013

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

ACTION: Notice.

SUMMARY: This notice updates the payment rates used under the prospective payment system (PPS) for skilled nursing facilities (SNFs), for fiscal year (FY) 2013.

DATES: *Effective Date:* This notice is effective on October 1, 2012.

FOR FURTHER INFORMATION CONTACT:

Penny Gershman, (410) 786–6643 (for information related to clinical issues).

John Kane, (410) 786–0557 (for information related to the development of the payment rates and case-mix indexes).

Kia Sidbury, (410) 786–7816 (for information related to the wage index).

Bill Ullman, (410) 786–5667 (for information related to level of care determinations, consolidated billing, and general information).

SUPPLEMENTARY INFORMATION: To assist readers in referencing sections contained in this document, we are providing the following Table of Contents.

Table of Contents

- I. Executive Summary
- II. Background
 - A. Current System for Payment of SNF Services Under Part A of the Medicare Program
 - B. Requirements of the Balanced Budget Act of 1997 (BBA) for Updating the Prospective Payment System for Skilled Nursing Facilities
 - C. The Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA)
 - D. The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA)
 - E. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)
 - F. The Affordable Care Act
 - G. Skilled Nursing Facility Prospective Payment—General Overview
 1. Payment Provisions—Federal Rate
 2. FY 2013 Rate Updates Using the Skilled Nursing Facility Market Basket Index
- III. FY 2013 Annual Update of Payment Rates Under the Prospective Payment System

- for Skilled Nursing Facilities
- A. Federal Prospective Payment System
 1. Costs and Services Covered by the Federal Rates
 2. Methodology Used for the Calculation of the Federal Rates
- B. Case-Mix Adjustments
- C. Wage Index Adjustment to Federal Rates
- D. Updates to Federal Rates
- E. Relationship of Case-Mix Classification System to Existing Skilled Nursing Facility Level-of-Care Criteria
- F. Example of Computation of Adjusted PPS Rates and SNF Payment
- IV. Monitoring Impact of FY 2012 Policy Changes and Certain SNF Practices
 - A. RUG Distributions
 - B. Group Therapy Allocation
 - C. MDS 3.0 Changes
- V. The Skilled Nursing Facility Market Basket Index
 - A. Use of the Skilled Nursing Facility Market Basket Percentage
 - B. Market Basket Forecast Error Adjustment
 - C. Multifactor Productivity Adjustment
 - D. Federal Rate Update Factor
- VI. Consolidated Billing
- VII. Application of the SNF PPS to SNF Services Furnished by Swing-Bed Hospitals
- VIII. Collection of Information Requirements
- IX. Waiver of Proposed Rulemaking
- X. Economic Analyses

Acronyms

- In addition, because of the many terms to which we refer by acronym in this notice, we are listing these abbreviations and their corresponding terms in alphabetical order below:
- AIDS Acquired Immune Deficiency Syndrome
- ARD Assessment Reference Date
- BBA Balanced Budget Act of 1997, Public Law 105–33
- BBRA Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999, Public Law 106–113
- BIPA Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, Public Law 106–554
- CAH Critical Access Hospital
- CBSA Core-Based Statistical Area
- CFR Code of Federal Regulations
- CMI Case-Mix Index
- CMS Centers for Medicare & Medicaid Services
- COT Change of Therapy
- EOT End of Therapy
- EOT–R End of Therapy—Resumption
- FQHC Federally Qualified Health Center
- FR **Federal Register**
- FY Fiscal Year
- GAO Government Accountability Office
- HCPCS Healthcare Common Procedure Coding System
- HR–III Hybrid Resource Utilization Groups, Version 3
- IHS IGI (Information Handling Services) Global Insight, Inc.
- MDS Minimum Data Set
- MFP Multifactor Productivity
- MIPPA Medicare Improvements for Patients and Providers Act of 2008, Public Law 110–275

- MMA Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Public Law 108–173
- MMSEA Medicare, Medicaid, and SCHIP Extension Act of 2007, Public Law 110–173
- MPAF Medicare PPS Assessment Form
- MSA Metropolitan Statistical Area
- OCN OMB Control Number
- OMB Office of Management and Budget
- OMRA Other Medicare-Required Assessment
- PPS Prospective Payment System
- RAI Resident Assessment Instrument
- RAVEN Resident Assessment Validation Entry
- RFA Regulatory Flexibility Act, Public Law 96–354
- RHC Rural Health Clinic
- RIA Regulatory Impact Analysis
- RUG–III Resource Utilization Groups, Version 3
- RUG–IV Resource Utilization Groups, Version 4
- RUG–53 Refined 53–Group RUG–III Case-Mix Classification System
- SCHIP State Children’s Health Insurance Program
- SNF Skilled Nursing Facility
- STM Staff Time Measurement
- STRIVE Staff Time and Resource Intensity Verification
- UMRA Unfunded Mandates Reform Act, Public Law 104–4

I. Executive Summary

A. Purpose

This notice updates the SNF prospective payment rates for FY 2013 as required under section 1888(e)(4)(E) of the Act. It also responds to section 1888(e)(4)(H) of the Act, which requires the Secretary to “provide for publication in the **Federal Register**” before the August 1 that precedes the start of each fiscal year, the unadjusted Federal per diem rates, the case-mix classification system, and the factors to be applied in making the area wage adjustment used in computing the prospective payment rates for that fiscal year.

B. Summary of Major Provisions

This notice does not contain any proposals for new policies applicable to the SNF PPS. In accordance with sections 1888(e)(4)(E)(ii)(IV) and (e)(5) of the Act, the Federal rates in this notice reflect an update to the rates that we published in the final rule for FY 2012 (76 FR 48486, August 8, 2011) and the associated correction notice (76 FR 59265, September 26, 2011), equal to the full change in the SNF market basket index, adjusted by the forecast error correction, if applicable, and the Multifactor Productivity adjustment for FY 2013.

C. Summary of Cost and Benefits

| Provision description | Total costs | Total benefits |
|--------------------------------------|--|---|
| FY 2013 SNF PPS payment rate update. | The overall economic impact of this notice is an estimated \$670 million in increased payments to SNFs during FY 2013. | This notice accomplishes the required update of the SNF PPS payment rates for FY 2013 in accordance with the formula prescribed by law. |

II. Background

Annual updates to the prospective payment system (PPS) rates for skilled nursing facilities (SNFs) are required by section 1888(e) of the Social Security Act (the Act), as added by section 4432 of the Balanced Budget Act of 1997 (BBA, Pub. L. 105–33, enacted on August 5, 1997), and amended by subsequent legislation as discussed elsewhere in this preamble. Our most recent annual update occurred in a final rule (76 FR 48486, August 8, 2011) that set forth updates to the SNF PPS payment rates for FY 2012. We subsequently published a correction notice (76 FR 59265, September 26, 2011) with respect to those payment rate updates.

A. Current System for Payment of Skilled Nursing Facility Services Under Part A of the Medicare Program

Section 4432 of the BBA amended section 1888 of the Act to provide for the implementation of a per diem PPS for SNFs, covering all costs (routine, ancillary, and capital-related) of covered SNF services furnished to beneficiaries under Part A of the Medicare program, effective for cost reporting periods beginning on or after July 1, 1998. In this notice, we update the per diem payment rates for SNFs for FY 2013. Major elements of the SNF PPS include:

- **Rates.** As discussed in section II.G.1. of this notice, we established per diem Federal rates for urban and rural areas using allowable costs from FY 1995 cost reports. These rates also included a “Part B add-on” (an estimate of the cost of those services that, before July 1, 1998, were paid under Part B, but furnished to Medicare beneficiaries in a SNF during a Part A covered stay). We adjust the rates annually using a SNF market basket index, and we adjust them by the hospital inpatient wage index to account for geographic variation in wages. We also apply a case-mix adjustment to account for the relative resource utilization of different patient types. As further discussed in section II.G.1. of this notice, for FY 2013 this adjustment will utilize the Resource Utilization Groups, version 4 (RUG–IV) case-mix classification system, and will use information obtained from the required resident assessments using version 3.0 of the Minimum Data Set

(MDS 3.0). (The Office of Management and Budget (OMB) has approved the resident assessment under OMB Control Number (OCN) 0938–0739.) Additionally, as noted elsewhere in this preamble, the payment rates at various times have also reflected specific legislative provisions for certain temporary adjustments.

- **Transition.** Under sections 1888(e)(1)(A) and (e)(11) of the Act, the SNF PPS included an initial, three-phase transition that blended a facility-specific rate (reflecting the individual facility’s historical cost experience) with the Federal case-mix adjusted rate. The transition extended through the facility’s first three cost reporting periods under the PPS, up to and including the one that began in FY 2001. Thus, the SNF PPS is no longer operating under the transition, as all facilities have been paid at the full Federal rate effective with cost reporting periods beginning in FY 2002. As we now base payments entirely on the adjusted Federal per diem rates, we no longer include adjustment factors related to facility-specific rates for the coming FY.

- **Coverage.** The establishment of the SNF PPS did not change Medicare’s fundamental requirements for SNF coverage. However, because the case-mix classification is based, in part, on the beneficiary’s need for skilled nursing care and therapy, we have attempted, where possible, to coordinate claims review procedures with the existing resident assessment process and case-mix classification system. As further discussed in section III.E. of this notice, in FY 2013, this approach includes an administrative presumption that utilizes a beneficiary’s initial classification in one of the upper 52 RUGs of the 66-group RUG–IV case-mix classification system to assist in making certain SNF level of care determinations. In the July 30, 1999 final rule (64 FR 41670), we indicated that we would announce any changes to the guidelines for Medicare level of care determinations related to modifications in the case-mix classification structure (see section III.E. of this notice for a more detailed discussion of the relationship between the case-mix classification system and SNF level of care determinations).

- **Consolidated Billing.** The SNF PPS includes a consolidated billing provision that requires a SNF to submit consolidated Medicare bills to its fiscal intermediary or Medicare Administrative Contractor for almost all of the services that its residents receive during the course of a covered Part A stay. In addition, this provision places with the SNF the Medicare billing responsibility for physical therapy, occupational therapy, and speech-language pathology services that the resident receives during a noncovered stay. The statute excludes a small list of services from the consolidated billing provision (primarily those of physicians and certain other types of practitioners), which remain separately billable under Part B when furnished to a SNF’s Part A resident. A more detailed discussion of this provision appears in section VI. of this notice.

- **Application of the SNF PPS to SNF services furnished by swing-bed hospitals.** Section 1883 of the Act permits certain small, rural hospitals to enter into a Medicare swing-bed agreement, under which the hospital can use its beds to provide either acute or SNF care, as needed. For critical access hospitals (CAHs), Part A pays on a reasonable cost basis for SNF services furnished under a swing-bed agreement. However, in accordance with section 1888(e)(7) of the Act, these services furnished by non-CAH rural hospitals are paid under the SNF PPS, effective with cost reporting periods beginning on or after July 1, 2002. A more detailed discussion of this provision appears in section VII. of this notice.

B. Requirements of the Balanced Budget Act of 1997 (BBA) for Updating the Prospective Payment System for Skilled Nursing Facilities

As added by section 4432(a) of the BBA, section 1888(e)(4)(H) of the Act requires that we provide for publication annually in the **Federal Register**:

1. The unadjusted Federal per diem rates to be applied to days of covered SNF services furnished during the upcoming FY.
2. The case-mix classification system to be applied with respect to these services during the upcoming FY.
3. The factors to be applied in making the area wage adjustment with respect to these services.

This notice provides these required annual updates to the Federal rates.

C. The Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA)

There were several provisions in the BBRA (Pub. L. 106–113, enacted on November 29, 1999) that resulted in adjustments to the SNF PPS. We described these provisions in detail in the SNF PPS final rule for FY 2001 (65 FR 46770, July 31, 2000). In particular, section 101(a) of the BBRA provided for a temporary 20 percent increase in the per diem adjusted payment rates for 15 specified groups in the original, 44-group Resource Utilization Groups, version 3 (RUG–III) case-mix classification system. In accordance with section 101(c)(2) of the BBRA, this temporary payment adjustment expired on January 1, 2006, upon the implementation of a refined, 53-group version of the RUG–III system, RUG–53 (see section II.G.1. of this notice). We included further information on BBRA provisions that affected the SNF PPS in Program Memoranda A–99–53 and A–99–61 (December 1999).

Also, section 103 of the BBRA designated certain additional services for exclusion from the consolidated billing requirement, as discussed in section VI. of this notice. Further, for swing-bed hospitals with more than 49 (but less than 100) beds, section 408 of the BBRA provided for the repeal of certain statutory restrictions on length of stay and aggregate payment for patient days, effective with the end of the SNF PPS transition period described in section 1888(e)(2)(E) of the Act. In the final rule for FY 2002 (66 FR 39562, July 31, 2001), we made conforming changes to the regulations at § 413.114(d), effective for services furnished in cost reporting periods beginning on or after July 1, 2002, to reflect section 408 of the BBRA.

D. The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA)

The BIPA (Pub. L. 106–554, enacted December 21, 2000) also included several provisions that resulted in adjustments to the SNF PPS. We described these provisions in detail in the final rule for FY 2002 (66 FR 39562, July 31, 2001). In particular:

- Section 203 of the BIPA exempted CAH swing beds from the SNF PPS. We included further information on this provision in Program Memorandum A–01–09 (Change Request #1509), issued January 16, 2001, which is available online at www.cms.gov/transmittals/downloads/a0109.pdf.

- Section 311 of the BIPA revised the statutory update formula for the SNF market basket, and also directed us to conduct a study of alternative case-mix classification systems for the SNF PPS. In 2006, we submitted a report to the Congress on this study, which is available online at www.cms.gov/SNFPPS/Downloads/RC_2006_PC-PPSSNF.pdf.

- Section 312 of the BIPA provided for a temporary increase of 16.66 percent in the nursing component of the case-mix adjusted Federal rate for services furnished on or after April 1, 2001, and before October 1, 2002; accordingly, this add-on is no longer in effect. This section also directed the Government Accountability Office (GAO) to conduct an audit of SNF nursing staff ratios and submit a report to the Congress on whether the temporary increase in the nursing component should be continued. The report (GAO–03–176), which GAO issued in November 2002, is available online at www.gao.gov/new.items/d03176.pdf.

- Section 313 of the BIPA repealed the consolidated billing requirement for services (other than physical therapy, occupational therapy, and speech-language pathology services) furnished to SNF residents during noncovered stays, effective January 1, 2001. (A more detailed discussion of this provision appears in section VI. of this notice.)

- Section 314 of the BIPA corrected an anomaly involving three of the RUGs that section 101(a) of the BBRA had designated to receive the temporary payment adjustment discussed above in section I.C. of this notice. (As noted previously, in accordance with section 101(c)(2) of the BBRA, this temporary payment adjustment expired upon the implementation of case-mix refinements on January 1, 2006.)

- Section 315 of the BIPA authorized us to establish a geographic reclassification procedure that is specific to SNFs, but only after collecting the data necessary to establish a SNF wage index that is based on wage data from nursing homes. To date, this has proven to be unfeasible due to the volatility of existing SNF wage data and the significant amount of resources that would be required to improve the quality of that data.

We included further information on several of the BIPA provisions in Program Memorandum A–01–08 (Change Request #1510), issued January 16, 2001, which is available online at www.cms.gov/transmittals/downloads/a0108.pdf.

E. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)

The MMA (Pub. L. 108–173, enacted on December 8, 2003) included a provision that resulted in a further adjustment to the SNF PPS. Specifically, section 511 of the MMA amended section 1888(e)(12) of the Act, to provide for a temporary increase of 128 percent in the PPS per diem payment for any SNF residents with Acquired Immune Deficiency Syndrome (AIDS), effective with services furnished on or after October 1, 2004. This special AIDS add-on was to remain in effect until “* * * the Secretary certifies that there is an appropriate adjustment in the case mix * * * to compensate for the increased costs associated with [such] residents * * *.” The AIDS add-on is also discussed in Program Transmittal #160 (Change Request #3291), issued on April 30, 2004, which is available online at www.cms.gov/transmittals/downloads/r160cp.pdf. In the SNF PPS final rule for FY 2010 (74 FR 40288, August 11, 2009), we did not address the certification of the AIDS add-on in that final rule’s implementation of the case-mix refinements for RUG–IV, thus allowing the temporary add-on payment created by section 511 of the MMA to remain in effect.

For the limited number of SNF residents that qualify for the AIDS add-on, implementation of this provision results in a significant increase in payment. For example, using FY 2010 data, we identified less than 3,800 SNF residents with a diagnosis code of 042 (Human Immunodeficiency Virus (HIV) Infection). For FY 2013, an urban facility with a resident with AIDS in RUG–IV group “HC2” would have a case-mix adjusted payment of \$408.88 (see Table 4) before the application of the MMA adjustment. After an increase of 128 percent, this urban facility would receive a case-mix adjusted payment of approximately \$932.25.

In addition, section 410 of the MMA contained a provision that excluded from consolidated billing certain services furnished to SNF residents by rural health clinics (RHCs) and Federally Qualified Health Centers (FQHCs). (Further information on this provision appears in section VI. of this notice.)

F. The Affordable Care Act

On March 23, 2010, the Patient Protection and Affordable Care Act, Pub. L. 111–148, was enacted. Following the enactment of Public Law 111–148, the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111–

152, enacted on March 30, 2010) amended certain provisions of Public Law 111–148 and certain sections of the statute and, in certain instances, included “freestanding” provisions (Pub. L. 111–148 and Pub. L. 111–152 are collectively referred to in this notice as the “Affordable Care Act”). Section 10325 of the Affordable Care Act included a provision involving the SNF PPS. Section 10325 of the Affordable Care Act postponed the implementation of the RUG–IV case-mix classification system published in the FY 2010 SNF PPS final rule (74 FR 40288, August 11, 2009), requiring that the Secretary not implement the RUG–IV case-mix classification system before October 1, 2011. Notwithstanding this postponement of overall RUG–IV implementation, section 10325 of the Affordable Care Act further specified that the Secretary implement, effective October 1 2010, the changes related to concurrent therapy and the look-back period that were finalized as components of RUG–IV (see 74 FR 40315–19, 40322–24, August 11, 2009). As we noted in the FY 2011 SNF PPS notice with comment period (75 FR 42889), implementing the particular combination of RUG–III and RUG–IV features specified in section 10325 of the Affordable Care Act would require developing a revised grouper, something that could not be accomplished by that provision’s effective date (October 1, 2010) without risking serious disruption to providers, suppliers, and State agencies. Accordingly, in the FY 2011 notice with comment period (75 FR 42889), we announced our intention to proceed on an interim basis with implementation of the full RUG–IV case-mix classification system as of October 1, 2010, followed by a retroactive claims adjustment, using a hybrid RUG–III (HR–III) system reflecting the Affordable Care Act configuration, once we had developed a revised grouper that could accommodate it.

However, section 202 of the Medicare and Medicaid Extenders Act of 2010 (Pub. L. 111–309, enacted on December 15, 2010) subsequently repealed section 10325 of the Affordable Care Act. We have, therefore, left in place permanently the implementation of the full RUG–IV system as of FY 2011, as finalized in the FY 2010 SNF PPS final rule (74 FR 40288). In addition, we note that implementation of version 3.0 of the Minimum Data Set (MDS 3.0) proceeded as originally scheduled, with an effective date of October 1, 2010. The MDS 3.0 RAI Manual and MDS 3.0 Item Set are published on the MDS 3.0

Training Materials Web site, at <http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/NursingHomeQualityInits/MDS30RAIManual.html>. Accordingly, as discussed above, effective October 1, 2010, we implemented and began paying claims under the RUG–IV system that was finalized in the FY 2010 SNF PPS final rule.

We note that a parity adjustment was applied to the RUG–53 nursing case-mix weights when the RUG–III system was initially refined in 2006, in order to ensure that the implementation of the refinements would not cause any change in overall payment levels (70 FR 45031, August 4, 2005). Similarly, a parity adjustment was applied to the RUG–IV nursing case-mix weights for FY 2011 when the new classification system was implemented. A detailed discussion of the parity adjustment in the specific context of the RUG–IV payment rates appears in the FY 2010 SNF PPS proposed rule (74 FR 22236–38, May 12, 2009) and final rule (74 FR 40338–40339, August 11, 2009), and in the FY 2011 notice with comment period (75 FR 42892–42893).

