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Coordinates interactions between FDA and consumer and professional groups dealing with AIDS, cancer, Alzheimer's Disease, and other special health issues.

Serves as a liaison point to coordinate contacts between FDA and other Federal agencies to ensure effective coordination and communication on AIDS, cancer, Alzheimer's Disease, and other special health issues.

Provides internal coordination on FDA activities related to AIDS, cancer, Alzheimer's Disease, and other special health issues.

Assists in the planning, administration, development, and evaluation of FDA policies related to AIDS, cancer, Alzheimer's Disease, and other special health issues.

#### 2. **Prior Delegations of Authority.**

Pending further delegations, directives, or orders by the Commissioner of Food and Drugs, all delegations of authority to positions of the affected organizations in effect prior to this date shall continue in effect in them or their successors.

Dated: April 25, 1997.

**William K. Hubbard,**

*Associate Commissioner for Policy Coordination.*

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## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Health Care Financing Administration

[BPD-816-N]

RIN 0938-AH14

#### Medicare Program; Update of the Reasonable Compensation Equivalent Limits for Services Furnished by Physicians

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

**ACTION:** Notice.

**SUMMARY:** This notice sets forth updated payment limits on the amount of allowable compensation for services furnished by physicians to providers that are not covered by the prospective payment system or per resident payments for graduate medical education. These services are paid by Medicare on a reasonable cost basis. The revised reasonable compensation equivalent limits are based on updated economic index data and replace the

limits that were published in the **Federal Register** on February 20, 1985 (50 FR 7123).

**EFFECTIVE DATE:** These limits are effective for cost reporting periods beginning on or after May 5, 1997.

**FOR FURTHER INFORMATION CONTACT:** Ward Pleines (410) 966-4528.

#### SUPPLEMENTARY INFORMATION:

##### I. Background

Under the Medicare program, payment for services furnished by a physician is made under either the Hospital Insurance Program (Part A) or the Supplementary Medical Insurance Program (Part B), depending on the type of services furnished. Physicians' charges for medical or surgical services to individual Medicare patients generally are covered under Part B on a fee-for-service basis, under the Medicare physician fee schedule, in accordance with section 1848 of the Social Security Act (the Act). On the other hand, the compensation that physicians receive from or through a provider for services that benefit patients generally (for example, administrative services, committee work, teaching, and supervision) can be covered under Part A or Part B, depending on the provider's setting.

Most hospitals are paid for inpatient hospital services under the prospective payment system. Before July 1, 1985, teaching hospitals were paid for graduate medical education (GME) costs on a reasonable cost basis. Section 9202 of the Consolidated Omnibus Budget Reconciliation Act (Public Law 99-272), enacted on April 7, 1986, added section (h) to section 1886 of the Act. That section changed the payment methodology for the direct costs of GME programs from a reasonable cost methodology to a methodology in which payment is fixed in advance based on the hospital's per resident amount. The change was effective for cost reporting periods beginning on or after July 1, 1985 (42 CFR 413.86).

The reasonable compensation equivalent (RCE) limits set forth in this notice do not apply to costs of physician compensation that are attributable to furnishing inpatient hospital services paid for under the hospital inpatient prospective payment system or that are attributable to GME costs. Further, compensation that a physician receives for activities that may not be paid for under either Part A or Part B are not considered in applying these limits. However, these limits will apply to the costs providers incur in compensating physicians for services to the provider in the following facilities:

- Hospitals and units of hospitals not subject to the prospective payment system, for both inpatient and outpatient services.

- Hospitals subject to the prospective payment system, but only for outpatient hospital services paid on a reasonable cost basis.

- Comprehensive outpatient rehabilitation facilities (CORFs).

- Skilled nursing facilities (SNFs).