For FY 2012, the RUG–IV parity adjustment was recalibrated in order to restore the intended parity in overall payments between the RUG–IV and RUG–53 case mix classification systems, as discussed in the FY 2012 SNF PPS proposed rule (76 FR 26370–26373, May 6, 2011) and final rule (76 FR 48492–48500, 48537–48538 August 8, 2011).

G. Skilled Nursing Facility Prospective Payment—General Overview

We implemented the Medicare SNF PPS effective with cost reporting periods beginning on or after July 1, 1998. This methodology uses prospective, case-mix adjusted per diem payment rates applicable to all covered SNF services. These payment rates cover all costs of furnishing covered SNF services (routine, ancillary, and capital-related costs) other than costs associated with approved educational activities and bad debts. Covered SNF services include post-hospital services for which benefits are provided under Part A, as well as those items and services (other than physician and certain other services specifically excluded under the BBA) which, before July 1, 1998, had been paid under Part B but furnished to Medicare beneficiaries in a SNF during a covered Part A stay. A comprehensive discussion of these provisions appears in the May 12, 1998 interim final rule (63 FR 26252).

1. Payment Provisions—Federal Rate

The PPS uses per diem Federal payment rates based on mean SNF costs in a base year (FY 1995) updated for inflation to the first effective period of the PPS. We developed the Federal payment rates using allowable costs from hospital-based and freestanding SNF cost reports for reporting periods beginning in FY 1995. The data used in developing the Federal rates also incorporated an estimate of the amounts that would be payable under Part B for covered SNF services furnished to individuals during the course of a covered Part A stay in a SNF.

In developing the rates for the initial period, we updated costs to the first effective year of the PPS (the 15-month period beginning July 1, 1998) using a SNF market basket index, and then standardized for the costs of facility differences in case mix and for geographic variations in wages. In compiling the database used to compute the Federal payment rates, we excluded those providers that received new provider exemptions from the routine cost limits, as well as costs related to payments for exceptions to the routine cost limits. Using the formula that the BBA prescribed, we set the Federal rates at a level equal to the weighted mean of freestanding costs plus 50 percent of the difference between the freestanding mean and weighted mean of all SNF costs (hospital-based and freestanding) combined. We computed and applied separately the payment rates for facilities located in urban and rural areas. In addition, we adjusted the portion of the Federal rate attributable to wage-related costs by a wage index.

The Federal rate also incorporates adjustments to account for facility case-mix, using a classification system that accounts for the relative resource utilization of different patient types. The RUG–IV classification system uses beneficiary assessment data from the MDS 3.0 completed by SNFs to assign beneficiaries to one of 66 RUG–IV groups. The original RUG–III case-mix classification system used beneficiary assessment data from the MDS, version 2.0 (MDS 2.0) completed by SNFs to assign beneficiaries to one of 44 RUG–III groups. Then, under incremental refinements that became effective on January 1, 2006, we added nine new groups—comprising a new Rehabilitation plus Extensive Services category—at the top of the RUG–III hierarchy. The May 12, 1998 interim final rule (63 FR 26252) included a detailed description of the original 44-group RUG–III case-mix classification system. A comprehensive description of

the refined RUG–53 system appeared in the proposed and final rules for FY 2006 (70 FR 29070, May 19, 2005, and 70 FR 45026, August 4, 2005), and a detailed description of the current 66-group RUG–IV system appeared in the proposed and final rules for FY 2010 (74 FR 22208, May 12, 2009, and 74 FR 40288, August 11, 2009).

Further, in accordance with sections 1888(e)(4)(E)(ii)(IV) and (e)(5) of the Act, the Federal rates in this notice reflect an update to the rates that we published in the final rule for FY 2012 (76 FR 48486, August 8, 2011) and the associated correction notice (76 FR 59265, September 26, 2011), equal to the full change in the SNF market basket index, adjusted by the forecast error correction, if applicable, and the Multifactor Productivity (MFP) adjustment for FY 2013. A more detailed discussion of the SNF market basket index and related issues appears in sections II.G.2. and V. of this notice.

2. FY 2013 Rate Updates Using the Skilled Nursing Facility Market Basket Index

Section 1888(e)(5) of the Act requires us to establish a SNF market basket

index that reflects changes over time in the prices of an appropriate mix of goods and services included in covered SNF services. We use the SNF market basket index, adjusted in the manner described below, to update the Federal rates on an annual basis. In the SNF PPS final rule for FY 2008 (72 FR 43425 through 43430, August 3, 2007), we revised and rebased the market basket, which included updating the base year from FY 1997 to FY 2004. The FY 2013 market basket increase is 2.5 percent, which is based on IHS Global Insight, Inc. (IGI) second quarter 2012 forecast with historical data through first quarter 2012.

In addition, as explained in the final rule for FY 2004 (66 FR 46058, August 4, 2003) and in section V.B. of this notice, the annual update of the payment rates includes, as appropriate, an adjustment to account for market basket forecast error. As described in the final rule for FY 2008, the threshold percentage that serves to trigger an adjustment to account for market basket forecast error is 0.5 percentage point effective for FY 2008 and subsequent years. This adjustment takes into

account the forecast error from the most recently available FY for which there is final data, and applies whenever the difference between the forecasted and actual change in the market basket exceeds a 0.5 percentage point threshold. For FY 2011 (the most recently available FY for which there is final data), the estimated increase in the market basket index was 2.3 percentage points, while the actual increase was 2.2 percentage points, resulting in the actual increase being 0.1 percentage point lower than the estimated increase. Accordingly, as the difference between the estimated and actual amount of change does not exceed the 0.5 percentage point threshold, the payment rates for FY 2013 do not include a forecast error adjustment. As we stated in the final rule for FY 2004 that first promulgated the forecast error adjustment (68 FR 46058, August 4, 2003), the adjustment will “* * * reflect both upward and downward adjustments, as appropriate.” Table 1 shows the forecasted and actual market basket amounts for FY 2011.

TABLE 1—DIFFERENCE BETWEEN THE FORECASTED AND ACTUAL MARKET BASKET INCREASES FOR FY 2011

| Index | Forecasted FY 2011 increase * | Actual FY 2011 increase ** | FY 2011 difference |
|-----------|-------------------------------|----------------------------|--------------------|
| SNF | 2.3 | 2.2 | – 0.1 |

* Published in **Federal Register**; based on second quarter 2010 IGI forecast (2004-based index).

** Based on the second quarter 2012 IGI forecast, with historical data through the first quarter 2012 (2004-based index).

Furthermore, effective FY 2012, as required by section 3401(b) of the Affordable Care Act, the market basket percentage is reduced by a productivity adjustment equal to “the 10-year moving average of changes in annual economy-wide private nonfarm business multi-factor productivity (as projected by the Secretary for the 10-year period ending with the applicable fiscal year, year, cost-reporting period or other annual period)” (the MFP adjustment). As discussed in greater detail in section V.C of this notice, the MFP adjustment for FY 2013 is 0.7 percent.

III. FY 2013 Annual Update of Payment Rates Under the Prospective Payment System for Skilled Nursing Facilities

A. Federal Prospective Payment System

This notice sets forth a schedule of Federal prospective payment rates applicable to Medicare Part A SNF services beginning October 1, 2012. The schedule incorporates per diem Federal rates that provide Part A payment for

almost all costs of services furnished to a beneficiary in a SNF during a Part A Medicare-covered stay.

1. Costs and Services Covered by the Federal Rates

In accordance with section 1888(e)(2)(B) of the Act, the Federal rates apply to all costs (routine, ancillary, and capital-related) of covered SNF services other than costs associated with approved educational activities as defined in § 413.85. Under section 1888(e)(2)(A)(i) of the Act, covered SNF services include post-hospital SNF services for which benefits are provided under Part A (the hospital insurance program), as well as all items and services (other than those services excluded by statute) that, before July 1, 1998, were paid under Part B (the supplementary medical insurance program) but furnished to Medicare beneficiaries in a SNF during a Part A covered stay. (These excluded service categories are discussed in greater detail in section V.B.2 of the May 12, 1998

interim final rule (63 FR 26295 through 26297)).

2. Methodology Used for the Calculation of the Federal Rates

The FY 2013 rates reflect an update using the latest market basket index, reduced by the MFP adjustment. The FY 2013 market basket increase factor is 2.5 percent, which as discussed in section V.C of this notice, is reduced by a 0.7 percent MFP adjustment. A complete description of the multi-step process used to calculate Federal rates initially appeared in the May 12, 1998 interim final rule (63 FR 26252), as further revised in subsequent rules. As explained above in section II.C of this notice, under section 101(c)(2) of the BBRA, the previous temporary increases in the per diem adjusted payment rates for certain designated RUGs (as specified in section 101(a) of the BBRA and section 314 of the BIPA) are no longer in effect due to the implementation of case-mix refinements as of January 1, 2006. However, the

temporary increase of 128 percent in the per diem adjusted payment rates for SNF residents with AIDS, enacted by section 511 of the MMA, remains in effect.

We used the SNF market basket to adjust each per diem component of the Federal rates forward to reflect cost increases occurring between the midpoint of the Federal FY beginning October 1, 2011, and ending September 30, 2012, and the midpoint of the Federal FY beginning October 1, 2012, and ending September 30, 2013, to which the payment rates apply. In

accordance with sections 1888(e)(4)(E)(ii)(IV) and (e)(5) of the Act, we update the payment rates for FY 2013 by a factor equal to the market basket index percentage change, as discussed in sections II.G.2 and V. of this notice. As further explained in sections II.G.2 and V. of this notice, as applicable, we adjust the market basket index by the forecast error from the most recently available FY for which there is final data and apply this adjustment whenever the difference between the forecasted and actual

change in the market basket exceeds a 0.5 percentage point threshold. In addition, as further explained in sections II.G.2 and V. of this notice, effective FY 2012 and each subsequent fiscal year, we are required to reduce the market basket percentage by the MFP adjustment. We further adjust the rates by a wage index budget neutrality factor, described later in this section. Tables 2 and 3 reflect the updated components of the unadjusted Federal rates for FY 2013, prior to adjustment for case-mix.

TABLE 2—FY 2013 UNADJUSTED FEDERAL RATE PER DIEM URBAN

| Rate component | Nursing— case-mix | Therapy— case-mix | Therapy— Non-case-mix | Non-case-mix |
|-----------------------|----------------------|----------------------|--------------------------|--------------|
| Per Diem Amount | \$163.58 | \$123.22 | \$16.23 | \$83.48 |

TABLE 3—FY 2013 UNADJUSTED FEDERAL RATE PER DIEM RURAL

| Rate component | Nursing— case-mix | Therapy— case-mix | Therapy— non-case-mix | Non-case-mix |
|-----------------------|----------------------|----------------------|--------------------------|--------------|
| Per Diem Amount | \$156.28 | \$142.08 | \$17.33 | \$85.03 |

B. Case-Mix Adjustments

1. Background

Section 1888(e)(4)(G)(i) of the Act requires the Secretary to make an adjustment to account for case mix. The statute specifies that the adjustment is to reflect both a resident classification system that the Secretary establishes to account for the relative resource use of different patient types, as well as resident assessment and other data that the Secretary considers appropriate. In first implementing the SNF PPS (63 FR 26252, May 12, 1998), we developed the RUG-III case-mix classification system, which tied the amount of payment to resident resource use in combination with resident characteristic information. Staff time measurement (STM) studies conducted in 1990, 1995, and 1997 provided information on resource use (time spent by staff members on residents) and resident characteristics that enabled us not only to establish RUG-III, but also to create case-mix indexes (CMIs).

Although the establishment of the SNF PPS did not change Medicare's fundamental requirements for SNF coverage, there is a correlation between level of care and provider payment. One of the elements affecting the SNF PPS per diem rates is the case-mix adjustment derived from a classification system based on comprehensive

resident assessments using the MDS. Case-mix classification is based, in part, on the beneficiary's need for skilled nursing care and therapy. The case-mix classification system uses clinical data from the MDS, and wage-adjusted staff time measurement data, to assign a case-mix group to each patient record that is then used to calculate a per diem payment under the SNF PPS. Because the MDS is used as basis for payment as well as a clinical document, we have provided extensive training on proper coding and the time frames for MDS completion in our Resident Assessment Instrument (RAI) Manual. For an MDS to be considered valid for use in determining payment, the MDS assessment must be completed in compliance with the instructions in the RAI Manual in effect at the time the assessment is completed. For payment and quality monitoring purposes, the RAI Manual consists of both the Manual instructions and the interpretive guidance and policy clarifications posted on the appropriate MDS Web site at <http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/NursingHomeQualityInits/MDS30RAIManual.html>.

The original RUG-III grouper logic was based on clinical data collected in 1990, 1995, and 1997. As discussed in the SNF PPS proposed rule for FY 2010 (74 FR 22208, May 12, 2009), we

subsequently conducted a multi-year data collection and analysis under the Staff Time and Resource Intensity Verification (STRIVE) project to update the case-mix classification system for FY 2011. The resulting RUG-IV case-mix classification system reflected the data collected in 2006–2007 during the STRIVE project, and was finalized in the FY 2010 SNF PPS final rule (74 FR 40288, August 11, 2009) to take effect in FY 2011 concurrently with an updated new resident assessment instrument, the MDS 3.0, which collects the clinical data used for case-mix classification under RUG-IV.

Under the BBA, each update of the SNF PPS payment rates must include the case-mix classification methodology applicable for the coming Federal FY. As indicated in section II.G of this notice, the payment rates set forth herein reflect the use of the RUG-IV case-mix classification system from October 1, 2012, through September 30, 2013.

We list the case-mix adjusted RUG-IV payment rates, provided separately for urban and rural SNFs, in Tables 4 and 5 with corresponding case-mix values. These tables do not reflect the AIDS add-on enacted by section 511 of the MMA, which we apply only after making all other adjustments (such as wage and case-mix).

TABLE 4—RUG-IV CASE-MIX ADJUSTED FEDERAL RATES AND ASSOCIATED INDEXES URBAN

| RUG-IV category | Nursing index | Therapy index | Nursing component | Therapy component | Non-case mix therapy comp | Non-case mix component | Total rate |
|-----------------|---------------|---------------|-------------------|-------------------|---------------------------|------------------------|------------|
| RUX | 2.67 | 1.87 | \$436.76 | \$230.42 | ..... | \$83.48 | \$750.66 |
| RUL | 2.57 | 1.87 | 420.40 | 230.42 | ..... | 83.48 | 734.30 |
| RVX | 2.61 | 1.28 | 426.94 | 157.72 | ..... | 83.48 | 668.14 |
| RVL | 2.19 | 1.28 | 358.24 | 157.72 | ..... | 83.48 | 599.44 |
| RHX | 2.55 | 0.85 | 417.13 | 104.74 | ..... | 83.48 | 605.35 |
| RHL | 2.15 | 0.85 | 351.70 | 104.74 | ..... | 83.48 | 539.92 |
| RMX | 2.47 | 0.55 | 404.04 | 67.77 | ..... | 83.48 | 555.29 |
| RML | 2.19 | 0.55 | 358.24 | 67.77 | ..... | 83.48 | 509.49 |
| RLX | 2.26 | 0.28 | 369.69 | 34.50 | ..... | 83.48 | 487.67 |
| RUC | 1.56 | 1.87 | 255.18 | 230.42 | ..... | 83.48 | 569.08 |
| RUB | 1.56 | 1.87 | 255.18 | 230.42 | ..... | 83.48 | 569.08 |
| RUA | 0.99 | 1.87 | 161.94 | 230.42 | ..... | 83.48 | 475.84 |
| RVC | 1.51 | 1.28 | 247.01 | 157.72 | ..... | 83.48 | 488.21 |
| RVB | 1.11 | 1.28 | 181.57 | 157.72 | ..... | 83.48 | 422.77 |
| RVA | 1.10 | 1.28 | 179.94 | 157.72 | ..... | 83.48 | 421.14 |
| RHC | 1.45 | 0.85 | 237.19 | 104.74 | ..... | 83.48 | 425.41 |
| RHB | 1.19 | 0.85 | 194.66 | 104.74 | ..... | 83.48 | 382.88 |
| RHA | 0.91 | 0.85 | 148.86 | 104.74 | ..... | 83.48 | 337.08 |
| RMC | 1.36 | 0.55 | 222.47 | 67.77 | ..... | 83.48 | 373.72 |
| RMB | 1.22 | 0.55 | 199.57 | 67.77 | ..... | 83.48 | 350.82 |
| RMA | 0.84 | 0.55 | 137.41 | 67.77 | ..... | 83.48 | 288.66 |
| RLB | 1.50 | 0.28 | 245.37 | 34.50 | ..... | 83.48 | 363.35 |
| RLA | 0.71 | 0.28 | 116.14 | 34.50 | ..... | 83.48 | 234.12 |
| ES3 | 3.58 | ..... | 585.62 | ..... | 16.23 | 83.48 | 685.33 |
| ES2 | 2.67 | ..... | 436.76 | ..... | 16.23 | 83.48 | 536.47 |
| ES1 | 2.32 | ..... | 379.51 | ..... | 16.23 | 83.48 | 479.22 |
| HE2 | 2.22 | ..... | 363.15 | ..... | 16.23 | 83.48 | 462.86 |
| HE1 | 1.74 | ..... | 284.63 | ..... | 16.23 | 83.48 | 384.34 |
| HD2 | 2.04 | ..... | 333.70 | ..... | 16.23 | 83.48 | 433.41 |
| HD1 | 1.60 | ..... | 261.73 | ..... | 16.23 | 83.48 | 361.44 |
| HC2 | 1.89 | ..... | 309.17 | ..... | 16.23 | 83.48 | 408.88 |
| HC1 | 1.48 | ..... | 242.10 | ..... | 16.23 | 83.48 | 341.81 |
| HB2 | 1.86 | ..... | 304.26 | ..... | 16.23 | 83.48 | 403.97 |
| HB1 | 1.46 | ..... | 238.83 | ..... | 16.23 | 83.48 | 338.54 |
| LE2 | 1.96 | ..... | 320.62 | ..... | 16.23 | 83.48 | 420.33 |
| LE1 | 1.54 | ..... | 251.91 | ..... | 16.23 | 83.48 | 351.62 |
| LD2 | 1.86 | ..... | 304.26 | ..... | 16.23 | 83.48 | 403.97 |
| LD1 | 1.46 | ..... | 238.83 | ..... | 16.23 | 83.48 | 338.54 |
| LC2 | 1.56 | ..... | 255.18 | ..... | 16.23 | 83.48 | 354.89 |
| LC1 | 1.22 | ..... | 199.57 | ..... | 16.23 | 83.48 | 299.28 |
| LB2 | 1.45 | ..... | 237.19 | ..... | 16.23 | 83.48 | 336.90 |
| LB1 | 1.14 | ..... | 186.48 | ..... | 16.23 | 83.48 | 286.19 |
| CE2 | 1.68 | ..... | 274.81 | ..... | 16.23 | 83.48 | 374.52 |
| CE1 | 1.50 | ..... | 245.37 | ..... | 16.23 | 83.48 | 345.08 |
| CD2 | 1.56 | ..... | 255.18 | ..... | 16.23 | 83.48 | 354.89 |
| CD1 | 1.38 | ..... | 225.74 | ..... | 16.23 | 83.48 | 325.45 |
| CC2 | 1.29 | ..... | 211.02 | ..... | 16.23 | 83.48 | 310.73 |
| CC1 | 1.15 | ..... | 188.12 | ..... | 16.23 | 83.48 | 287.83 |
| CB2 | 1.15 | ..... | 188.12 | ..... | 16.23 | 83.48 | 287.83 |
| CB1 | 1.02 | ..... | 166.85 | ..... | 16.23 | 83.48 | 266.56 |
| CA2 | 0.88 | ..... | 143.95 | ..... | 16.23 | 83.48 | 243.66 |
| CA1 | 0.78 | ..... | 127.59 | ..... | 16.23 | 83.48 | 227.30 |
| BB2 | 0.97 | ..... | 158.67 | ..... | 16.23 | 83.48 | 258.38 |
| BB1 | 0.90 | ..... | 147.22 | ..... | 16.23 | 83.48 | 246.93 |
| BA2 | 0.70 | ..... | 114.51 | ..... | 16.23 | 83.48 | 214.22 |
| BA1 | 0.64 | ..... | 104.69 | ..... | 16.23 | 83.48 | 204.40 |
| PE2 | 1.50 | ..... | 245.37 | ..... | 16.23 | 83.48 | 345.08 |
| PE1 | 1.40 | ..... | 229.01 | ..... | 16.23 | 83.48 | 328.72 |
| PD2 | 1.38 | ..... | 225.74 | ..... | 16.23 | 83.48 | 325.45 |
| PD1 | 1.28 | ..... | 209.38 | ..... | 16.23 | 83.48 | 309.09 |
| PC2 | 1.10 | ..... | 179.94 | ..... | 16.23 | 83.48 | 279.65 |
| PC1 | 1.02 | ..... | 166.85 | ..... | 16.23 | 83.48 | 266.56 |
| PB2 | 0.84 | ..... | 137.41 | ..... | 16.23 | 83.48 | 237.12 |
| PB1 | 0.78 | ..... | 127.59 | ..... | 16.23 | 83.48 | 227.30 |
| PA2 | 0.59 | ..... | 96.51 | ..... | 16.23 | 83.48 | 196.22 |
| PA1 | 0.54 | ..... | 88.33 | ..... | 16.23 | 83.48 | 188.04 |

TABLE 5—RUG-IV CASE-MIX ADJUSTED FEDERAL RATES AND ASSOCIATED INDEXES RURAL

| RUG-IV category | Nursing index | Therapy index | Nursing component | Therapy component | Non-case mix therapy comp | Non-case mix component | Total rate |
|-----------------|---------------|---------------|-------------------|-------------------|---------------------------|------------------------|------------|
| RUX | 2.67 | 1.87 | \$417.27 | \$265.69 | ..... | \$85.03 | \$767.99 |
| RUL | 2.57 | 1.87 | 401.64 | 265.69 | ..... | 85.03 | 752.36 |
| R VX | 2.61 | 1.28 | 407.89 | 181.86 | ..... | 85.03 | 674.78 |
| RVL | 2.19 | 1.28 | 342.25 | 181.86 | ..... | 85.03 | 609.14 |
| RHX | 2.55 | 0.85 | 398.51 | 120.77 | ..... | 85.03 | 604.31 |
| RHL | 2.15 | 0.85 | 336.00 | 120.77 | ..... | 85.03 | 541.80 |
| RMX | 2.47 | 0.55 | 386.01 | 78.14 | ..... | 85.03 | 549.18 |
| RML | 2.19 | 0.55 | 342.25 | 78.14 | ..... | 85.03 | 505.42 |
| RLX | 2.26 | 0.28 | 353.19 | 39.78 | ..... | 85.03 | 478.00 |
| RUC | 1.56 | 1.87 | 243.80 | 265.69 | ..... | 85.03 | 594.52 |
| RUB | 1.56 | 1.87 | 243.80 | 265.69 | ..... | 85.03 | 594.52 |
| RUA | 0.99 | 1.87 | 154.72 | 265.69 | ..... | 85.03 | 505.44 |
| RVC | 1.51 | 1.28 | 235.98 | 181.86 | ..... | 85.03 | 502.87 |
| RVB | 1.11 | 1.28 | 173.47 | 181.86 | ..... | 85.03 | 440.36 |
| RVA | 1.10 | 1.28 | 171.91 | 181.86 | ..... | 85.03 | 438.80 |
| RHC | 1.45 | 0.85 | 226.61 | 120.77 | ..... | 85.03 | 432.41 |
| RHB | 1.19 | 0.85 | 185.97 | 120.77 | ..... | 85.03 | 391.77 |
| RHA | 0.91 | 0.85 | 142.21 | 120.77 | ..... | 85.03 | 348.01 |
| RMC | 1.36 | 0.55 | 212.54 | 78.14 | ..... | 85.03 | 375.71 |
| RMB | 1.22 | 0.55 | 190.66 | 78.14 | ..... | 85.03 | 353.83 |
| RMA | 0.84 | 0.55 | 131.28 | 78.14 | ..... | 85.03 | 294.45 |
| RLB | 1.50 | 0.28 | 234.42 | 39.78 | ..... | 85.03 | 359.23 |
| RLA | 0.71 | 0.28 | 110.96 | 39.78 | ..... | 85.03 | 235.77 |
| ES3 | 3.58 | ..... | 559.48 | ..... | 17.33 | 85.03 | 661.84 |
| ES2 | 2.67 | ..... | 417.27 | ..... | 17.33 | 85.03 | 519.63 |
| ES1 | 2.32 | ..... | 362.57 | ..... | 17.33 | 85.03 | 464.93 |
| HE2 | 2.22 | ..... | 346.94 | ..... | 17.33 | 85.03 | 449.30 |
| HE1 | 1.74 | ..... | 271.93 | ..... | 17.33 | 85.03 | 374.29 |
| HD2 | 2.04 | ..... | 318.81 | ..... | 17.33 | 85.03 | 421.17 |
| HD1 | 1.60 | ..... | 250.05 | ..... | 17.33 | 85.03 | 352.41 |
| HC2 | 1.89 | ..... | 295.37 | ..... | 17.33 | 85.03 | 397.73 |
| HC1 | 1.48 | ..... | 231.29 | ..... | 17.33 | 85.03 | 333.65 |
| HB2 | 1.86 | ..... | 290.68 | ..... | 17.33 | 85.03 | 393.04 |
| HB1 | 1.46 | ..... | 228.17 | ..... | 17.33 | 85.03 | 330.53 |
| LE2 | 1.96 | ..... | 306.31 | ..... | 17.33 | 85.03 | 408.67 |
| LE1 | 1.54 | ..... | 240.67 | ..... | 17.33 | 85.03 | 343.03 |
| LD2 | 1.86 | ..... | 290.68 | ..... | 17.33 | 85.03 | 393.04 |
| LD1 | 1.46 | ..... | 228.17 | ..... | 17.33 | 85.03 | 330.53 |
| LC2 | 1.56 | ..... | 243.80 | ..... | 17.33 | 85.03 | 346.16 |
| LC1 | 1.22 | ..... | 190.66 | ..... | 17.33 | 85.03 | 293.02 |
| LB2 | 1.45 | ..... | 226.61 | ..... | 17.33 | 85.03 | 328.97 |
| LB1 | 1.14 | ..... | 178.16 | ..... | 17.33 | 85.03 | 280.52 |
| CE2 | 1.68 | ..... | 262.55 | ..... | 17.33 | 85.03 | 364.91 |
| CE1 | 1.50 | ..... | 234.42 | ..... | 17.33 | 85.03 | 336.78 |
| CD2 | 1.56 | ..... | 243.80 | ..... | 17.33 | 85.03 | 346.16 |
| CD1 | 1.38 | ..... | 215.67 | ..... | 17.33 | 85.03 | 318.03 |
| CC2 | 1.29 | ..... | 201.60 | ..... | 17.33 | 85.03 | 303.96 |
| CC1 | 1.15 | ..... | 179.72 | ..... | 17.33 | 85.03 | 282.08 |
| CB2 | 1.15 | ..... | 179.72 | ..... | 17.33 | 85.03 | 282.08 |
| CB1 | 1.02 | ..... | 159.41 | ..... | 17.33 | 85.03 | 261.77 |
| CA2 | 0.88 | ..... | 137.53 | ..... | 17.33 | 85.03 | 239.89 |
| CA1 | 0.78 | ..... | 121.90 | ..... | 17.33 | 85.03 | 224.26 |
| BB2 | 0.97 | ..... | 151.59 | ..... | 17.33 | 85.03 | 253.95 |
| BB1 | 0.90 | ..... | 140.65 | ..... | 17.33 | 85.03 | 243.01 |
| BA2 | 0.70 | ..... | 109.40 | ..... | 17.33 | 85.03 | 211.76 |
| BA1 | 0.64 | ..... | 100.02 | ..... | 17.33 | 85.03 | 202.38 |
| PE2 | 1.50 | ..... | 234.42 | ..... | 17.33 | 85.03 | 336.78 |
| PE1 | 1.40 | ..... | 218.79 | ..... | 17.33 | 85.03 | 321.15 |
| PD2 | 1.38 | ..... | 215.67 | ..... | 17.33 | 85.03 | 318.03 |
| PD1 | 1.28 | ..... | 200.04 | ..... | 17.33 | 85.03 | 302.40 |
| PC2 | 1.10 | ..... | 171.91 | ..... | 17.33 | 85.03 | 274.27 |
| PC1 | 1.02 | ..... | 159.41 | ..... | 17.33 | 85.03 | 261.77 |
| PB2 | 0.84 | ..... | 131.28 | ..... | 17.33 | 85.03 | 233.64 |
| PB1 | 0.78 | ..... | 121.90 | ..... | 17.33 | 85.03 | 224.26 |
| PA2 | 0.59 | ..... | 92.21 | ..... | 17.33 | 85.03 | 194.57 |
| PA1 | 0.54 | ..... | 84.39 | ..... | 17.33 | 85.03 | 186.75 |

C. Wage Index Adjustment to Federal Rates

Section 1888(e)(4)(G)(ii) of the Act requires that we adjust the Federal rates to account for differences in area wage levels, using a wage index that we find appropriate. Since the inception of a PPS for SNFs, we have used hospital wage data in developing a wage index to be applied to SNFs. We are maintaining that practice for FY 2013, as we continue to believe that in the absence of SNF-specific wage data, using the hospital inpatient wage index is appropriate and reasonable for the SNF PPS. As explained in the update notice for FY 2005 (69 FR 45786, July 30, 2004), the SNF PPS does not use the hospital area wage index's occupational mix adjustment, as this adjustment serves specifically to define the occupational categories more clearly in a hospital setting; moreover, the collection of the occupational wage data also excludes any wage data related to SNFs. Therefore, we believe that using the updated wage data exclusive of the occupational mix adjustment continues to be appropriate for SNF payments.

Finally, we continue to use the same methodology discussed in the SNF PPS final rule for FY 2008 (72 FR 43423) to address those geographic areas in which there are no hospitals and, thus, no hospital wage index data on which to base the calculation of the FY 2013 SNF PPS wage index. For rural geographic areas that do not have hospitals and, therefore, lack hospital wage data on which to base an area wage adjustment, we use the average wage index from all contiguous Core-Based Statistical Areas (CBSAs) as a reasonable proxy. For FY 2013, there are no rural geographic areas that do not have hospitals, and thus this methodology will not be applied. For rural Puerto Rico, we do not apply this methodology due to the distinct economic circumstances that exist there, but instead continue using the most recent wage index previously available for that area. For urban areas without specific hospital wage index data, we use the average wage indexes of all of the urban areas within the State to serve as a reasonable proxy for the wage index of that urban CBSA. For FY 2013, the only urban area without wage index data available is CBSA 25980, Hinesville-Fort Stewart, GA.

To calculate the SNF PPS wage index adjustment, we apply the wage index adjustment to the labor-related portion of the Federal rate, which is 68.383 percent of the total rate. This percentage reflects the labor-related relative importance for FY 2013, using the revised and rebased FY 2004-based

market basket. The labor-related relative importance for FY 2012 was 68.693, as shown in Table 13. We calculate the labor-related relative importance from the SNF market basket, and it approximates the labor-related portion of the total costs after taking into account historical and projected price changes between the base year and FY 2013. The price proxies that move the different cost categories in the market basket do not necessarily change at the same rate, and the relative importance captures these changes. Accordingly, the relative importance figure more closely reflects the cost share weights for FY 2013 than the base year weights from the SNF market basket.

We calculate the labor-related relative importance for FY 2013 in four steps. First, we compute the FY 2013 price index level for the total market basket and each cost category of the market basket. Second, we calculate a ratio for each cost category by dividing the FY 2013 price index level for that cost category by the total market basket price index level. Third, we determine the FY 2013 relative importance for each cost category by multiplying this ratio by the base year (FY 2004) weight. Finally, we add the FY 2013 relative importance for each of the labor-related cost categories (wages and salaries, employee benefits, non-medical professional fees, labor-intensive services, and a portion of capital-related expenses) to produce the FY 2013 labor-related relative importance. Tables 6 and 7 below show the RUG-IV case-mix adjusted Federal rates by labor-related and non-labor-related components.

TABLE 6—RUG-IV CASE-MIX ADJUSTED FEDERAL RATES FOR URBAN SNFS BY LABOR AND NON-LABOR COMPONENT

| RUG-IV category | Total rate | Labor portion | Non-labor portion |
|-----------------|------------|---------------|-------------------|
| RUX | \$750.66 | \$513.32 | \$237.34 |
| RUL | 734.30 | 502.14 | 232.16 |
| RVX | 668.14 | 456.89 | 211.25 |
| RVL | 599.44 | 409.92 | 189.52 |
| RHX | 605.35 | 413.96 | 191.39 |
| RHL | 539.92 | 369.21 | 170.71 |
| RMX | 555.29 | 379.72 | 175.57 |
| RML | 509.49 | 348.40 | 161.09 |
| RLX | 487.67 | 333.48 | 154.19 |
| RUC | 569.08 | 389.15 | 179.93 |
| RUB | 569.08 | 389.15 | 179.93 |
| RUA | 475.84 | 325.39 | 150.45 |
| RVC | 488.21 | 333.85 | 154.36 |
| RVB | 422.77 | 289.10 | 133.67 |
| RVA | 421.14 | 287.99 | 133.15 |
| RHC | 425.41 | 290.91 | 134.50 |
| RHB | 382.88 | 261.82 | 121.06 |
| RHA | 337.08 | 230.51 | 106.57 |
| RMC | 373.72 | 255.56 | 118.16 |

TABLE 6—RUG-IV CASE-MIX ADJUSTED FEDERAL RATES FOR URBAN SNFS BY LABOR AND NON-LABOR COMPONENT—Continued

| RUG-IV category | Total rate | Labor portion | Non-labor portion |
|-----------------|------------|---------------|-------------------|
| RMB | 350.82 | 239.90 | 110.92 |
| RMA | 288.66 | 197.39 | 91.27 |
| RLB | 363.35 | 248.47 | 114.88 |
| RLA | 234.12 | 160.10 | 74.02 |
| ES3 | 685.33 | 468.65 | 216.68 |
| ES2 | 536.47 | 366.85 | 169.62 |
| ES1 | 479.22 | 327.71 | 151.51 |
| HE2 | 462.86 | 316.52 | 146.34 |
| HE1 | 384.34 | 262.82 | 121.52 |
| HD2 | 433.41 | 296.38 | 137.03 |
| HD1 | 361.44 | 247.16 | 114.28 |
| HC2 | 408.88 | 279.60 | 129.28 |
| HC1 | 341.81 | 233.74 | 108.07 |
| HB2 | 403.97 | 276.25 | 127.72 |
| HB1 | 338.54 | 231.50 | 107.04 |
| LE2 | 420.33 | 287.43 | 132.90 |
| LE1 | 351.62 | 240.45 | 111.17 |
| LD2 | 403.97 | 276.25 | 127.72 |
| LD1 | 338.54 | 231.50 | 107.04 |
| LC2 | 354.89 | 242.68 | 112.21 |
| LC1 | 299.28 | 204.66 | 94.62 |
| LB2 | 336.90 | 230.38 | 106.52 |
| LB1 | 286.19 | 195.71 | 90.48 |
| CE2 | 374.52 | 256.11 | 118.41 |
| CE1 | 345.08 | 235.98 | 109.10 |
| CD2 | 354.89 | 242.68 | 112.21 |
| CD1 | 325.45 | 222.55 | 102.90 |
| CC2 | 310.73 | 212.49 | 98.24 |
| CC1 | 287.83 | 196.83 | 91.00 |
| CB2 | 287.83 | 196.83 | 91.00 |
| CB1 | 266.56 | 182.28 | 84.28 |
| CA2 | 243.66 | 166.62 | 77.04 |
| CA1 | 227.30 | 155.43 | 71.87 |
| BB2 | 258.38 | 176.69 | 81.69 |
| BB1 | 246.93 | 168.86 | 78.07 |
| BA2 | 214.22 | 146.49 | 67.73 |
| BA1 | 204.40 | 139.77 | 64.63 |
| PE2 | 345.08 | 235.98 | 109.10 |
| PE1 | 328.72 | 224.79 | 103.93 |
| PD2 | 325.45 | 222.55 | 102.90 |
| PD1 | 309.09 | 211.37 | 97.72 |
| PC2 | 279.65 | 191.23 | 88.42 |
| PC1 | 266.56 | 182.28 | 84.28 |
| PB2 | 237.12 | 162.15 | 74.97 |
| PB1 | 227.30 | 155.43 | 71.87 |
| PA2 | 196.22 | 134.18 | 62.04 |
| PA1 | 188.04 | 128.59 | 59.45 |

TABLE 7—RUG-IV CASE-MIX ADJUSTED FEDERAL RATES FOR RURAL SNFS BY LABOR AND NON-LABOR COMPONENT

| RUG-IV category | Total rate | Labor portion | Non-labor portion |
|-----------------|------------|---------------|-------------------|
| RUX | \$767.99 | \$525.17 | \$242.82 |
| RUL | 752.36 | 514.49 | 237.87 |
| RVX | 674.78 | 461.43 | 213.35 |
| RVL | 609.14 | 416.55 | 192.59 |
| RHX | 604.31 | 413.25 | 191.06 |
| RHL | 541.80 | 370.50 | 171.30 |
| RMX | 549.18 | 375.55 | 173.63 |
| RML | 505.42 | 345.62 | 159.80 |

TABLE 7—RUG—IV CASE-MIX ADJUSTED FEDERAL RATES FOR RURAL SNFS BY LABOR AND NON-LABOR COMPONENT—Continued

| RUG—IV category | Total rate | Labor portion | Non-labor portion |
|-----------------|------------|---------------|-------------------|
| RLX | 478.00 | 326.87 | 151.13 |
| RUC | 594.52 | 406.55 | 187.97 |
| RUB | 594.52 | 406.55 | 187.97 |
| RUA | 505.44 | 345.64 | 159.80 |
| RVC | 502.87 | 343.88 | 158.99 |
| RVB | 440.36 | 301.13 | 139.23 |
| RVA | 438.80 | 300.06 | 138.74 |
| RHC | 432.41 | 295.69 | 136.72 |
| RHB | 391.77 | 267.90 | 123.87 |
| RHA | 348.01 | 237.98 | 110.03 |
| RMC | 375.71 | 256.92 | 118.79 |
| RMB | 353.83 | 241.96 | 111.87 |
| RMA | 294.45 | 201.35 | 93.10 |
| RLB | 359.23 | 245.65 | 113.58 |
| RLA | 235.77 | 161.23 | 74.54 |
| ES3 | 661.84 | 452.59 | 209.25 |
| ES2 | 519.63 | 355.34 | 164.29 |
| ES1 | 464.93 | 317.93 | 147.00 |
| HE2 | 449.30 | 307.24 | 142.06 |
| HE1 | 374.29 | 255.95 | 118.34 |
| HD2 | 421.17 | 288.01 | 133.16 |
| HD1 | 352.41 | 240.99 | 111.42 |
| HC2 | 397.73 | 271.98 | 125.75 |
| HC1 | 333.65 | 228.16 | 105.49 |
| HB2 | 393.04 | 268.77 | 124.27 |
| HB1 | 330.53 | 226.03 | 104.50 |
| LE2 | 408.67 | 279.46 | 129.21 |
| LE1 | 343.03 | 234.57 | 108.46 |
| LD2 | 393.04 | 268.77 | 124.27 |
| LD1 | 330.53 | 226.03 | 104.50 |
| LC2 | 346.16 | 236.71 | 109.45 |
| LC1 | 293.02 | 200.38 | 92.64 |
| LB2 | 328.97 | 224.96 | 104.01 |
| LB1 | 280.52 | 191.83 | 88.69 |
| CE2 | 364.91 | 249.54 | 115.37 |
| CE1 | 336.78 | 230.30 | 106.48 |
| CD2 | 346.16 | 236.71 | 109.45 |
| CD1 | 318.03 | 217.48 | 100.55 |
| CC2 | 303.96 | 207.86 | 96.10 |
| CC1 | 282.08 | 192.89 | 89.19 |
| CB2 | 282.08 | 192.89 | 89.19 |
| CB1 | 261.77 | 179.01 | 82.76 |
| CA2 | 239.89 | 164.04 | 75.85 |
| CA1 | 224.26 | 153.36 | 70.90 |
| BB2 | 253.95 | 173.66 | 80.29 |
| BB1 | 243.01 | 166.18 | 76.83 |
| BA2 | 211.76 | 144.81 | 66.95 |
| BA1 | 202.38 | 138.39 | 63.99 |
| PE2 | 336.78 | 230.30 | 106.48 |
| PE1 | 321.15 | 219.61 | 101.54 |
| PD2 | 318.03 | 217.48 | 100.55 |
| PD1 | 302.40 | 206.79 | 95.61 |
| PC2 | 274.27 | 187.55 | 86.72 |
| PC1 | 261.77 | 179.01 | 82.76 |
| PB2 | 233.64 | 159.77 | 73.87 |
| PB1 | 224.26 | 153.36 | 70.90 |
| PA2 | 194.57 | 133.05 | 61.52 |
| PA1 | 186.75 | 127.71 | 59.04 |

Section 1888(e)(4)(G)(ii) of the Act also requires that we apply this wage index in a manner that does not result in aggregate payments that are greater or less than would otherwise be made in the absence of the wage adjustment. For FY 2013 (Federal rates effective October

1, 2012), we apply an adjustment to fulfill the budget neutrality requirement. We meet this requirement by multiplying each of the components of the unadjusted Federal rates by a budget neutrality factor equal to the ratio of the weighted average wage adjustment factor for FY 2012 to the weighted average wage adjustment factor for FY 2013. For this calculation, we use the same 2011 claims utilization data for both the numerator and denominator of this ratio. We define the wage adjustment factor used in this calculation as the labor share of the rate component multiplied by the wage index plus the non-labor share of the rate component. The budget neutrality factor for this year is 1.0004. The wage index applicable to FY 2013 is set forth in Tables A and B, which appear in the Addendum of this notice, and is also available on the CMS Web site at <http://cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html>.