As required by section 1887(a)(2)(B) of the Act, allowable compensation for services furnished by physicians to providers that are paid by Medicare on a reasonable cost basis is subject to RCE limits. Under these limits, payment is determined based on the lower of the actual cost of the services to the provider (that is, the compensation of the physician, whatever the form) or a reasonable compensation equivalent. For purposes of applying the RCE limits, physician compensation costs means monetary payments, fringe benefits, deferred compensation and any other items of value (excluding office space or billing and collection services), a provider or other organization furnishes a physician in return for the physician's services (42 CFR 405.481(a)).

If a physician receives any compensation from a provider for his or her physician services to the provider (that is, those services that benefit patients generally), payment to those affected providers for the costs of such compensation is subject to the RCE limits. The RCE limits are not applied to payment for services that are identifiable medical or surgical services to individual patients and paid for under the physician fee schedule, even if the physician agrees to accept compensation (for example, from a hospital) for those services. (However, payment to teaching hospitals that have elected to be paid for these services on a reasonable cost basis in accordance with section 1861(b)(7) of the Act is subject to the limits.) The limits apply equally to all physician services to providers that are payable on a reasonable cost basis under Medicare.

On March 2, 1983, we published in the **Federal Register** (48 FR 8902) the RCE limits (and the methodology used to calculate those limits) that were applicable to cost reporting periods beginning during calendar years 1982 and 1983. As part of that same publication, we issued regulations at § 405.482 that established a general authority to develop, publish and apply limits.

More specifically, § 405.482(f) requires that before the start of a period to which a set of limits will be applied, we will publish a notice in the **Federal**

**Register** that sets forth the limits and explains how they were calculated. If the limits are merely updated by applying the most recent economic index data without revising the methodology, then the revised limits will be published in a notice in the **Federal Register** without prior publication of a proposal or public comment period.

Thus, because we are calculating the 1997 limits using the same methodology that was used to calculate the limits published on March 2, 1983 (48 FR 8919-8923), and February 20, 1985 (50 FR 7123), we are now publishing these revised limits in final in this notice. The methodology for establishing reasonable compensation equivalent limits is based on an internal working paper ("A Methodology for Determination of Reasonable FTE Compensation for Hospital-Based Physicians" by James R. Cantwell and William J. Sobaski (Working Paper No. OR-32, revised December 1982)) developed by HCFA's Office of Research and Demonstrations. Copies of this paper are available on request from: ORD Publication, Office of Research and Demonstrations, Health Care Financing Administration, Room C3-20-11, 7500 Security Boulevard, Baltimore, MD 21244, (410) 786-6588.

Our methodology for establishing reasonable levels of compensation includes five steps, as follows:

- We estimated the national average (mean) income for all physicians ( $Y$  in formula below) using 1979 physician net incomes from the American Medical Association (AMA) Periodic Survey of Physicians (PSP), published by the AMA in its *Profile of Medical Practices*, 1981.

- We then projected physicians' 1979 base net income levels to the appropriate future year to account for changes in net income levels occurring after the period for which we have data. To make this calculation, we needed to determine an appropriate inflation factor to project future year estimated net incomes on the basis of 1970 to 1980 data. We believe we can achieve the most accurate projection by using the historical relationship (1970 through 1980) between physician incomes and the Consumer Price Index (CPI), and projecting this using forecasts of the CPI for future years.

- Third, we determined the relationship between average net income for all physicians (estimated in the first step, above) and net income of certain categories of specialist physicians that are commonly compensated by providers for services furnished to Medicare beneficiaries.

This resulted in separate specialty adjusters for nine physician specialties.

- Using the specialty-specific adjusters, we also adjusted for differences in costs between types of geographic locations.

- Finally, we calculated the average hours practiced per year by specialty and location, which we then related to a standard full-time equivalent (FTE) work year of 2080 hours. We used these ratios to weight the specialty-location adjusters from the previous step.

The updated RCE limits set forth in this notice were calculated using the forecasting equation that appears on page five of Working Paper No. OR-32, adjusted to reflect the rebasing of the CPI that occurred between 1967 and 1982-1984:

$$y_t = a_1 D + a_2 \text{CPI}_t$$

$a_1 D$  represents special circumstances that might impact physician earnings other than the basic relationship with CPI

$a_2 \text{CPI}_t$  is the historic relationship of physician earnings to the CPI.