In the SNF PPS final rule for FY 2006 (70 FR 45026, August 4, 2005), we adopted the changes discussed in the OMB Bulletin No. 03–04 (June 6, 2003), available online at www.whitehouse.gov/omb/bulletins/b03-04.html, which announced revised definitions for Metropolitan Statistical Areas (MSAs), and the creation of Micropolitan Statistical Areas and Combined Statistical Areas. In addition, OMB published subsequent bulletins regarding CBSA changes, including changes in CBSA numbers and titles. As indicated in the FY 2008 SNF PPS final rule (72 FR 43423, August 3, 2007), this and all subsequent SNF PPS rules and notices are considered to incorporate the CBSA changes published in the most recent OMB bulletin that applies to the hospital wage data used to determine the current SNF PPS wage index. The OMB bulletins are available online at <http://www.whitehouse.gov/omb/bulletins/index.html>.

In adopting the OMB CBSA geographic designations, we provided for a 1-year transition with a blended wage index for all providers. For FY 2006, the wage index for each provider consisted of a blend of 50 percent of the FY 2006 MSA-based wage index and 50 percent of the FY 2006 CBSA-based wage index (both using FY 2002 hospital data). We referred to the blended wage index as the FY 2006 SNF PPS transition wage index. As discussed in the SNF PPS final rule for FY 2006 (70 FR 45041), subsequent to the expiration of this 1-year transition on September 30, 2006, we used the full CBSA-based wage index values, as now

presented in Tables A and B in the Addendum of this notice.

D. Updates to the Federal Rates

In accordance with section 1888(e)(4)(E) of the Act as amended by section 311 of the BIPA, and section 1888(e)(5)(B) of the Act as amended by section 3401(b) of the Affordable Care Act, the payment rates in this notice reflect an update equal to the full SNF market basket, estimated at 2.5 percentage points, reduced by the MFP adjustment. As discussed in sections II.G.2 and V.C of this notice, the annual update for FY 2013 includes a 0.7 percentage point reduction to account for the MFP adjustment described in the latter section, for a net update of 1.8 percent.

E. Relationship of Case-Mix Classification System to Existing Skilled Nursing Facility Level-of-Care Criteria

As discussed in § 413.345, we include in each update of the Federal payment rates in the **Federal Register** the designation of those specific RUGs under the classification system that represent the required SNF level of care, as provided in § 409.30. As set forth in the FY 2011 SNF PPS update notice (75 FR 42910, July 22, 2010), this designation reflects an administrative presumption under the 66-group RUG—IV system that beneficiaries who are correctly assigned to one of the upper 52 RUG—IV groups on the initial 5-day, Medicare-required assessment are automatically classified as meeting the SNF level of care definition up to and including the assessment reference date on the 5-day Medicare-required assessment.

A beneficiary assigned to any of the lower 14 RUG—IV groups is not automatically classified as either meeting or not meeting the definition, but instead receives an individual level of care determination using the existing administrative criteria. This presumption recognizes the strong likelihood that beneficiaries assigned to one of the upper 52 RUG—IV groups during the immediate post-hospital period require a covered level of care, which would be less likely for those beneficiaries assigned to one of the lower 14 RUG—IV groups.

In this notice, we continue to designate the upper 52 RUG—IV groups for purposes of this administrative presumption, consisting of all groups encompassed by the following RUG—IV categories:

- Rehabilitation plus Extensive Services;
- Ultra High Rehabilitation;
- Very High Rehabilitation;

- High Rehabilitation;
- Medium Rehabilitation;
- Low Rehabilitation;
- Extensive Services;
- Special Care High;
- Special Care Low; and,
- Clinically Complex.

However, we note that this administrative presumption policy does not supersede the SNF's responsibility to ensure that its decisions relating to level of care are appropriate and timely, including a review to confirm that the services prompting the beneficiary's assignment to one of the upper 52 RUG-IV groups (which, in turn, serves to trigger the administrative presumption) are themselves medically necessary. As

we explained in the FY 2000 SNF PPS final rule (64 FR 41667, July 30, 1999), the administrative presumption:

* * * is itself rebuttable in those individual cases in which the services actually received by the resident do not meet the basic statutory criterion of being reasonable and necessary to diagnose or treat a beneficiary's condition (according to section 1862(a)(1) of the Act). Accordingly, the presumption would not apply, for example, in those situations in which a resident's assignment to one of the upper * * * groups is itself based on the receipt of services that are subsequently determined to be not reasonable and necessary.

Moreover, we want to stress the importance of careful monitoring for

changes in each patient's condition to determine the continuing need for Part A SNF benefits after the assessment reference date of the 5-day assessment.

F. Example of Computation of Adjusted PPS Rates and SNF Payment

Using the hypothetical SNF XYZ described below, Table 8 shows the adjustments made to the Federal per diem rates to compute the provider's actual per diem PPS payment under the described scenario. SNF XYZ's 12-month cost reporting period begins October 1, 2012. As illustrated in Table 8, SNF XYZ's total PPS payment would equal \$41,149.70. We derive the Labor and Non-labor columns from Table 6.

TABLE 8—RUG-IV SNF XYZ: LOCATED IN CEDAR RAPIDS, IA (URBAN CBSA 16300) WAGE INDEX: 0.8944

| RUG-IV group | Labor | Wage index | Adjusted labor | Non-labor | Adjusted rate | Percent adjustment | Medicare days | Payment |
|--------------|----------|------------|----------------|-----------|---------------|--------------------|---------------|------------|
| RVX | \$456.89 | 0.8944 | \$408.64 | \$211.25 | \$619.89 | \$619.89 | 14 | \$8,678.46 |
| ES2 | 366.85 | 0.8944 | 328.11 | 169.62 | 497.73 | 497.73 | 30 | 14,931.90 |
| RHA | 230.51 | 0.8944 | 206.17 | 106.57 | 312.74 | 312.74 | 16 | 5,003.84 |
| CC2* | 212.49 | 0.8944 | 190.05 | 98.24 | 288.29 | 657.30 | 10 | 6,573.00 |
| BA2 | 146.49 | 0.8944 | 131.02 | 67.73 | 198.75 | 198.75 | 30 | 5,962.50 |
| | | | | | | | 100 | 41,149.70 |

* Reflects a 128 percent adjustment from section 511 of the MMA.

IV. Monitoring Impact of FY 2012 Policy Changes and Certain SNF Practices

In the FY 2012 SNF PPS final rule, we stated we would monitor the impact of certain FY 2012 policy changes on various aspects of the SNF PPS (76 FR 48498, August 8, 2011). Specifically, we have been monitoring the impact of the following FY 2012 policy changes:

- Recalibration of the FY 2011 SNF parity adjustment to align overall payments under RUG-IV with those under RUG-III.
- Allocation of group therapy time to pay more appropriately for group therapy services based on resource utilization and cost.
- Implementation of changes to the MDS 3.0 patient assessment instrument, most notably the introduction of the Change-of-Therapy (COT) Other Medicare Required Assessment (OMRA).

We have posted quarterly memos to the SNF PPS Web site which highlight some of the trends we have observed over a given time period. These memos may be accessed through the SNF PPS Web site at the following address: http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/Downloads/SNF_Monitoring.zip.

Below, we provide a summary of the initial results derived from this monitoring effort.

A. RUG Distributions

As stated in the FY 2012 SNF PPS final rule (76 FR 48493), the recalibration of the FY 2011 parity adjustment used 8 months of FY 2011 data as the basis for the recalibration. We observed that case-mix utilization patterns continued to be consistent over the final 4 months of FY 2011 and would not have resulted in a significant

difference in the calculated amount of the recalibrated parity adjustment. We have posted data illustrating the RUG-IV distribution of days for the entirety of FY 2011, as compared to the days distribution used to calculate the parity adjustment in the FY 2012 final rule, and the distribution of days for the first half of FY 2012, all of which may be found at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/Downloads/SNF_Monitoring.zip.

Additionally, case-mix utilization observed during FY 2012 has not shown unanticipated changes in patient classification. Overall patient case mix is not significantly different from that observed in FY 2011. Table 9 below illustrates a breakdown of the SNF case-mix distribution of service days by the major RUG classification categories for the full year of FY 2011 and for the first half of FY 2012.

TABLE 9—SNF CASE-MIX DISTRIBUTIONS BY MAJOR RUG-IV CATEGORY

| | FY 2011 (percent) | Q1 & Q2 FY 2012 (percent) |
|--|-------------------|---------------------------|
| Rehabilitation Plus Extensive Services | 2.5 | 1.8 |
| Rehabilitation | 87.9 | 88.5 |
| Extensive Services | 0.6 | 0.7 |
| Special Care | 4.6 | 5.0 |
| Clinically Complex | 2.5 | 2.3 |

TABLE 9—SNF CASE-MIX DISTRIBUTIONS BY MAJOR RUG–IV CATEGORY—Continued

| | FY 2011 (percent) | Q1 & Q2 FY 2012 (percent) |
|---|----------------------|---------------------------------|
| Behavioral Symptoms and Cognitive Performance | 0.4 | 0.3 |
| Reduced Physical Function | 1.5 | 1.5 |

As illustrated in Table 9, there have been small decreases in both the Rehabilitation Plus Extensive Services category and in the overall percentage of service days in a rehabilitation group, and increases in some of the medically-based RUG categories, most notably Special Care.

It should be noted that the recalibration of the parity adjustment applied only to those RUG–IV groups connected to therapy (Rehabilitation Plus Extensive Services and

Rehabilitation). This caused a shift in the hierarchy of nursing case-mix weights among the various RUG–IV groups. Since SNFs are permitted to “index maximize” when determining a resident’s RUG classification (i.e., of those RUGs for which the resident qualifies, SNFs are permitted to choose the one with the highest per diem payment), it is possible that the aforementioned case-mix distribution shifts reflect residents that had previously been classified into therapy

groups but now index maximize into nursing groups instead.

While the overall percentage of resident days that classify into therapy groups has decreased slightly during the first half of FY 2012 (possibly due in part to index maximization), the data show an increase in the percentage of service days at the highest therapy level (Ultra High Rehabilitation) in the first half of FY 2012. This is illustrated in Table 10 below.

TABLE 10—SNF CASE-MIX DISTRIBUTION FOR THERAPY RUG–IV GROUPS, BY MINOR RUG–IV THERAPY CATEGORIES

| | FY 2011 (percent) | Q1 & Q2 FY 2012 (percent) |
|--|----------------------|---------------------------------|
| Ultra-High Rehabilitation (≥ 720 minutes of therapy per week) | 44.9 | 46.2 |
| Very-High Rehabilitation (500–719 minutes of therapy per week) | 26.9 | 26.7 |
| High Rehabilitation (325–499 minutes of therapy per week) | 10.8 | 10.7 |
| Medium Rehabilitation (150–324 minutes of therapy per week) | 7.6 | 6.6 |
| Low Rehabilitation (45–149 minutes of therapy per week) | 0.1 | 0.1 |

Although there have been decreases in the percentage of service days which classify into the Very High, High and Medium therapy RUG–IV categories, some of the decrease may be due to index maximization into the Special Care category.

B. Group Therapy Allocation

To account more accurately for resource utilization and cost and to equalize the payment incentives across therapy modes, we allocated group therapy time beginning in FY 2012. We anticipated that this policy would result in some change to the type of therapy

mode used for SNF residents. As noted in the section above, we have not observed any significant difference in patient case mix. However, as illustrated below in Table 11, providers have significantly changed the mode of therapy since our STRIVE study (2006–2007).

TABLE 11—MODE OF THERAPY PROVISION

| | STRIVE (percent) | FY 2011 (percent) | Q1 & Q2 FY 2012 (per- cent) |
|------------------|---------------------|----------------------|---|
| Individual | 74 | 91.8 | 99.5 |
| Concurrent | 25 | 0.8 | 0.4 |
| Group | <1 | 7.4 | 0.1 |

During FY 2011, we implemented the allocation of concurrent therapy without the allocation of group therapy and providers shifted from concurrent therapy to group therapy. During FY 2012, we implemented the allocation of group therapy, and data from the first and second quarters of FY 2012 indicate that facilities are providing individual therapy almost exclusively.

C. COT OMRA

In FY 2012, we introduced a new assessment called the COT OMRA to capture more accurately the therapy services provided to SNF residents. Effective for services provided on or after October 1, 2011, SNFs are required to complete a COT OMRA for patients classified into a RUG–IV therapy

category (and for patients receiving therapy services who are classified into a nursing RUG because of index maximization), whenever the intensity of therapy changes to such a degree that it would no longer reflect the RUG–IV classification and payment assigned for the patient based on the most recent assessment used for Medicare payment (76 FR 48525). An evaluation of the

necessity for a COT OMRA must be completed at the end of each COT observation period, which is a successive 7-day window beginning on the day following the ARD set for the most recent scheduled or unscheduled PPS assessment (or beginning the day therapy resumes in cases where an EOT-R OMRA is completed), and ending every seven calendar days thereafter. In cases where the resident's

therapy has changed to such a degree that it is no longer consistent with the resident's current RUG-IV classification, then the SNF must complete a COT OMRA to reclassify the resident into the appropriate RUG-IV category. The new RUG-IV group resulting from the COT OMRA is billed starting the first day of the 7-day COT observation period for which the COT OMRA was completed and remains at

this level until a new assessment is done that changes the patient's RUG-IV classification.

Table 12 below shows the distribution of all MDS assessment types as a percentage of all MDS assessments. We note that the first half of FY 2012 included a transition period for the new policies and, therefore, may not be entirely representative of all of FY 2012.

TABLE 12—DISTRIBUTION OF MDS ASSESSMENT TYPES

| | FY 2011 (percent) | Q1 & Q2 FY 2012 (percent) |
|---|----------------------|---------------------------------|
| Scheduled PPS assessment | 95 | 84 |
| Start-of-Therapy (SOT) OMRA | 2 | 2 |
| End-of-Therapy (EOT) OMRA (w/o Resumption) | 3 | 3 |
| Combined SOT/EOT OMRA | 0 | 0 |
| End-of-Therapy OMRA (w/Resumption) (EOT-R OMRA) | N/A | 0 |
| Combined SOT/EOT-R OMRA | N/A | 0 |
| Change-of-Therapy (COT) OMRA | N/A | 11 |

Prior to the implementation of the COT OMRA, scheduled PPS assessments comprised the vast majority of completed assessments. With the implementation of the COT OMRA for FY 2012, scheduled PPS assessments still comprise the vast majority of completed MDS assessments, though the COT OMRA is the most frequently completed OMRA. Information related to our continuing monitoring activities will be posted on the SNF PPS Web site at the following address: http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPSP/Downloads/SNF_Monitoring.zip.

Finally, while not related to the above-cited FY 2012 policy changes, our ongoing monitoring of the quality of care in SNFs also causes us to have concerns that some SNFs are using the

practice of asking patients to sign binding arbitration agreements that require as a condition of admission that a patient resolve disputes with the facility through binding arbitration. We plan to monitor this closely and take action consistent with current rules and guidelines (including CMS Survey & Certification Letter S&C-03-10 dated January 9, 2003, available online at www.cms.gov/Medicare/Provider-Enrollment-and-Certification/SurveyCertificationGenInfo/Downloads/SCletter03-10.pdf), and consider rulemaking or any additional steps that may be appropriate.

V. The Skilled Nursing Facility Market Basket Index

Section 1888(e)(5)(A) of the Act requires us to establish a SNF market

basket index (input price index), that reflects changes over time in the prices of an appropriate mix of goods and services included in the SNF PPS. This notice incorporates the latest available projections of the SNF market basket index. Accordingly, we have developed a SNF market basket index that encompasses the most commonly used cost categories for SNF routine services, ancillary services, and capital-related expenses.

Each year, we calculate a revised labor-related share based on the relative importance of labor-related cost categories in the input price index. Table 13 summarizes the updated labor-related share for FY 2013.

TABLE 13—LABOR-RELATED RELATIVE IMPORTANCE, FY 2012 AND FY 2013

| | Relative importance, labor-related, FY 2012 11:2 forecast * | Relative importance, labor-related, FY 2013 12:2 forecast ** |
|------------------------------------|--|---|
| Wages and salaries | 50.129 | 49.847 |
| Employee benefits | 11.502 | 11.532 |
| Nonmedical professional fees | 1.31 | 1.307 |
| Labor-intensive services | 3.394 | 3.364 |
| Capital-related (.391) | 2.358 | 2.333 |
| Total | 68.693 | 68.383 |

* Published in the **Federal Register**; based on the second-quarter 2011 IHS Global Insight Inc. forecast.

** Based on the second-quarter 2012 IHS Global Insight forecast, with historical data through the first-quarter 2012.

A. Use of the Skilled Nursing Facility Market Basket Percentage

Section 1888(e)(5)(B) of the Act defines the SNF market basket

percentage as the percentage change in the SNF market basket index from the midpoint of the previous FY to the midpoint of the current FY. For the

Federal rates established in this notice, we use the percentage change in the SNF market basket index to compute the update factor for FY 2013. This is based

on the IGI (formerly DRI-WEFA) second quarter 2012 forecast (with historical data through the first quarter 2012) of the FY 2013 percentage increase in the FY 2004-based SNF market basket index for routine, ancillary, and capital-related expenses, which is used to compute the update factor in this notice. As discussed in section V.C of this notice, this market basket percentage change is reduced by the MFP adjustment as required by section 1888(e)(5)(B)(ii) of the Act. Finally, as discussed in section II.A of this notice, we no longer compute update factors to adjust a facility-specific portion of the SNF PPS rates, because the initial 3-phase transition period from facility-specific to full Federal rates that started with cost reporting periods beginning in July 1998 has expired.

B. Market Basket Forecast Error Adjustment

As discussed in the June 10, 2003, supplemental proposed rule (68 FR 34768) and finalized in the August 4, 2003, final rule (68 FR 46057 through 46059), the regulations at § 413.337(d)(2) provide for an adjustment to account for market basket forecast error. The initial adjustment applied to the update of the FY 2003 rate for FY 2004, and took into account the cumulative forecast error for the period from FY 2000 through FY 2002, resulting in an increase of 3.26 percent. Subsequent adjustments in succeeding FYs take into account the forecast error from the most recently available FY for which there is final data, and apply whenever the difference between the forecasted and actual change in the market basket exceeds a specified threshold. We originally used a 0.25 percentage point threshold for this purpose; however, for the reasons specified in the FY 2008 SNF PPS final rule (72 FR 43425, August 3, 2007), we adopted a 0.5 percentage point threshold effective with FY 2008. As discussed previously in section II.G.2 of this notice, as the difference between the estimated and actual amounts of increase in the market basket index for FY 2011 (the most recently available FY for which there is final data) does not exceed the 0.5 percentage point threshold, the payment rates for FY 2013 do not include a forecast error adjustment.