$D$  = a dummy variable taking a value of 1 for years 1971 through 1973 and 0 otherwise

CPI = Consumer Price Index for all urban consumers in year 1 (base year).

For 1997, the estimating equation takes on the following values:

$$D = 0$$

$$\text{CPI}_t = 162.0^*$$

\*Calculated from the Congressional Budget forecasts of changes in CPI-U for 1996 and 1997 as presented in Table 1 of "The Economic and Budget Outlook: An Update," August 1996, and adjusted by a multiplicative factor of 2.994225 to convert the current index value which uses 1982 through 1984 as 100, to one equivalent to the 1967-based index value that was used in previous equations.

Therefore, when  $t=1995$ ,  
 $Y_t = 343.684 \times 1.620 \times 2.994225 \times 100$   
 $Y_t = \$166,707$ .

For 1997, \$166,707 is the estimated net income for all physicians. After applying the specialty-locality adjusters, we are able to produce an array of estimated 1997 average annual FTE compensation levels for nine specialty categories by type of location. We are setting the updated RCE limits, adjusted by the proportion of an FTE year actually worked, at these annual incomes.

## II. Application of RCE Limits

We will use the RCE limits to compute Medicare payment when the physician is compensated by a provider that is subject to the RCE limits in some or all of its areas. We will also use these limits when the physician is

compensated by any other related organization for physician administrative, supervisory, and other provider services paid under Medicare. In applying the RCE limits, the intermediary will assign each compensated physician to the most appropriate specialty category. If no specialty category is appropriate (for example, in determining the reasonable cost for an emergency room physician), the intermediary will use the reasonable compensation equivalent level for the "Total" category, which is based on income data for all physicians. The intermediary will determine the appropriate geographic area classification given in Table II of section IV of this notice.

If the physician's contractual compensation covers all duties, activities, and services furnished to the provider and to its patients, and the physician is employed full-time, the appropriate specialty compensation limit will be used and adjusted by the physician's allocation agreement to arrive at the program's share of allowable costs as physician compensation costs. In the absence of an allocation agreement, we generally will assume that 100 percent of the compensation was related to services paid for under the physician fee schedule, and that there are no allowable costs for the physician's services to the provider.

If a physician's compensation from the provider represents payment only for services that benefit patients generally (that is, the physician bills fees for all services furnished to individual patients), then the appropriate specialty compensation limit will be used. If a physician is employed by a provider to furnish services of general benefit to patients on other than a full time basis, the reasonable compensation limit will be adjusted upward or downward to reflect the percentage of time his or her actual hours related to a full work year of 2,080 hours.

## III. Exceptions to the RCE Limits

Some providers, particularly but not exclusively small or rural hospitals, may be unable to recruit or maintain an adequate number of physicians at a compensation level within the prescribed limits. In accordance with section 1887 (a)(2)(C) of the Act, if a provider is able to demonstrate to the intermediary its inability to recruit or maintain physicians at a compensation level allowable under the RCE limits (as documented, for example, by unsuccessful advertising through national medical or health care

publications), then the intermediary may grant an exception to the RCE limits established under these rules.

**IV. Geographic Area Classifications for RCE Limits**

We adjust the RCE limits to account for differences in salary levels by location as well as by specialty. In our methodology for establishing limits, and in the limits as set forth in Table I, we have classified geographic areas into three types: nonmetropolitan areas, metropolitan areas less than one

million, and metropolitan areas greater than one million.

As we do for purposes of the hospital inpatient prospective payment system and the physician fee schedule, we use the most current Metropolitan Statistical Area (MSA) designations for purposes of establishing the RCE limits. In New England, we use New England County Metropolitan Areas (NECMAs) for this purpose.

Table II identifies by type of location the geographic areas affected. It enables providers, physicians, Medicare fiscal

intermediaries, and other members of the public to determine which RCE limit level will apply in specific areas. The table lists all MSAs and their constituent counties, and identifies whether their population is less than or greater than one million. (MSAs with populations greater than one million are designated by asterisks.) All counties not listed in Table II, and all other affected U.S. possessions and territories not part of a State, are considered rural areas.