C. Multifactor Productivity Adjustment

Section 3401(b) of the Affordable Care Act requires that, in FY 2012 (and in subsequent FYs), the market basket percentage under the SNF payment system as described in section 1888(e)(5)(B)(i) is to be reduced

annually by the productivity adjustment described in section 1886(b)(3)(B)(xi)(II) of the Act. Specifically, section 3401(a) of the Affordable Care Act amends section 1886(b)(3)(B) of the Act to add clause (xi)(II), which sets forth the definition of this productivity adjustment. The statute defines the productivity adjustment to be equal to the 10-year moving average of changes in annual economy-wide private nonfarm business multi-factor productivity (MFP) (as projected by the Secretary for the 10-year period ending with the applicable fiscal year, year, cost reporting period, or other annual period) (the "MFP adjustment"). The Bureau of Labor Statistics (BLS) is the agency that publishes the official measure of private nonfarm business MFP. Please see <http://www.bls.gov/mfp> to obtain the BLS historical published MFP data.

The projection of MFP is currently produced by IGI, an economic forecasting firm. In order to generate a forecast of MFP, IGI replicated the MFP measure calculated by the BLS, using a series of proxy variables derived from IGI's U.S. macroeconomic models. This process is described in greater detail in section III.F.3 of the FY 2012 SNF PPS final rule (76 FR 48527-48529, August 8, 2011).

1. Incorporating the Multifactor Productivity Adjustment Into the Market Basket Update

According to section 1888(e)(5)(A) of the Act, the Secretary "shall establish a skilled nursing facility market basket index that reflects changes over time in the prices of an appropriate mix of goods and services included in covered skilled nursing facility services." As described in section II.G.2 of this notice, we estimate the SNF PPS market basket percentage for FY 2013 under section 1888(e)(5)(B)(i) of the Act based on the FY 2004-based SNF market basket. Section 3401(b) of the Affordable Care Act amends section 1888(e)(5)(B) of the Act, in part, by adding a new clause (ii), which requires that for FY 2012 and each subsequent FY, after determining the market basket percentage described in section 1888(e)(5)(B)(i) of the Act, "the Secretary shall reduce such percentage by the productivity adjustment described in section 1886(b)(3)(B)(xi)(II)" (which we refer to as the MFP adjustment). Section 1888(e)(5)(B)(ii) of the Act further states that the reduction of the market basket percentage by the MFP adjustment may result in the market basket percentage being less than zero for a FY, and may result in payment rates under section 1888(e) of the Act for a FY being less

than such payment rates for the preceding FY. Thus, if the application of the MFP adjustment to the market basket percentage calculated under section 1888(e)(5)(B)(i) results in an MFP-adjusted market basket percentage that is less than zero, then the annual update to the unadjusted Federal per diem rates under section 1888(e)(4)(E)(ii) would be negative, and such rates would decrease relative to the prior FY.

For the FY 2013 update, the MFP adjustment is calculated as the 10-year moving average of changes in MFP for the period ending September 30, 2013. In accordance with section 1888(e)(5)(B)(i) of the Act, the market basket percentage for FY 2013 for the SNF PPS is based on IGI's second quarter 2012 forecast of the FY 2004-based SNF market basket update, which is estimated to be 2.5 percent. In accordance with section 1888(e)(5)(B)(ii) of the Act (as added by section 3401(b) of the Affordable Care Act), this market basket percentage is then reduced by the MFP adjustment (the 10-year moving average of changes in MFP for the period ending September 30, 2013) of 0.7 percent, which is calculated as described above and based on IGI's second quarter 2012 forecast. The resulting MFP-adjusted market basket update is equal to 1.8 percent, or 2.5 percent less 0.7 percentage point.

D. Federal Rate Update Factor

Section 1888(e)(4)(E)(ii)(IV) of the Act requires that the update factor used to establish the FY 2013 unadjusted Federal rates be at a level equal to the market basket percentage change. Accordingly, to establish the update factor, we determined the total growth from the average market basket level for the period of October 1, 2011 through September 30, 2012 to the average market basket level for the period of October 1, 2012 through September 30, 2013. Using this process, the market basket update factor for FY 2013 SNF PPS unadjusted Federal rates is 2.5 percent. As required by section 1888(e)(5)(B) of the Act, this market basket percentage is then reduced by the MFP adjustment (the 10-year moving average of changes in MFP for the period ending September 30, 2013) of 0.7 percent as described in section V.C. The resulting MFP-adjusted market basket update is equal to 1.8 percent, or 2.5 percent less 0.7 percentage point. We used this MFP-adjusted market basket update factor to compute the SNF PPS rate shown in Tables 2 and 3.

VI. Consolidated Billing

Section 4432(b) of the BBA established a consolidated billing requirement that places with the SNF the Medicare billing responsibility for virtually all of the services that the SNF's residents receive, except for a small number of services that the statute specifically identifies as being excluded from this provision. As noted previously in section II of this notice, subsequent legislation enacted a number of modifications in the consolidated billing provision.

Specifically, section 103 of the BBRA amended this provision by further excluding a number of individual "high-cost, low-probability" services, identified by Healthcare Common Procedure Coding System (HCPCS) codes, within several broader categories (chemotherapy and its administration, radioisotope services, and customized prosthetic devices) that otherwise remained subject to the provision. We discuss this BBRA amendment in greater detail in the proposed and final rules for FY 2001 (65 FR 19231 through 19232, April 10, 2000, and 65 FR 46790 through 46795, July 31, 2000), as well as in Program Memorandum AB-00-18 (Change Request #1070), issued March 2000, which is available online at www.cms.gov/transmittals/downloads/ab001860.pdf.

Section 313 of the BIPA further amended this provision by repealing its Part B aspect; that is, its applicability to services furnished to a resident during a SNF stay that Medicare Part A does not cover. (However, physical therapy, occupational therapy, and speech-language pathology services remain subject to consolidated billing, regardless of whether the resident who receives these services is in a covered Part A stay.) We discuss this BIPA amendment in greater detail in the proposed and final rules for FY 2002 (66 FR 24020 through 24021, May 10, 2001, and 66 FR 39587 through 39588, July 31, 2001).

In addition, section 410 of the MMA amended this provision by excluding certain practitioner and other services furnished to SNF residents by RHCs and FQHCs. We discuss this MMA amendment in greater detail in the update notice for FY 2005 (69 FR 45818 through 45819, July 30, 2004), as well as in Medicare Learning Network (MLN) Matters article #MM3575, which is available online at <http://www.cms.gov/MLN MattersArticles/downloads/MM3575.pdf>.

Further, while not substantively revising the consolidated billing requirement itself, a related provision

was enacted in the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA, Pub. L. 110-275). Specifically, section 149 of MIPPA amended section 1834(m)(4)(C)(ii) of the Act to add subclause (VII), which adds SNFs (as defined in section 1819(a) of the Act) to the list of entities that can serve as a telehealth "originating site" (that is, the location at which an eligible individual can receive, through a telecommunications system, services of a physician or other practitioner who is located elsewhere at a "distant site").

As explained in the Medicare Physician Fee Schedule (PFS) final rule for calendar year (CY) 2009 (73 FR 69726, 69879, November 19, 2008), a telehealth originating site receives a facility fee which is always separately payable under Part B outside of any other payment methodology. Section 149(b) of MIPPA amended section 1888(e)(2)(A)(ii) of the Act to exclude telehealth services furnished under section 1834(m)(4)(C)(ii)(VII) of the Act from the definition of "covered skilled nursing facility services" that are paid under the SNF PPS. Thus, a SNF " * * * can receive separate payment for a telehealth originating site facility fee even in those instances where it also receives a bundled per diem payment under the SNF PPS for a resident's covered Part A stay" (73 FR 69881). By contrast, under section 1834(m)(2)(A) of the Act, a telehealth distant site service is payable under Part B to an eligible physician or practitioner only to the same extent that it would have been so payable if furnished without the use of a telecommunications system. Thus, as explained in the CY 2009 Physician Fee Schedule final rule (73 FR 69726, 69880), eligible distant site physicians or practitioners can receive payment for a telehealth service that they furnish

* * * only if the service is separately payable under the PFS when furnished in a face-to-face encounter at that location. For example, we pay distant site physicians or practitioners for furnishing services via telehealth only if such services are not included in a bundled payment to the facility that serves as the originating site (73 FR 69880).

This means that in those situations where a SNF serves as the telehealth originating site, the distant site professional services would be separately payable under Part B only to the extent that they are not already included in the SNF PPS bundled per diem payment and subject to consolidated billing. Thus, for a type of practitioner whose services are not otherwise excluded from consolidated billing when furnished during a face-to-

face encounter, the use of a telehealth distant site would not serve to unbundle those services. In fact, consolidated billing does exclude the professional services of physicians, along with those of most of the other types of telehealth practitioners that the law specifies at section 1842(b)(18)(C) of the Act; that is, physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, certified nurse midwives, and clinical psychologists (see section 1888(e)(2)(A)(ii) of the Act and 42 CFR 411.15(p)(2)). However, the services of clinical social workers, registered dietitians and nutrition professionals remain subject to consolidated billing when furnished to a SNF's Part A resident and, thus, cannot qualify for separate Part B payment as telehealth distant site services in this situation. Additional information on this provision appears in MLN Matters article #MM6215, which is available online at <http://www.cms.gov/MLN MattersArticles/downloads/MM6215.pdf>. To date, the Congress has enacted no further legislation affecting the consolidated billing provision.

VII. Application of the SNF PPS to SNF Services Furnished by Swing-Bed Hospitals

In accordance with section 1888(e)(7) of the Act, as amended by section 203 of the BIPA, Part A pays critical access hospitals (CAHs) on a reasonable cost basis for SNF services furnished under a swing-bed agreement. However, effective with cost reporting periods beginning on or after July 1, 2002, the swing-bed services of non-CAH rural hospitals are paid under the SNF PPS. As explained in the final rule for FY 2002 (66 FR 39562, July 31, 2001), we selected this effective date consistent with the statutory provision to integrate swing-bed rural hospitals into the SNF PPS by the end of the SNF transition period, June 30, 2002.

Accordingly, all non-CAH swing-bed rural hospitals have come under the SNF PPS as of June 30, 2003. Therefore, all rates and wage indexes outlined in earlier sections of this notice for the SNF PPS also apply to all non-CAH swing-bed rural hospitals. A complete discussion of assessment schedules, the MDS and the transmission software (RAVEN-SB for Swing Beds) appears in the final rule for FY 2002 (66 FR 39562, July 31, 2001) and in the final rule for FY 2010 (74 FR 40288, August 11, 2009). As finalized in the FY 2010 SNF PPS final rule (74 FR 40356-57), effective October 1, 2010, non-CAH swing-bed rural hospitals are required to complete an MDS 3.0 swing-bed

assessment which is limited to the required demographic, payment, and quality items. The latest changes in the MDS for swing-bed rural hospitals appear on the SNF PPS Web site, <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/index.html>.

VIII. Collection of Information Requirements

This notice does not impose any new or revised information collection or recordkeeping requirements. The information collection requirements referenced in this notice with regard to resident assessment information used to determine facility payments are currently approved under OCN 0938-0739 (which relates to the Medicare PPS Assessment Form (MPAF) information collection) and OCN 0938-0872 (which relates to the Minimum Data Set for Swing-Bed Hospitals), neither of which is affected by this notice. This notice, OCN: 0938-0739, and OCN: 0938-0872 do not impose any burden requiring additional Office of Management and Budget review under the authority of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

IX. Waiver of Notice and Comment

We would ordinarily publish a notice of proposed rulemaking in the **Federal Register** to provide a period for public comment, followed by a final rule. However, we can waive this procedure 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. In this instance, we have found good cause to waive notice and comment rulemaking and are issuing this update notice.

We believe it is unnecessary to undertake notice and comment rulemaking in this instance, as the statute requires annual updates to the SNF PPS rates, the methodologies used to update the rates in this notice have been previously subject to public comment and finalized, and this notice initiates no policy changes with regard to the SNF PPS, but simply reflects application of previously established methodologies. Therefore, we find good cause to waive notice and comment procedures.

X. Economic Analyses

A. Regulatory Impact Analysis

1. Introduction

We have examined the impacts of this notice as required by Executive Order 12866 on Regulatory Planning and

Review (September 30, 1993), Executive Order 13563 on Improving Regulation and Regulatory Review (January 18, 2011), the Regulatory Flexibility Act (RFA) (September 19, 1980, Pub. L. 96-354), section 1102(b) of the Act, section 202 of the Unfunded Mandates Reform Act of 1995 (UMRA, March 22, 1995; Pub. L. 104-4), Executive Order 13132 on Federalism (August 4, 1999), and the Congressional Review Act (5 U.S.C. 804(2)).

Executive Orders 12866 and 13563 direct 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). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This notice has been designated an economically significant rule, under section 3(f)(1) of Executive Order 12866. Accordingly, we have prepared a regulatory impact analysis (RIA) as further discussed below. Also, the rule has been reviewed by the Office of Management and Budget.

2. Statement of Need

This notice updates the SNF prospective payment rates for FY 2013 as required under section 1888(e)(4)(E) of the Act. It also responds to section 1888(e)(4)(H) of the Act, which requires the Secretary to “provide for publication in the **Federal Register**” before August 1 that precedes the start of each fiscal year, the unadjusted Federal per diem rates, the case-mix classification system, and the factors to be applied in making the area wage adjustment. As these statutory provisions prescribe a detailed methodology for calculating and disseminating payment rates under the SNF PPS, we do not have the discretion to adopt an alternative approach.

3. Overall Impacts

This notice sets forth updates of the SNF PPS rates contained in the final rule for FY 2012 (76 FR 48486, August 8, 2011). Based on the above, we estimate that the aggregate impact would be an increase of \$670 million in payments to SNFs, resulting from the MFP-adjusted market basket update to the payment rates. The impact analysis of this notice represents the projected effects of the changes in the SNF PPS from FY 2012 to FY 2013. Although the best data available are utilized, there is no attempt to predict behavioral

responses to these changes, or to make adjustments for future changes in such variables as days or case-mix.

Certain events may occur to limit the scope or accuracy of our impact analysis, as this analysis is future-oriented and, thus, very susceptible to forecasting errors due to certain events that may occur within the assessed impact time period. Some examples of possible events may include newly-legislated general Medicare program funding changes by the Congress, or changes specifically related to SNFs. In addition, changes to the Medicare program may continue to be made as a result of previously-enacted legislation, or new statutory provisions. Although these changes may not be specific to the SNF PPS, the nature of the Medicare program is such that the changes may interact and, thus, the complexity of the interaction of these changes could make it difficult to predict accurately the full scope of the impact upon SNFs.

In accordance with section 1888(e)(4)(E) and (e)(5) of the Act, we update the FY 2012 payment rates by a factor equal to the market basket index percentage change adjusted by the FY 2011 forecast error adjustment (if applicable) and the MFP adjustment to determine the payment rates for FY 2013. As discussed previously, for FY 2012 and each subsequent FY, as required by section 1888(e)(5)(B) of the Act as amended by section 3401(b) of the Affordable Care Act, the market basket percentage is reduced by the MFP adjustment. The special AIDS add-on established by section 511 of the MMA remains in effect until “* * * such date as the Secretary certifies that there is an appropriate adjustment in the case mix * * *.” We have not provided a separate impact analysis for the MMA provision. Our latest estimates indicate that there are fewer than 3,800 beneficiaries who qualify for the AIDS add-on payment. The impact to Medicare is included in the “total” column of Table 14. In updating the rates for FY 2013, we made a number of standard annual revisions and clarifications mentioned elsewhere in this notice (for example, the update to the wage and market basket indexes used for adjusting the Federal rates).

The update set forth in this notice applies to payments in FY 2013. Accordingly, the analysis that follows only describes the impact of this single year. In accordance with the requirements of the Act, we will publish a notice or rule for each subsequent FY that will provide for an update to the payment rates and include an associated impact analysis.

4. Detailed Economic Analysis

The FY 2013 impacts appear in Table 14. The breakdown of the various categories of data in the table follows.

The first column shows the breakdown of all SNFs by urban or rural status, hospital-based or freestanding status, census region, and ownership.

The first row of figures describes the estimated effects of the various changes on all facilities. The next six rows show the effects on facilities split by hospital-based, freestanding, urban, and rural categories. The urban and rural designations are based on the location of the facility under the CBSA designation. The next nineteen rows show the effects on facilities by urban versus rural status by census region. The last three rows show the effects on facilities by

ownership (i.e., government, profit, and non-profit status).

The second column in the table shows the number of facilities in the impact database.

The third column of the table shows the effect of the annual update to the wage index. This represents the effect of using the most recent wage data available. The total impact of this change is zero percent; however, there are distributional effects of the change.

The fourth column shows the effect of all of the changes on the FY 2013 payments. The update of 1.8 percent (consisting of the market basket increase of 2.5 percentage points, reduced by the 0.7 percentage point MFP adjustment) is constant for all providers and, though not shown individually, is included in the total column. It is projected that aggregate payments will increase by 1.8

percent, assuming facilities do not change their care delivery and billing practices in response.

As can be seen from Table 14, the combined effects of all of the changes vary by specific types of providers and by location. Though all facilities would experience payment increases, the amount of the overall increase varies due to the impact of the wage index update. The wage index change can adjust the overall impact of the 1.8 percent update upward or downward. For example, providers in the urban New England region would experience a 2.6 percent increase in FY 2013 total payments. The increase for this region differs from the aggregate 1.8 percent update due to the distributional effect of the wage index update as shown in the third column.

TABLE 14—RUG—IV PROJECTED IMPACT TO THE SNF PPS FOR FY 2013

| | Number of facilities FY 2013 | Update wage data (percent) | Total FY 2013 change (percent) |
|----------------------------|------------------------------|----------------------------|--------------------------------|
| Group: | | | |
| Total | 15,407 | 0.0 | 1.8 |
| Urban | 10,568 | 0.1 | 1.9 |
| Rural | 4,839 | -0.3 | 1.5 |
| Hospital based urban | 761 | -0.1 | 1.7 |
| Freestanding urban | 9,807 | 0.1 | 1.9 |
| Hospital based rural | 428 | -0.1 | 1.7 |
| Freestanding rural | 4,411 | -0.3 | 1.5 |
| Urban by region: | | | |
| New England | 811 | 0.8 | 2.6 |
| Middle Atlantic | 1,456 | 0.0 | 1.8 |
| South Atlantic | 1,747 | -0.3 | 1.5 |
| East North Central | 2,043 | 0.2 | 2.0 |
| East South Central | 518 | -1.0 | 0.8 |
| West North Central | 870 | 0.5 | 2.3 |
| West South Central | 1,224 | -0.3 | 1.5 |
| Mountain | 482 | -0.9 | 0.9 |
| Pacific | 1,411 | 0.9 | 2.7 |
| Outlying | 6 | 0.2 | 2.0 |
| Rural by region: | | | |
| New England | 152 | -0.9 | 0.9 |
| Middle Atlantic | 262 | -0.1 | 1.7 |
| South Atlantic | 611 | -0.7 | 1.1 |
| East North Central | 935 | 0.3 | 2.1 |
| East South Central | 558 | -0.4 | 1.4 |
| West North Central | 1,120 | -0.9 | 0.9 |
| West South Central | 822 | 0.3 | 2.1 |
| Mountain | 250 | 0.3 | 2.1 |
| Pacific | 129 | -1.4 | 0.3 |
| Ownership: | | | |
| Government | 805 | 0.1 | 1.9 |
| Profit | 10,742 | 0.0 | 1.8 |
| Non-profit | 3,860 | 0.1 | 1.9 |

Note: The Total column includes the 2.5 percent market basket increase, reduced by the 0.7 percentage point MFP adjustment. Additionally, we found no SNFs in rural outlying areas.

5. Alternatives Considered

As described above, we estimate that the aggregate impact for FY 2013 would be an increase of \$670 million in payments to SNFs, resulting from the

MFP-adjusted market basket update to the payment rates.

Section 1888(e) of the Act establishes the SNF PPS for the payment of Medicare SNF services for cost reporting periods beginning on or after July 1,

1998. This section of the statute prescribes a detailed formula for calculating payment rates under the SNF PPS, and does not provide for the use of any alternative methodology. It specifies that the base year cost data to

be used for computing the SNF PPS payment rates must be from FY 1995 (October 1, 1994, through September 30, 1995). In accordance with the statute, we also incorporated a number of elements into the SNF PPS (for example, case-mix classification methodology, a market basket index, a wage index, and the urban and rural distinction used in the development or adjustment of the Federal rates). Further, section 1888(e)(4)(H) of the Act specifically requires us to disseminate the payment

rates for each new FY through the **Federal Register**, and to do so before the August 1 that precedes the start of the new FY. Accordingly, we are not pursuing alternatives with respect to the payment methodology as discussed above.

6. Accounting Statement

As required by OMB Circular A-4 (available online at [www.whitehouse.gov/sites/default/files/omb/assets/regulatory_matters_pdf/a-](http://www.whitehouse.gov/sites/default/files/omb/assets/regulatory_matters_pdf/a-4.pdf)

[4.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/regulatory_matters_pdf/a-4.pdf)), in Table 15, we have prepared an accounting statement showing the classification of the expenditures associated with the provisions of this notice. Table 15 provides our best estimate of the possible changes in Medicare payments under the SNF PPS as a result of the policies in this notice, based on the data for 15,407 SNFs in our database. All expenditures are classified as transfers to Medicare providers (that is, SNFs).

TABLE 15—ACCOUNTING STATEMENT: CLASSIFICATION OF ESTIMATED EXPENDITURES, FROM THE 2012 SNF PPS FISCAL YEAR TO THE 2013 SNF PPS FISCAL YEAR

| Category | Transfers |
|--------------------------------------|---|
| Annualized Monetized Transfers | 670 million.* |
| From Whom To Whom? | Federal Government to SNF Medicare Providers. |

* The net increase of \$670 million in transfer payments is a result of the MFP-adjusted market basket increase of \$670 million.

7. Conclusion

This notice sets forth updates of the SNF PPS rates contained in the final rule for FY 2012 (76 FR 48486, August 8, 2011). Based on the above, we estimate the overall estimated payments for SNFs in FY 2013 are projected to increase by \$670 million, or 1.8 percent, compared with those in FY 2012. We estimate that in FY 2013 under RUG-IV, SNFs in urban and rural areas would experience, on average, a 1.9 and 1.5 percent increase, respectively, in estimated payments compared with FY 2012. Providers in the urban Pacific region would experience the largest estimated increase in payments of approximately 2.7 percent. Rural Pacific providers would experience the smallest estimated increase in payments of 0.3 percent.

B. Regulatory Flexibility Act Analysis

The RFA requires agencies to analyze options for regulatory relief of small entities, if a rule has a significant impact on a substantial number of small entities. For purposes of the RFA, small entities include small businesses, non-profit organizations, and small governmental jurisdictions. Most SNFs and most other providers and suppliers are small entities, either by their non-profit status or by having revenues of \$13.5 million or less in any 1 year. For purposes of the RFA, approximately 91 percent of SNFs are considered small businesses according to the Small Business Administration's latest size standards, with total revenues of \$13.5 million or less in any 1 year. (For details, see the Small Business Administration's Web site at <http://www.sba.gov/category/navigation->

[structure/contracting/contracting-officials/eligibility-size-standards](http://www.sba.gov/category/navigation-structure/contracting/contracting-officials/eligibility-size-standards)). Individuals and States are not included in the definition of a small entity. In addition, approximately 25 percent of SNFs classified as small entities are non-profit organizations. Finally, the estimated number of small business entities does not distinguish provider establishments that are within a single firm and, therefore, the number of SNFs classified as small entities may be higher than the estimate above.

This notice sets forth updates of the SNF PPS rates contained in the final rule for FY 2012 (76 FR 48486, August 8, 2011). Based on the above, we estimate that the aggregate impact would be an increase of \$670 million in payments to SNFs, resulting from the MFP-adjusted market basket update to the payment rates. While it is projected in Table 14 that all providers would experience a net increase in payments, we note that some individual providers may experience larger increases in payments than others due to the distributional impact of the FY 2013 wage indexes and the degree of Medicare utilization.

Guidance issued by the Department of Health and Human Services on the proper assessment of the impact on small entities in rulemakings, utilizes a cost or revenue impact of 3 to 5 percent as a significance threshold under the RFA. According to MedPAC, Medicare covers approximately 12 percent of total patient days in freestanding facilities and 23 percent of facility revenue (March 2012). However, it is worth noting that the distribution of days and payments is highly variable. That is, the majority of SNFs have significantly lower Medicare utilization. As a result,

for most facilities, when all payers are included in the revenue stream, the overall impact on total revenues should be substantially less than those impacts presented in Table 14. As indicated in Table 14, the effect on facilities is projected to be an aggregate positive impact of 1.8 percent. Additionally, as discussed in the FY 2012 final rule (76 FR 48539), given the high proportion of SNFs that constitute small entities, any discussion of the impacts on the SNF industry as a whole may be directly characterized as an analysis of the impact of this notice on small entities. As the overall impact on the industry as a whole, and thus on small entities specifically, is less than the 3 to 5 percent threshold discussed above, the Secretary has determined that this notice would not have a significant impact on a substantial number of small entities.

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the provisions of section 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 of a Metropolitan Statistical Area and has fewer than 100 beds. This notice would affect small rural hospitals that (a) furnish SNF services under a swing-bed agreement or (b) have a hospital-based SNF. We anticipate that the impact on small rural hospitals would be similar to the impact on SNF providers overall. Moreover, as noted in the FY 2012 final rule (76 FR 48539), the category of small rural hospitals would be included within the analysis of the impact of this

notice on small entities in general. As indicated in Table 14, the effect on facilities is projected to be an aggregate positive impact of 1.8 percent. As a result, the Secretary has determined that this notice would not have a significant impact on a substantial number of small rural hospitals.

C. Unfunded Mandates Reform Act Analysis

Section 202 of the Unfunded Mandates Reform Act of 1995 (UMRA) also requires that agencies assess anticipated costs and benefits before issuing any rule whose mandates require spending in any 1 year of \$100 million in 1995 dollars, updated annually for inflation. In 2012, that threshold is approximately \$139

million. This notice would not impose spending costs on State, local, or tribal governments in the aggregate, or by the private sector, of \$139 million.

D. Federalism Analysis

Executive Order 13132 establishes certain requirements that an agency must meet when it promulgates a proposed rule (and subsequent final rule) that impose substantial direct requirement costs on State and local governments, preempts State law, or otherwise has Federalism implications. This notice would have no substantial direct effect on State and local governments, preempt State law, or otherwise have Federalism implications.

Authority: Catalog of Federal Domestic Assistance Program No. 93.773, Medicare—

Hospital Insurance; and Program No. 93.774, Medicare—Supplementary Medical Insurance Program.

Dated: April 17, 2012.

Marilyn Tavenner,

Acting Administrator, Centers for Medicare & Medicaid Services.

Approved: July 24, 2012.

Kathleen Sebelius,

Secretary.

Addendum—FY 2013 CBSA Wage Index Tables

In this addendum, we provide the wage index tables referred to in the preamble to this notice. Tables A and B display the CBSA-based wage index values for urban and rural providers.