TABLE I.—ESTIMATES OF FTE ANNUAL AVERAGE NET COMPENSATION LEVELS FOR 1997\*

Specialty	Nonmetropolitan areas	Metropolitan areas less than one million	Metropolitan areas greater than one million
Total .....	\$138,400	\$148,400	\$153,400
GP/FP .....	123,400	118,400	120,000
Int. Med. ....	130,000	133,400	143,400
Surgery .....	158,400	176,700	180,000
Pediatrics .....	113,400	131,700	121,700
OB/GYN .....	173,400	168,400	170,000
Radiology .....	188,400	200,100	195,000
Psychiatry .....	120,000	123,400	133,400
Anesthesiology .....	145,000	173,400	173,400
Pathology .....	180,000	190,000	186,700

\*All figures are rounded to the nearest \$100. est. CPI 1997=162.0.

**Table II.—Geographic Area Classification for RCE Limits**

Abilene, TX	Anchorage, AK	Gwinnett, GA
Taylor, TX	Anchorage, AK	Henry, GA
Aguadilla, PR	Ann Arbor, MI	Newton, GA
Aguada, PR	Lenawee, MI	Paulding, GA
Aguadilla, PR	Livingston, MI	Pickens, GA
Moca, PR	Washtenaw, MI	Rockdale, GA
Akron, OH	Anniston, AL	Spalding, GA
Portage, OH	Calhoun, AL	Walton, GA
Summit, OH	Appleton-Oshkosh-Neenah, WI	Atlantic City-Cape May, NJ
Albany, GA	Calumet, WI	Atlantic City, NJ
Dougherty, GA	Outagamie, WI	Cape May, NJ
Lee, GA	Winnebago, WI	Augusta-Aiken, GA-SC
Albany-Schenectady-Troy, NY	Arecibo, PR	Columbia, GA
Albany, NY	Arecibo, PR	McDuffie, GA
Montgomery, NY	Camuy, PR	Richmond, GA
Rensselaer, NY	Hatillo, PR	Aiken, SC
Saratoga, NY	Asheville, NC	Edgefield, SC
Schenectady, NY	Buncombe, NC	Austin-San Marcos, TX
Schoharie, NY	Madison, NC	Bastrop, TX
Albuquerque, NM	Athens, GA	Caldwell, TX
Bernalillo, NM	Clarke, GA	Hays, TX
Sandoval, NM	Madison, GA	Travis, TX
Valencia, NM	Oconee, GA	Williamson, TX
Alexandria, LA	*Atlanta, GA	Bakersfield, CA
Rapides, LA	Barrow, GA	Kern, CA
Allentown-Bethlehem-Easton, PA	Bartow, GA	*Baltimore, MD
Carbon, PA	Carroll, GA	Anne Arundel, MD
Lehigh, PA	Cherokee, GA	Baltimore, MD
Northampton, PA	Clayton, GA	Baltimore City, MD
Altoona, PA	Cobb, GA	Carroll, MD
Blair, PA	Coweta, GA	Harford, MD
Amarillo, TX Potter, TX	De Kalb, GA	Howard, MD
Randall, TX	Douglas, GA	Queen Annes, MD
	Fayette, GA	Bangor, ME
	Forsyth, GA	Penobscot, ME
	Fulton, GA	Barnstable-Yarmouth, MA