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 10180 | Abilene, TX Callahan County, TX Jones County, TX Taylor County, TX | 0.8324 |
| 10380 | Aguadilla-Isabela-San Sebastián, PR Aguada Municipio, PR Aguadilla Municipio, PR Añasco Municipio, PR Isabela Municipio, PR Lares Municipio, PR Moca Municipio, PR Rincón Municipio, PR San Sebastián Municipio, PR | 0.3532 |
| 10420 | Akron, OH Portage County, OH Summit County, OH | 0.8729 |
| 10500 | Albany, GA Baker County, GA Dougherty County, GA Lee County, GA Terrell County, GA Worth County, GA | 0.8435 |
| 10580 | Albany-Schenectady-Troy, NY Albany County, NY Rensselaer County, NY Saratoga County, NY Schenectady County, NY Schoharie County, NY | 0.8647 |
| 10740 | Albuquerque, NM Bernalillo County, NM Sandoval County, NM Torrance County, NM Valencia County, NM | 0.9542 |
| 10780 | Alexandria, LA Grant Parish, LA Rapides Parish, LA | 0.7857 |
| 10900 | Allentown-Bethlehem-Easton, PA-NJ Warren County, NJ Carbon County, PA Lehigh County, PA Northampton County, PA | 0.9084 |
| 11020 | Altoona, PA Blair County, PA | 0.8898 |
| 11100 | Amarillo, TX Armstrong County, TX Carson County, TX Potter County, TX Randall County, TX | 0.8506 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 11180 | Ames, IA Story County, IA | 0.9595 |
| 11260 | Anchorage, AK Anchorage Municipality, AK Matanuska-Susitna Borough, AK | 1.2147 |
| 11300 | Anderson, IN Madison County, IN | 0.9547 |
| 11340 | Anderson, SC Anderson County, SC | 0.8929 |
| 11460 | Ann Arbor, MI Washtenaw County, MI | 1.0115 |
| 11500 | Anniston-Oxford, AL Calhoun County, AL | 0.7539 |
| 11540 | Appleton, WI Calumet County, WI Outagamie County, WI | 0.9268 |
| 11700 | Asheville, NC Buncombe County, NC Haywood County, NC Henderson County, NC Madison County, NC | 0.8555 |
| 12020 | Athens-Clarke County, GA Clarke County, GA Madison County, GA Oconee County, GA Oglethorpe County, GA | 0.9488 |
| 12060 | Atlanta-Sandy Springs-Marietta, GA Barrow County, GA Bartow County, GA Butts County, GA Carroll County, GA Cherokee County, GA Clayton County, GA Cobb County, GA Coweta County, GA Dawson County, GA DeKalb County, GA Douglas County, GA Fayette County, GA Forsyth County, GA Fulton County, GA Gwinnett County, GA Haralson County, GA Heard County, GA Henry County, GA Jasper County, GA Lamar County, GA Meriwether County, GA Newton County, GA Paulding County, GA Pickens County, GA Pike County, GA Rockdale County, GA Spalding County, GA Walton County, GA | 0.9517 |
| 12100 | Atlantic City-Hammonton, NJ Atlantic County, NJ | 1.1977 |
| 12220 | Auburn-Opelika, AL Lee County, AL | 0.7437 |
| 12260 | Augusta-Richmond County, GA-SC Burke County, GA Columbia County, GA McDuffie County, GA Richmond County, GA Aiken County, SC Edgefield County, SC | 0.9373 |
| 12420 | Austin-Round Rock, TX Bastrop County, TX Caldwell County, TX Hays County, TX Travis County, TX | 0.9746 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-------------|--|------------|
| 12540 | Williamson County, TX Bakersfield, CA | 1.1611 |
| 12580 | Kern County, CA Baltimore-Towson, MD | 1.0147 |
| 12620 | Anne Arundel County, MD Baltimore County, MD Carroll County, MD Harford County, MD Howard County, MD Queen Anne's County, MD Baltimore City, MD | 1.0184 |
| 12700 | Bangor, ME | 1.2843 |
| 12940 | Penobscot County, ME Barnstable Town, MA | 0.8147 |
| 12980 | Barnstable County, MA Baton Rouge, LA | 0.9912 |
| 13020 | Ascension Parish, LA East Baton Rouge Parish, LA East Feliciana Parish, LA Iberville Parish, LA Livingston Parish, LA Pointe Coupee Parish, LA St. Helena Parish, LA West Baton Rouge Parish, LA West Feliciana Parish, LA | 0.9181 |
| 13140 | Battle Creek, MI | 0.8533 |
| 13380 | Calhoun County, MI Bay City, MI | 1.1415 |
| 13460 | Bay County, MI Beaumont-Port Arthur, TX | 1.1119 |
| 13644 | Hardin County, TX Jefferson County, TX Orange County, TX | 1.0374 |
| 13740 | Bellingham, WA | 0.8737 |
| 13780 | Whatcom County, WA Bend, OR | 0.8707 |
| 13820 | Deschutes County, OR Bethesda-Frederick-Gaithersburg, MD | 0.8516 |
| 13900 | Frederick County, MD Montgomery County, MD | 0.7261 |
| 13980 | Billings, MT | 0.8348 |
| 14020 | Carbon County, MT Yellowstone County, MT | 0.8752 |
| 14060 | Binghamton, NY | 0.9502 |
| 14260 | Broome County, NY Tioga County, NY | 0.8897 |
| 14260 | Birmingham-Hoover, AL | 0.8897 |
| 14260 | Bibb County, AL Blount County, AL Chilton County, AL Jefferson County, AL St. Clair County, AL Shelby County, AL Walker County, AL | 0.8897 |
| 14260 | Bismarck, ND | 0.8897 |
| 14260 | Burleigh County, ND Morton County, ND | 0.8897 |
| 14260 | Blacksburg-Christiansburg-Radford, VA | 0.8897 |
| 14260 | Giles County, VA Montgomery County, VA Pulaski County, VA Radford City, VA | 0.8897 |
| 14260 | Bloomington, IN | 0.8897 |
| 14260 | Greene County, IN Monroe County, IN Owen County, IN | 0.8897 |
| 14260 | Bloomington-Normal, IL | 0.8897 |
| 14260 | McLean County, IL Boise City-Nampa, ID | 0.8897 |
| 14260 | Ada County, ID Boise County, ID | 0.8897 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 14484 | Canyon County, ID Gem County, ID Owyhee County, ID Boston-Quincy, MA Norfolk County, MA Plymouth County, MA Suffolk County, MA | 1.2378 |
| 14500 | Boulder, CO Boulder County, CO | 1.0574 |
| 14540 | Bowling Green, KY Edmonson County, KY Warren County, KY | 0.8665 |
| 14740 | Bremerton-Silverdale, WA Kitsap County, WA | 1.0829 |
| 14860 | Bridgeport-Stamford-Norwalk, CT Fairfield County, CT | 1.3170 |
| 15180 | Brownsville-Harlingen, TX Cameron County, TX | 0.8612 |
| 15260 | Brunswick, GA Brantley County, GA Glynn County, GA McIntosh County, GA | 0.8792 |
| 15380 | Buffalo-Niagara Falls, NY Erie County, NY Niagara County, NY | 0.9999 |
| 15500 | Burlington, NC Alamance County, NC | 0.8485 |
| 15540 | Burlington-South Burlington, VT Chittenden County, VT Franklin County, VT Grand Isle County, VT | 0.9997 |
| 15764 | Cambridge-Newton-Framingham, MA Middlesex County, MA | 1.1262 |
| 15804 | Camden, NJ Burlington County, NJ Camden County, NJ Gloucester County, NJ | 1.0474 |
| 15940 | Canton-Massillon, OH Carroll County, OH Stark County, OH | 0.8834 |
| 15980 | Cape Coral-Fort Myers, FL Lee County, FL | 0.9153 |
| 16020 | Cape Girardeau-Jackson, MO-IL Alexander County, IL Bollinger County, MO Cape Girardeau County, MO | 0.8860 |
| 16180 | Carson City, NV Carson City, NV | 1.0559 |
| 16220 | Casper, WY Natrona County, WY | 1.0143 |
| 16300 | Cedar Rapids, IA Benton County, IA Jones County, IA Linn County, IA | 0.8944 |
| 16580 | Champaign-Urbana, IL Champaign County, IL Ford County, IL Piatt County, IL | 0.9907 |
| 16620 | Charleston, WV Boone County, WV Clay County, WV Kanawha County, WV Lincoln County, WV Putnam County, WV | 0.8050 |
| 16700 | Charleston-North Charleston-Summerville, SC Berkeley County, SC Charleston County, SC Dorchester County, SC | 0.8820 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 16740 | Charlotte-Gastonia-Concord, NC-SC Anson County, NC Cabarrus County, NC Gaston County, NC Mecklenburg County, NC Union County, NC York County, SC | 0.9215 |
| 16820 | Charlottesville, VA Albemarle County, VA Fluvanna County, VA Greene County, VA Nelson County, VA Charlottesville City, VA | 0.9195 |
| 16860 | Chattanooga, TN-GA Catoosa County, GA Dade County, GA Walker County, GA Hamilton County, TN Marion County, TN Sequatchie County, TN | 0.8678 |
| 16940 | Cheyenne, WY Laramie County, WY | 0.9730 |
| 16974 | Chicago-Naperville-Joliet, IL Cook County, IL DeKalb County, IL DuPage County, IL Grundy County, IL Kane County, IL Kendall County, IL McHenry County, IL Will County, IL | 1.0600 |
| 17020 | Chico, CA Butte County, CA | 1.1197 |
| 17140 | Cincinnati-Middletown, OH-KY-IN Dearborn County, IN Franklin County, IN Ohio County, IN Boone County, KY Bracken County, KY Campbell County, KY Gallatin County, KY Grant County, KY Kenton County, KY Pendleton County, KY Brown County, OH Butler County, OH Clermont County, OH Hamilton County, OH Warren County, OH | 0.9508 |
| 17300 | Clarksville, TN-KY Christian County, KY Trigg County, KY Montgomery County, TN Stewart County, TN | 0.8082 |
| 17420 | Cleveland, TN Bradley County, TN Polk County, TN | 0.7592 |
| 17460 | Cleveland-Elyria-Mentor, OH Cuyahoga County, OH Geauga County, OH Lake County, OH Lorain County, OH Medina County, OH | 0.9082 |
| 17660 | Coeur d'Alene, ID Kootenai County, ID | 0.9218 |
| 17780 | College Station-Bryan, TX Brazos County, TX Burlinson County, TX Robertson County, TX | 0.9584 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 17820 | Colorado Springs, CO El Paso County, CO Teller County, CO | 0.9364 |
| 17860 | Columbia, MO Boone County, MO Howard County, MO | 0.8339 |
| 17900 | Columbia, SC Calhoun County, SC Fairfield County, SC Kershaw County, SC Lexington County, SC Richland County, SC Saluda County, SC | 0.8560 |
| 17980 | Columbus, GA-AL Russell County, AL Chattahoochee County, GA Harris County, GA Marion County, GA Muscogee County, GA | 0.8857 |
| 18020 | Columbus, IN Bartholomew County, IN | 0.9564 |
| 18140 | Columbus, OH Delaware County, OH Fairfield County, OH Franklin County, OH Licking County, OH Madison County, OH Morrow County, OH Pickaway County, OH Union County, OH | 0.9763 |
| 18580 | Corpus Christi, TX Aransas County, TX Nueces County, TX San Patricio County, TX | 0.8591 |
| 18700 | Corvallis, OR Benton County, OR | 1.0715 |
| 18880 | Crestview-Fort Walton Beach-Destin, FL Okaloosa County, FL | 0.8916 |
| 19060 | Cumberland, MD-WV Allegany County, MD Mineral County, WV | 0.8836 |
| 19124 | Dallas-Plano-Irving, TX Collin County, TX Dallas County, TX Delta County, TX Denton County, TX Ellis County, TX Hunt County, TX Kaufman County, TX Rockwall County, TX | 0.9835 |
| 19140 | Dalton, GA Murray County, GA Whitfield County, GA | 0.8828 |
| 19180 | Danville, IL Vermilion County, IL | 0.9977 |
| 19260 | Danville, VA Pittsylvania County, VA Danville City, VA | 0.8218 |
| 19340 | Davenport-Moline-Rock Island, IA-IL Henry County, IL Mercer County, IL Rock Island County, IL Scott County, IA | 0.9145 |
| 19380 | Dayton, OH Greene County, OH Miami County, OH Montgomery County, OH Preble County, OH | 0.9136 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 19460 | Decatur, AL Lawrence County, AL Morgan County, AL | 0.7261 |
| 19500 | Decatur, IL Macon County, IL | 0.7993 |
| 19660 | Deltona-Daytona Beach-Ormond Beach, FL Volusia County, FL | 0.8716 |
| 19740 | Denver-Aurora-Broomfield, CO Adams County, CO Arapahoe County, CO Broomfield County, CO Clear Creek County, CO Denver County, CO Douglas County, CO Elbert County, CO Gilpin County, CO Jefferson County, CO Park County, CO | 1.0469 |
| 19780 | Des Moines-West Des Moines, IA Dallas County, IA Guthrie County, IA Madison County, IA Polk County, IA Warren County, IA | 0.9616 |
| 19804 | Detroit-Livonia-Dearborn, MI Wayne County, MI | 0.9361 |
| 20020 | Dothan, AL Geneva County, AL Henry County, AL Houston County, AL | 0.7398 |
| 20100 | Dover, DE Kent County, DE | 0.9893 |
| 20220 | Dubuque, IA Dubuque County, IA | 0.8662 |
| 20260 | Duluth, MN-WI Carlton County, MN St. Louis County, MN Douglas County, WI | 1.0741 |
| 20500 | Durham-Chapel Hill, NC Chatham County, NC Durham County, NC Orange County, NC Person County, NC | 0.9525 |
| 20740 | Eau Claire, WI Chippewa County, WI Eau Claire County, WI | 0.9705 |
| 20764 | Edison-New Brunswick, NJ Middlesex County, NJ Monmouth County, NJ Ocean County, NJ Somerset County, NJ | 1.0806 |
| 20940 | El Centro, CA Imperial County, CA | 0.8602 |
| 21060 | Elizabethtown, KY Hardin County, KY Larue County, KY | 0.8294 |
| 21140 | Elkhart-Goshen, IN Elkhart County, IN | 0.9097 |
| 21300 | Elmira, NY Chemung County, NY | 0.8205 |
| 21340 | El Paso, TX El Paso County, TX | 0.8426 |
| 21500 | Erie, PA Erie County, PA | 0.7823 |
| 21660 | Eugene-Springfield, OR Lane County, OR | 1.1454 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 21780 | Evansville, IN-KY Gibson County, IN Posey County, IN Vanderburgh County, IN Warrick County, IN Henderson County, KY Webster County, KY | 0.8401 |
| 21820 | Fairbanks, AK Fairbanks North Star Borough, AK | 1.0816 |
| 21940 | Fajardo, PR Ceiba Municipio, PR Fajardo Municipio, PR Luquillo Municipio, PR | 0.3663 |
| 22020 | Fargo, ND-MN Cass County, ND Clay County, MN | 0.8108 |
| 22140 | Farmington, NM San Juan County, NM | 0.9323 |
| 22180 | Fayetteville, NC Cumberland County, NC Hoke County, NC | 0.8971 |
| 22220 | Fayetteville-Springdale-Rogers, AR-MO Benton County, AR Madison County, AR Washington County, AR McDonald County, MO | 0.9288 |
| 22380 | Flagstaff, AZ Coconino County, AZ | 1.2369 |
| 22420 | Flint, MI Genesee County, MI | 1.1257 |
| 22500 | Florence, SC Darlington County, SC Florence County, SC | 0.8087 |
| 22520 | Florence-Muscle Shoals, AL Colbert County, AL Lauderdale County, AL | 0.7679 |
| 22540 | Fond du Lac, WI Fond du Lac County, WI | 0.9158 |
| 22660 | Fort Collins-Loveland, CO Larimer County, CO | 0.9833 |
| 22744 | Fort Lauderdale-Pompano Beach-Deerfield Beach, FL Broward County, FL | 1.0363 |
| 22900 | Fort Smith, AR-OK Crawford County, AR Franklin County, AR Sebastian County, AR Le Flore County, OK Sequoyah County, OK | 0.7848 |
| 23060 | Fort Wayne, IN Allen County, IN Wells County, IN Whitley County, IN | 0.9633 |
| 23104 | Fort Worth-Arlington, TX Johnson County, TX Parker County, TX Tarrant County, TX Wise County, TX | 0.9516 |
| 23420 | Fresno, CA Fresno County, CA | 1.1593 |
| 23460 | Gadsden, AL Etowah County, AL | 0.7697 |
| 23540 | Gainesville, FL Alachua County, FL Gilchrist County, FL | 0.9631 |
| 23580 | Gainesville, GA Hall County, GA | 0.9327 |
| 23844 | Gary, IN Jasper County, IN Lake County, IN Newton County, IN Porter County, IN | 0.9259 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 24020 | Glens Falls, NY Warren County, NY Washington County, NY | 0.8340 |
| 24140 | Goldsboro, NC Wayne County, NC | 0.8560 |
| 24220 | Grand Forks, ND-MN Polk County, MN Grand Forks County, ND | 0.7250 |
| 24300 | Grand Junction, CO Mesa County, CO | 0.9415 |
| 24340 | Grand Rapids-Wyoming, MI Barry County, MI Ionia County, MI Kent County, MI Newaygo County, MI | 0.9125 |
| 24500 | Great Falls, MT Cascade County, MT | 0.7927 |
| 24540 | Greeley, CO Weld County, CO | 0.9593 |
| 24580 | Green Bay, WI Brown County, WI Kewaunee County, WI Oconto County, WI | 0.9793 |
| 24660 | Greensboro-High Point, NC Guilford County, NC Randolph County, NC Rockingham County, NC | 0.8638 |
| 24780 | Greenville, NC Greene County, NC Pitt County, NC | 0.9694 |
| 24860 | Greenville-Mauldin-Easley, SC Greenville County, SC Laurens County, SC Pickens County, SC | 0.9737 |
| 25020 | Guayama, PR Arroyo Municipio, PR Guayama Municipio, PR Patillas Municipio, PR | 0.3696 |
| 25060 | Gulfport-Biloxi, MS Hancock County, MS Harrison County, MS Stone County, MS | 0.8544 |
| 25180 | Hagerstown-Martinsburg, MD-WV Washington County, MD Berkeley County, WV Morgan County, WV | 0.9422 |
| 25260 | Hanford-Corcoran, CA Kings County, CA | 1.0992 |
| 25420 | Harrisburg-Carlisle, PA Cumberland County, PA Dauphin County, PA Perry County, PA | 0.9525 |
| 25500 | Harrisonburg, VA Rockingham County, VA Harrisonburg City, VA | 0.9087 |
| 25540 | Hartford-West Hartford-East Hartford, CT Hartford County, CT Middlesex County, CT Tolland County, CT | 1.0869 |
| 25620 | Hattiesburg, MS Forrest County, MS Lamar County, MS Perry County, MS | 0.8035 |
| 25860 | Hickory-Lenoir-Morganton, NC Alexander County, NC Burke County, NC Caldwell County, NC Catawba County, NC | 0.8677 |
| 25980 | Hinesville-Fort Stewart, GA ¹ Liberty County, GA Long County, GA | 0.8843 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 26100 | Holland-Grand Haven, MI Ottawa County, MI | 0.8024 |
| 26180 | Honolulu, HI Honolulu County, HI | 1.2156 |
| 26300 | Hot Springs, AR Garland County, AR | 0.8944 |
| 26380 | Houma-Bayou Cane-Thibodaux, LA Lafourche Parish, LA Terrebonne Parish, LA | 0.7928 |
| 26420 | Houston-Sugar Land-Baytown, TX Austin County, TX Brazoria County, TX Chambers County, TX Fort Bend County, TX Galveston County, TX Harris County, TX Liberty County, TX Montgomery County, TX San Jacinto County, TX Waller County, TX | 0.9933 |
| 26580 | Huntington-Ashland, WV-KY-OH Boyd County, KY Greenup County, KY Lawrence County, OH Cabell County, WV Wayne County, WV | 0.8635 |
| 26620 | Huntsville, AL Limestone County, AL Madison County, AL | 0.8667 |
| 26820 | Idaho Falls, ID Bonneville County, ID Jefferson County, ID | 0.9114 |
| 26900 | Indianapolis-Carmel, IN Boone County, IN Brown County, IN Hamilton County, IN Hancock County, IN Hendricks County, IN Johnson County, IN Marion County, IN Morgan County, IN Putnam County, IN Shelby County, IN | 0.9870 |
| 26980 | Iowa City, IA Johnson County, IA Washington County, IA | 1.0120 |
| 27060 | Ithaca, NY Tompkins County, NY | 0.9249 |
| 27100 | Jackson, MI Jackson County, MI | 0.8511 |
| 27140 | Jackson, MS Copiah County, MS Hinds County, MS Madison County, MS Rankin County, MS Simpson County, MS | 0.8177 |
| 27180 | Jackson, TN Chester County, TN Madison County, TN | 0.7672 |
| 27260 | Jacksonville, FL Baker County, FL Clay County, FL Duval County, FL Nassau County, FL St. Johns County, FL | 0.8883 |
| 27340 | Jacksonville, NC Onslow County, NC | 0.7957 |
| 27500 | Janesville, WI Rock County, WI | 0.9458 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 27620 | Jefferson City, MO Callaway County, MO Cole County, MO Moniteau County, MO Osage County, MO | 0.8263 |
| 27740 | Johnson City, TN Carter County, TN Unicoi County, TN Washington County, TN | 0.7359 |
| 27780 | Johnstown, PA Cambria County, PA | 0.8116 |
| 27860 | Jonesboro, AR Craighead County, AR Poinsett County, AR | 0.8084 |
| 27900 | Joplin, MO Jasper County, MO Newton County, MO | 0.7828 |
| 28020 | Kalamazoo-Portage, MI Kalamazoo County, MI Van Buren County, MI | 0.9834 |
| 28100 | Kankakee-Bradley, IL Kankakee County, IL | 1.0127 |
| 28140 | Kansas City, MO-KS Franklin County, KS Johnson County, KS Leavenworth County, KS Linn County, KS Miami County, KS Wyandotte County, KS Bates County, MO Caldwell County, MO Cass County, MO Clay County, MO Clinton County, MO Jackson County, MO Lafayette County, MO Platte County, MO Ray County, MO | 0.9614 |
| 28420 | Kennewick-Pasco-Richland, WA Benton County, WA Franklin County, WA | 0.9708 |
| 28660 | Killeen-Temple-Fort Hood, TX Bell County, TX Coryell County, TX Lampasas County, TX | 0.9102 |
| 28700 | Kingsport-Bristol-Bristol, TN-VA Hawkins County, TN Sullivan County, TN Bristol City, VA Scott County, VA Washington County, VA | 0.7325 |
| 28740 | Kingston, NY Ulster County, NY | 0.8953 |
| 28940 | Knoxville, TN Anderson County, TN Blount County, TN Knox County, TN Loudon County, TN Union County, TN | 0.7575 |
| 29020 | Kokomo, IN Howard County, IN Tipton County, IN | 0.8756 |
| 29100 | La Crosse, WI-MN Houston County, MN La Crosse County, WI | 1.0070 |
| 29140 | Lafayette, IN Benton County, IN Carroll County, IN Tippecanoe County, IN | 0.9316 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 29180 | Lafayette, LA Lafayette Parish, LA St. Martin Parish, LA | 0.8565 |
| 29340 | Lake Charles, LA Calcasieu Parish, LA Cameron Parish, LA | 0.7813 |
| 29404 | Lake County-Kenosha County, IL-WI Lake County, IL Kenosha County, WI | 1.0558 |
| 29420 | Lake Havasu City-Kingman, AZ Mohave County, AZ | 0.9760 |
| 29460 | Lakeland-Winter Haven, FL Polk County, FL | 0.8262 |
| 29540 | Lancaster, PA Lancaster County, PA | 0.9452 |
| 29620 | Lansing-East Lansing, MI Clinton County, MI Eaton County, MI Ingham County, MI | 1.0065 |
| 29700 | Laredo, TX Webb County, TX | 0.7486 |
| 29740 | Las Cruces, NM Dona Ana County, NM | 0.9044 |
| 29820 | Las Vegas-Paradise, NV Clark County, NV | 1.2076 |
| 29940 | Lawrence, KS Douglas County, KS | 0.8676 |
| 30020 | Lawton, OK Comanche County, OK | 0.8351 |
| 30140 | Lebanon, PA Lebanon County, PA | 0.7994 |
| 30300 | Lewiston, ID-WA Nez Perce County, ID Asotin County, WA | 0.9326 |
| 30340 | Lewiston-Auburn, ME Androscoggin County, ME | 0.9178 |
| 30460 | Lexington-Fayette, KY Bourbon County, KY Clark County, KY Fayette County, KY Jessamine County, KY Scott County, KY Woodford County, KY | 0.9023 |
| 30620 | Lima, OH Allen County, OH | 0.9226 |
| 30700 | Lincoln, NE Lancaster County, NE Seward County, NE | 0.9726 |
| 30780 | Little Rock-North Little Rock-Conway, AR Faulkner County, AR Grant County, AR Lonoke County, AR Perry County, AR Pulaski County, AR Saline County, AR | 0.8595 |
| 30860 | Logan, UT-ID Franklin County, ID Cache County, UT | 0.8456 |
| 30980 | Longview, TX Gregg County, TX Rusk County, TX Upshur County, TX | 0.8550 |
| 31020 | Longview, WA Cowlitz County, WA | 1.0081 |
| 31084 | Los Angeles-Long Beach-Glendale, CA Los Angeles County, CA | 1.2293 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 31140 | Louisville-Jefferson County, KY-IN Clark County, IN Floyd County, IN Harrison County, IN Washington County, IN Bullitt County, KY Henry County, KY Meade County, KY Nelson County, KY Oldham County, KY Shelby County, KY Spencer County, KY Trimble County, KY | 0.8862 |
| 31180 | Lubbock, TX Crosby County, TX Lubbock County, TX | 0.8870 |
| 31340 | Lynchburg, VA Amherst County, VA Appomattox County, VA Bedford County, VA Campbell County, VA Bedford City, VA Lynchburg City, VA | 0.8615 |
| 31420 | Macon, GA Bibb County, GA Crawford County, GA Jones County, GA Monroe County, GA Twiggs County, GA | 0.8584 |
| 31460 | Madera-Chowchilla, CA Madera County, CA | 0.8050 |
| 31540 | Madison, WI Columbia County, WI Dane County, WI Iowa County, WI | 1.1264 |
| 31700 | Manchester-Nashua, NH Hillsborough County, NH | 1.0042 |
| 31740 | Manhattan, KS Geary County, KS Pottawatomie County, KS Riley County, KS | 0.7839 |
| 31860 | Mankato-North Mankato, MN Blue Earth County, MN Nicollet County, MN | 0.9413 |
| 31900 | Mansfield, OH Richland County, OH | 0.8993 |
| 32420 | Mayagüez, PR Hormigueros Municipio, PR Mayagüez Municipio, PR | 0.3586 |
| 32580 | McAllen-Edinburg-Mission, TX Hidalgo County, TX | 0.8603 |
| 32780 | Medford, OR Jackson County, OR | 1.0400 |
| 32820 | Memphis, TN-MS-AR Crittenden County, AR DeSoto County, MS Marshall County, MS Tate County, MS Tunica County, MS Fayette County, TN Shelby County, TN Tipton County, TN | 0.9049 |
| 32900 | Merced, CA Merced County, CA | 1.2996 |
| 33124 | Miami-Miami Beach-Kendall, FL Miami-Dade County, FL | 1.0130 |
| 33140 | Michigan City-La Porte, IN LaPorte County, IN | 0.9694 |
| 33260 | Midland, TX Midland County, TX | 1.0640 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 33340 | Milwaukee-Waukesha-West Allis, WI Milwaukee County, WI Ozaukee County, WI Washington County, WI Waukesha County, WI | 0.9931 |
| 33460 | Minneapolis-St. Paul-Bloomington, MN-WI Anoka County, MN Carver County, MN Chisago County, MN Dakota County, MN Hennepin County, MN Isanti County, MN Ramsey County, MN Scott County, MN Sherburne County, MN Washington County, MN Wright County, MN Pierce County, WI St. Croix County, WI | 1.1336 |
| 33540 | Missoula, MT Missoula County, MT | 0.9001 |
| 33660 | Mobile, AL Mobile County, AL | 0.7467 |
| 33700 | Modesto, CA Stanislaus County, CA | 1.2841 |
| 33740 | Monroe, LA Ouachita Parish, LA Union Parish, LA | 0.7717 |
| 33780 | Monroe, MI Monroe County, MI | 0.8472 |
| 33860 | Montgomery, AL Autauga County, AL Elmore County, AL Lowndes County, AL Montgomery County, AL | 0.7858 |
| 34060 | Morgantown, WV Monongalia County, WV Preston County, WV | 0.8284 |
| 34100 | Morristown, TN Grainger County, TN Hamblen County, TN Jefferson County, TN | 0.6768 |
| 34580 | Mount Vernon-Anacortes, WA Skagit County, WA | 1.0340 |
| 34620 | Muncie, IN Delaware County, IN | 0.8734 |
| 34740 | Muskegon-Norton Shores, MI Muskegon County, MI | 1.1007 |
| 34820 | Myrtle Beach-North Myrtle Beach-Conway, SC Horry County, SC | 0.8717 |
| 34900 | Napa, CA Napa County, CA | 1.6045 |
| 34940 | Naples-Marco Island, FL Collier County, FL | 0.9265 |
| 34980 | Nashville-Davidson—Murfreesboro-Franklin, TN Cannon County, TN Cheatham County, TN Davidson County, TN Dickson County, TN Hickman County, TN Macon County, TN Robertson County, TN Rutherford County, TN Smith County, TN Sumner County, TN Trousdale County, TN Williamson County, TN Wilson County, TN | 0.9061 |
| 35004 | Nassau-Suffolk, NY Nassau County, NY Suffolk County, NY | 1.2698 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 35084 | Newark-Union, NJ-PA Essex County, NJ Hunterdon County, NJ Morris County, NJ Sussex County, NJ Union County, NJ Pike County, PA | 1.1223 |
| 35300 | New Haven-Milford, CT New Haven County, CT | 1.2061 |
| 35380 | New Orleans-Metairie-Kenner, LA Jefferson Parish, LA Orleans Parish, LA Plaquemines Parish, LA St. Bernard Parish, LA St. Charles Parish, LA St. John the Baptist Parish, LA St. Tammany Parish, LA | 0.8932 |
| 35644 | New York-White Plains-Wayne, NY-NJ Bergen County, NJ Hudson County, NJ Passaic County, NJ Bronx County, NY Kings County, NY New York County, NY Putnam County, NY Queens County, NY Richmond County, NY Rockland County, NY Westchester County, NY | 1.2914 |
| 35660 | Niles-Benton Harbor, MI Berrien County, MI | 0.8237 |
| 35840 | North Port-Bradenton-Sarasota-Venice, FL Manatee County, FL Sarasota County, FL | 0.9375 |
| 35980 | Norwich-New London, CT New London County, CT | 1.1376 |
| 36084 | Oakland-Fremont-Hayward, CA Alameda County, CA Contra Costa County, CA | 1.6654 |
| 36100 | Ocala, FL Marion County, FL | 0.8455 |
| 36140 | Ocean City, NJ Cape May County, NJ | 1.0307 |
| 36220 | Odessa, TX Ector County, TX | 0.9741 |
| 36260 | Ogden-Clearfield, UT Davis County, UT Morgan County, UT Weber County, UT | 0.9031 |
| 36420 | Oklahoma City, OK Canadian County, OK Cleveland County, OK Grady County, OK Lincoln County, OK Logan County, OK McClain County, OK Oklahoma County, OK | 0.8810 |
| 36500 | Olympia, WA Thurston County, WA | 1.1397 |
| 36540 | Omaha-Council Bluffs, NE-IA Harrison County, IA Mills County, IA Pottawattamie County, IA Cass County, NE Douglas County, NE Sarpy County, NE Saunders County, NE Washington County, NE | 1.0037 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 36740 | Orlando-Kissimmee, FL Lake County, FL Orange County, FL Osceola County, FL Seminole County, FL | 0.9082 |
| 36780 | Oshkosh-Neenah, WI Winnebago County, WI | 0.9433 |
| 36980 | Owensboro, KY Daviess County, KY Hancock County, KY McLean County, KY | 0.8117 |
| 37100 | Oxnard-Thousand Oaks-Ventura, CA Ventura County, CA | 1.3079 |
| 37340 | Palm Bay-Melbourne-Titusville, FL Brevard County, FL | 0.8838 |
| 37380 | Palm Coast, FL Flagler County, FL | 0.9880 |
| 37460 | Panama City-Lynn Haven-Panama City Beach, FL Bay County, FL | 0.7976 |
| 37620 | Parkersburg-Marietta-Vienna, WV-OH Washington County, OH Pleasants County, WV Wirt County, WV Wood County, WV | 0.7487 |
| 37700 | Pascagoula, MS George County, MS Jackson County, MS | 0.7662 |
| 37764 | Peabody, MA Essex County, MA | 1.0551 |
| 37860 | Pensacola-Ferry Pass-Brent, FL Escambia County, FL Santa Rosa County, FL | 0.7819 |
| 37900 | Peoria, IL Marshall County, IL Peoria County, IL Stark County, IL Tazewell County, IL Woodford County, IL | 0.8882 |
| 37964 | Philadelphia, PA Bucks County, PA Chester County, PA Delaware County, PA Montgomery County, PA Philadelphia County, PA | 1.0806 |
| 38060 | Phoenix-Mesa-Scottsdale, AZ Maricopa County, AZ Pinal County, AZ | 1.0477 |
| 38220 | Pine Bluff, AR Cleveland County, AR Jefferson County, AR Lincoln County, AR | 0.7847 |
| 38300 | Pittsburgh, PA Allegheny County, PA Armstrong County, PA Beaver County, PA Butler County, PA Fayette County, PA Washington County, PA Westmoreland County, PA | 0.8585 |
| 38340 | Pittsfield, MA Berkshire County, MA | 1.0721 |
| 38540 | Pocatello, ID Bannock County, ID Power County, ID | 0.9555 |
| 38660 | Ponce, PR Juana Díaz Municipio, PR Ponce Municipio, PR Villalba Municipio, PR | 0.4314 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 38860 | Portland-South Portland-Biddeford, ME Cumberland County, ME Sagadahoc County, ME York County, ME | 0.9975 |
| 38900 | Portland-Vancouver-Beaverton, OR-WA Clackamas County, OR Columbia County, OR Multnomah County, OR Washington County, OR Yamhill County, OR Clark County, WA Skamania County, WA | 1.1673 |
| 38940 | Port St. Lucie, FL Martin County, FL St. Lucie County, FL | 0.9577 |
| 39100 | Poughkeepsie-Newburgh-Middletown, NY Dutchess County, NY Orange County, NY | 1.1325 |
| 39140 | Prescott, AZ Yavapai County, AZ | 1.2009 |
| 39300 | Providence-New Bedford-Fall River, RI-MA Bristol County, MA Bristol County, RI Kent County, RI Newport County, RI Providence County, RI Washington County, RI | 1.0699 |
| 39340 | Provo-Orem, UT Juab County, UT Utah County, UT | 0.9133 |
| 39380 | Pueblo, CO Pueblo County, CO | 0.8518 |
| 39460 | Punta Gorda, FL Charlotte County, FL | 0.8590 |
| 39540 | Racine, WI Racine County, WI | 0.9158 |
| 39580 | Raleigh-Cary, NC Franklin County, NC Johnston County, NC Wake County, NC | 0.9488 |
| 39660 | Rapid City, SD Meade County, SD Pennington County, SD | 0.9823 |
| 39740 | Reading, PA Berks County, PA | 0.9072 |
| 39820 | Redding, CA Shasta County, CA | 1.4555 |
| 39900 | Reno-Sparks, NV Storey County, NV Washoe County, NV | 1.0328 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 40060 | Richmond, VA Amelia County, VA Caroline County, VA Charles City County, VA Chesterfield County, VA Cumberland County, VA Dinwiddie County, VA Goochland County, VA Hanover County, VA Henrico County, VA King and Queen County, VA King William County, VA Louisa County, VA New Kent County, VA Powhatan County, VA Prince George County, VA Sussex County, VA Colonial Heights City, VA Hopewell City, VA Petersburg City, VA Richmond City, VA | 0.9695 |
| 40140 | Riverside-San Bernardino-Ontario, CA Riverside County, CA San Bernardino County, CA | 1.1396 |
| 40220 | Roanoke, VA Botetourt County, VA Craig County, VA Franklin County, VA Roanoke County, VA Roanoke City, VA Salem City, VA | 0.9088 |
| 40340 | Rochester, MN Dodge County, MN Olmsted County, MN Wabasha County, MN | 1.0708 |
| 40380 | Rochester, NY Livingston County, NY Monroe County, NY Ontario County, NY Orleans County, NY Wayne County, NY | 0.8704 |
| 40420 | Rockford, IL Boone County, IL Winnebago County, IL | 0.9935 |
| 40484 | Rockingham County-Strafford County, NH Rockingham County, NH Strafford County, NH | 1.0234 |
| 40580 | Rocky Mount, NC Edgecombe County, NC Nash County, NC | 0.8898 |
| 40660 | Rome, GA Floyd County, GA | 0.8844 |
| 40900 | Sacramento-Arden-Arcade-Roseville, CA El Dorado County, CA Placer County, CA Sacramento County, CA Yolo County, CA | 1.4752 |
| 40980 | Saginaw-Saginaw Township North, MI Saginaw County, MI | 0.8820 |
| 41060 | St. Cloud, MN Benton County, MN Stearns County, MN | 1.1010 |
| 41100 | St. George, UT Washington County, UT | 0.8870 |
| 41140 | St. Joseph, MO-KS Doniphan County, KS Andrew County, MO Buchanan County, MO DeKalb County, MO | 0.9856 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 41180 | St. Louis, MO-IL Bond County, IL Calhoun County, IL Clinton County, IL Jersey County, IL Macoupin County, IL Madison County, IL Monroe County, IL St. Clair County, IL Crawford County, MO Franklin County, MO Jefferson County, MO Lincoln County, MO St. Charles County, MO St. Louis County, MO Warren County, MO Washington County, MO St. Louis City, MO | 0.9420 |
| 41420 | Salem, OR Marion County, OR Polk County, OR | 1.1069 |
| 41500 | Salinas, CA Monterey County, CA | 1.6074 |
| 41540 | Salisbury, MD Somerset County, MD Wicomico County, MD | 0.9260 |
| 41620 | Salt Lake City, UT Salt Lake County, UT Summit County, UT Tooele County, UT | 0.9063 |
| 41660 | San Angelo, TX Irion County, TX Tom Green County, TX | 0.8221 |
| 41700 | San Antonio, TX Atascosa County, TX Bandera County, TX Bexar County, TX Comal County, TX Guadalupe County, TX Kendall County, TX Medina County, TX Wilson County, TX | 0.8936 |
| 41740 | San Diego-Carlsbad-San Marcos, CA San Diego County, CA | 1.1922 |
| 41780 | Sandusky, OH Erie County, OH | 0.8347 |
| 41884 | San Francisco-San Mateo-Redwood City, CA Marin County, CA San Francisco County, CA San Mateo County, CA | 1.6327 |
| 41900 | San Germán-Cabo Rojo, PR Cabo Rojo Municipio, PR Lajas Municipio, PR Sabana Grande Municipio, PR San Germán Municipio, PR | 0.4804 |
| 41940 | San Jose-Sunnyvale-Santa Clara, CA San Benito County, CA Santa Clara County, CA | 1.7396 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-------------|---|------------|
| 41980 | San Juan-Caguas-Guaynabo, PR Aguas Buenas Municipio, PR Aibonito Municipio, PR Arecibo Municipio, PR Barceloneta Municipio, PR Barranquitas Municipio, PR Bayamón Municipio, PR Caguas Municipio, PR Camuy Municipio, PR Canóvanas Municipio, PR Carolina Municipio, PR Cataño Municipio, PR Cayey Municipio, PR Ciales Municipio, PR Cidra Municipio, PR Comerío Municipio, PR Corozal Municipio, PR Dorado Municipio, PR Florida Municipio, PR Guaynabo Municipio, PR Gurabo Municipio, PR Hatillo Municipio, PR Humacao Municipio, PR Juncos Municipio, PR Las Piedras Municipio, PR Loíza Municipio, PR Manatí Municipio, PR Maunabo Municipio, PR Morovis Municipio, PR Naguabo Municipio, PR Naranjito Municipio, PR Orocovis Municipio, PR Quebradillas Municipio, PR Río Grande Municipio, PR San Juan Municipio, PR San Lorenzo Municipio, PR Toa Alta Municipio, PR Toa Baja Municipio, PR Trujillo Alto Municipio, PR Vega Alta Municipio, PR Vega Baja Municipio, PR Yabucoa Municipio, PR | 0.4318 |
| 42020 | San Luis Obispo-Paso Robles, CA San Luis Obispo County, CA | 1.3081 |
| 42044 | Santa Ana-Anaheim-Irvine, CA Orange County, CA | 1.2038 |
| 42060 | Santa Barbara-Santa Maria-Goleta, CA Santa Barbara County, CA | 1.2670 |
| 42100 | Santa Cruz-Watsonville, CA Santa Cruz County, CA | 1.8062 |
| 42140 | Santa Fe, NM Santa Fe County, NM | 1.0400 |
| 42220 | Santa Rosa-Petaluma, CA Sonoma County, CA | 1.6440 |
| 42340 | Savannah, GA Bryan County, GA Chatham County, GA Effingham County, GA | 0.8968 |
| 42540 | Scranton—Wilkes-Barre, PA Lackawanna County, PA Luzerne County, PA Wyoming County, PA | 0.8260 |
| 42644 | Seattle-Bellevue-Everett, WA King County, WA Snohomish County, WA | 1.1771 |
| 42680 | Sebastian-Vero Beach, FL Indian River County, FL | 0.8850 |
| 43100 | Sheboygan, WI Sheboygan County, WI | 0.9515 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 43300 | Sherman-Denison, TX Grayson County, TX | 0.8544 |
| 43340 | Shreveport-Bossier City, LA Bossier Parish, LA Caddo Parish, LA De Soto Parish, LA | 0.8412 |
| 43580 | Sioux City, IA-NE-SD Woodbury County, IA Dakota County, NE Dixon County, NE Union County, SD | 0.9010 |
| 43620 | Sioux Falls, SD Lincoln County, SD McCook County, SD Minnehaha County, SD Turner County, SD | 0.8338 |
| 43780 | South Bend-Mishawaka, IN-MI St. Joseph County, IN Cass County, MI | 0.9531 |
| 43900 | Spartanburg, SC Spartanburg County, SC | 0.9186 |
| 44060 | Spokane, WA Spokane County, WA | 1.0824 |
| 44100 | Springfield, IL Menard County, IL Sangamon County, IL | 0.9179 |
| 44140 | Springfield, MA Franklin County, MA Hampden County, MA Hampshire County, MA | 1.0377 |
| 44180 | Springfield, MO Christian County, MO Dallas County, MO Greene County, MO Polk County, MO Webster County, MO | 0.8581 |
| 44220 | Springfield, OH Clark County, OH | 0.9236 |
| 44300 | State College, PA Centre County, PA | 0.9510 |
| 44600 | Steubenville-Weirton, OH-WV Jefferson County, OH Brooke County, WV Hancock County, WV | 0.7640 |
| 44700 | Stockton, CA San Joaquin County, CA | 1.3356 |
| 44940 | Sumter, SC Sumter County, SC | 0.7454 |
| 45060 | Syracuse, NY Madison County, NY Onondaga County, NY Oswego County, NY | 0.9829 |
| 45104 | Tacoma, WA Pierce County, WA | 1.1741 |
| 45220 | Tallahassee, FL Gadsden County, FL Jefferson County, FL Leon County, FL Wakulla County, FL | 0.8521 |
| 45300 | Tampa-St. Petersburg-Clearwater, FL Hernando County, FL Hillsborough County, FL Pasco County, FL Pinellas County, FL | 0.9032 |
| 45460 | Terre Haute, IN Clay County, IN Sullivan County, IN Vermillion County, IN Vigo County, IN | 0.9113 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 45500 | Texarkana, TX-Texarkana, AR Miller County, AR Bowie County, TX | 0.7967 |
| 45780 | Toledo, OH Fulton County, OH Lucas County, OH Ottawa County, OH Wood County, OH | 0.9034 |
| 45820 | Topeka, KS Jackson County, KS Jefferson County, KS Osage County, KS Shawnee County, KS Wabaunsee County, KS | 0.8969 |
| 45940 | Trenton-Ewing, NJ Mercer County, NJ | 1.0360 |
| 46060 | Tucson, AZ Pima County, AZ | 0.9065 |
| 46140 | Tulsa, OK Creek County, OK Okmulgee County, OK Osage County, OK Pawnee County, OK Rogers County, OK Tulsa County, OK Wagoner County, OK | 0.8139 |
| 46220 | Tuscaloosa, AL Greene County, AL Hale County, AL Tuscaloosa County, AL | 0.8533 |
| 46340 | Tyler, TX Smith County, TX | 0.8361 |
| 46540 | Utica-Rome, NY Herkimer County, NY Oneida County, NY | 0.8653 |
| 46660 | Valdosta, GA Brooks County, GA Echols County, GA Lanier County, GA Lowndes County, GA | 0.7918 |
| 46700 | Vallejo-Fairfield, CA Solano County, CA | 1.5844 |
| 47020 | Victoria, TX Calhoun County, TX Goliad County, TX Victoria County, TX | 0.8992 |
| 47220 | Vineland-Millville-Bridgeton, NJ Cumberland County, NJ | 1.0596 |
| 47260 | Virginia Beach-Norfolk-Newport News, VA-NC Currituck County, NC Gloucester County, VA Isle of Wight County, VA James City County, VA Mathews County, VA Surry County, VA York County, VA Chesapeake City, VA Hampton City, VA Newport News City, VA Norfolk City, VA Poquoson City, VA Portsmouth City, VA Suffolk City, VA Virginia Beach City, VA Williamsburg City, VA | 0.9208 |
| 47300 | Visalia-Porterville, CA Tulare County, CA | 1.0349 |
| 47380 | Waco, TX McLennan County, TX | 0.8458 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|--|------------|
| 47580 | Warner Robins, GA Houston County, GA | 0.8197 |
| 47644 | Warren-Troy-Farmington Hills, MI Lapeer County, MI Livingston County, MI Macomb County, MI Oakland County, MI St. Clair County, MI | 0.9543 |
| 47894 | Washington-Arlington-Alexandria, DC-VA-MD-WV District of Columbia, DC Calvert County, MD Charles County, MD Prince George's County, MD Arlington County, VA Clarke County, VA Fairfax County, VA Fauquier County, VA Loudoun County, VA Prince William County, VA Spotsylvania County, VA Stafford County, VA Warren County, VA Alexandria City, VA Fairfax City, VA Falls Church City, VA Fredericksburg City, VA Manassas City, VA Manassas Park City, VA Jefferson County, WV | 1.0659 |
| 47940 | Waterloo-Cedar Falls, IA Black Hawk County, IA Bremer County, IA Grundy County, IA | 0.8422 |
| 48140 | Wausau, WI Marathon County, WI | 0.8921 |
| 48300 | Wenatchee-East Wenatchee, WA Chelan County, WA Douglas County, WA | 1.0037 |
| 48424 | West Palm Beach-Boca Raton-Boynton Beach, FL Palm Beach County, FL | 0.9661 |
| 48540 | Wheeling, WV-OH Belmont County, OH Marshall County, WV Ohio County, WV | 0.6863 |
| 48620 | Wichita, KS Butler County, KS Harvey County, KS Sedgwick County, KS Sumner County, KS | 0.8681 |
| 48660 | Wichita Falls, TX Archer County, TX Clay County, TX Wichita County, TX | 0.9048 |
| 48700 | Williamsport, PA Lycoming County, PA | 0.8230 |
| 48864 | Wilmington, DE-MD-NJ New Castle County, DE Cecil County, MD Salem County, NJ | 1.0687 |
| 48900 | Wilmington, NC Brunswick County, NC New Hanover County, NC Pender County, NC | 0.9155 |
| 49020 | Winchester, VA-WV Frederick County, VA Winchester City, VA Hampshire County, WV | 0.9249 |

TABLE A—FY 2013 WAGE INDEX FOR URBAN AREAS BASED ON CBSA LABOR MARKET AREAS—Continued

| CBSA code | Urban area (constituent counties) | Wage index |
|-----------|---|------------|
| 49180 | Winston-Salem, NC Davie County, NC Forsyth County, NC Stokes County, NC Yadkin County, NC | 0.8660 |
| 49340 | Worcester, MA Worcester County, MA | 1.1205 |
| 49420 | Yakima, WA Yakima County, WA | 1.0097 |
| 49500 | Yauco, PR Guánica Municipio, PR Guayanilla Municipio, PR Peñuelas Municipio, PR Yauco Municipio, PR | 0.4059 |
| 49620 | York-Hanover, PA York County, PA | 0.9557 |
| 49660 | Youngstown-Warren-Boardman, OH-PA Mahoning County, OH Trumbull County, OH Mercer County, PA | 0.8283 |
| 49700 | Yuba City, CA ¹ Sutter County, CA Yuba County, CA | 1.2004 |
| 49740 | Yuma, AZ Yuma County, AZ | 0.9517 |

¹ At this time, there are no hospitals located in this urban area on which to base a wage index.

TABLE B—FY 2013 WAGE INDEX
BASED ON CBSA LABOR MARKET
AREAS FOR RURAL AREAS

| State code | Nonurban area | Wage index |
|------------|---------------|------------|
| 1 | Alabama | 0.7121 |
| 2 | Alaska | 1.2807 |
| 3 | Arizona | 0.9182 |
| 4 | Arkansas | 0.7350 |
| 5 | California | 1.2567 |
| 6 | Colorado | 1.0208 |
| 7 | Connecticut | 1.1128 |
| 8 | Delaware | 1.0171 |
| 10 | Florida | 0.8062 |
| 11 | Georgia | 0.7421 |
| 12 | Hawaii | 1.0728 |
| 13 | Idaho | 0.7583 |
| 14 | Illinois | 0.8438 |
| 15 | Indiana | 0.8472 |
| 16 | Iowa | 0.8351 |
| 17 | Kansas | 0.7997 |
| 18 | Kentucky | 0.7877 |
| 19 | Louisiana | 0.7718 |
| 20 | Maine | 0.8300 |
| 21 | Maryland | 0.8797 |
| 22 | Massachusetts | 1.3540 |
| 23 | Michigan | 0.8387 |

TABLE B—FY 2013 WAGE INDEX
BASED ON CBSA LABOR MARKET
AREAS FOR RURAL AREAS—Continued

| State code | Nonurban area | Wage index |
|------------|---------------------------|------------|
| 24 | Minnesota | 0.9053 |
| 25 | Mississippi | 0.7537 |
| 26 | Missouri | 0.7622 |
| 27 | Montana | 0.8600 |
| 28 | Nebraska | 0.8733 |
| 29 | Nevada | 0.9739 |
| 30 | New Hampshire | 1.0372 |
| 31 | New Jersey ¹ | |
| 32 | New Mexico | 0.8879 |
| 33 | New York | 0.8199 |
| 34 | North Carolina | 0.8271 |
| 35 | North Dakota | 0.6891 |
| 36 | Ohio | 0.8470 |
| 37 | Oklahoma | 0.7783 |
| 38 | Oregon | 0.9500 |
| 39 | Pennsylvania | 0.8380 |
| 40 | Puerto Rico ¹ | 0.4047 |
| 41 | Rhode Island ¹ | |
| 42 | South Carolina | 0.8338 |
| 43 | South Dakota | 0.8124 |
| 44 | Tennessee | 0.7559 |

TABLE B—FY 2013 WAGE INDEX
BASED ON CBSA LABOR MARKET
AREAS FOR RURAL AREAS—Continued

| State code | Nonurban area | Wage index |
|------------|----------------|------------|
| 45 | Texas | 0.7978 |
| 46 | Utah | 0.8516 |
| 47 | Vermont | 0.9725 |
| 48 | Virgin Islands | 0.7185 |
| 49 | Virginia | 0.7728 |
| 50 | Washington | 1.0092 |
| 51 | West Virginia | 0.7333 |
| 52 | Wisconsin | 0.9142 |
| 53 | Wyoming | 0.9238 |
| 65 | Guam | 0.9611 |

¹ All counties within the State are classified as urban, with the exception of Puerto Rico. Puerto Rico has areas designated as rural; however, no short-term, acute care hospitals are located in the area(s) for FY 2013. The Puerto Rico wage index is the same as FY 2012.

[FR Doc. 2012-18719 Filed 7-27-12; 4:15 pm]

BILLING CODE P