Barnstable, MA  
 Baton Rouge, LA  
 Ascension, LA  
 East Baton Rouge, LA  
 Livingston, LA  
 West Baton Rouge, LA  
 Beaumont-Port Arthur, TX  
 Hardin, TX  
 Jefferson, TX  
 Orange, TX  
 Bellingham, WA  
 Whatcom, WA  
 Benton Harbor, MI  
 Berrien, MI  
 \*Bergen-Passaic, NJ  
 Bergen, NJ  
 Passaic, NJ  
 Billings, MT  
 Yellowstone, MT  
 Biloxi-Gulfport-Pascagoula, MS  
 Hancock, MS  
 Harrison, MS  
 Jackson, MS  
 Binghamton, NY  
 Broome, NY  
 Tioga, NY  
 Birmingham, AL  
 Blount, AL  
 Jefferson, AL  
 St. Clair, AL  
 Shelby, AL  
 Bismarck, ND  
 Burleigh, ND  
 Morton, ND  
 Bloomington, IN  
 Monroe, IN  
 Bloomington-Normal, IL  
 McLean, IL  
 Boise City, ID  
 Ada, ID  
 Canyon, ID  
 \*Boston-Brockton-Nashua, MA-NH  
 Bristol, MA  
 Essex, MA  
 Middlesex, MA  
 Norfolk, MA  
 Plymouth, MA  
 Suffolk, MA  
 Worcester, MA  
 Hillsborough, NH  
 Merrimack, NH  
 Rockingham, NH  
 Strafford, NH  
 Boulder-Longmont, CO  
 Boulder, CO  
 Brazoria, TX  
 Brazoria, TX  
 Bremerton, WA  
 Kitsap, WA  
 Brownsville-Harlingen-San Benito, TX  
 Cameron, TX  
 Bryan-College Station, TX  
 Brazos, TX  
 \*Buffalo-Niagara Falls, NY  
 Erie, NY  
 Niagara, NY  
 Burlington, VT  
 Chittenden, VT  
 Franklin, VT  
 Grand Isle, VT  
 Caguas, PR  
 Caguas, PR  
 Cayey, PR  
 Cidra, PR  
 Gurabo, PR  
 San Lorenzo, PR  
 Canton-Massillon, OH  
 Carroll, OH  
 Stark, OH  
 Casper, WY  
 Natrona, WY  
 Cedar Rapids, IA  
 Linn, IA  
 Champaign-Urbana, IL  
 Champaign, IL  
 Charleston-North Charleston, SC  
 Berkeley, SC  
 Charleston, SC  
 Dorchester, SC  
 Charleston, WV  
 Kanawha, WV  
 Putnam, WV  
 \*Charlotte-Gastonia-Rock Hill, NC-SC  
 Cabarrus, NC  
 Gaston, NC  
 Lincoln, NC  
 Mecklenburg, NC  
 Rowan, NC  
 Union, NC  
 York, SC  
 Charlottesville, VA  
 Albemarle, VA  
 Charlottesville City, VA  
 Fluvanna, VA  
 Greene, VA  
 Chattanooga, TN-GA  
 Catoosa, GA  
 Dade, GA  
 Walker, GA  
 Hamilton, TN  
 Marion, TN  
 Cheyenne, WY  
 Laramie, WY  
 \*Chicago, IL  
 Cook, IL  
 De Kalb, IL  
 Du Page, IL  
 Grundy, IL  
 Kane, IL  
 Kendall, IL  
 Lake, IL  
 McHenry, IL  
 Will, IL  
 Chico-Paradise, CA  
 Butte, CA  
 \*Cincinnati, OH-KY-IN  
 Dearborn, IN  
 Ohio, IN  
 Boone, KY  
 Campbell, KY  
 Gallatin, KY  
 Grant, KY  
 Kenton, KY  
 Pendleton, KY  
 Brown, OH  
 Clermont, OH  
 Hamilton, OH  
 Warren, OH  
 Clarksville-Hopkinsville, TN-KY  
 Christian, KY  
 Montgomery, TN  
 \*Cleveland-Lorain-Elyria, OH  
 Ashtabula, OH  
 Cuyahoga, OH  
 Geauga, OH  
 Lake, OH  
 Lorain, OH  
 Medina, OH  
 Colorado Springs, CO  
 El Paso, CO  
 Columbia, MO  
 Boone, MO  
 Columbia, SC  
 Lexington, SC  
 Richland, SC  
 Columbus, GA-AL  
 Russell, AL  
 Chattahoochee, GA  
 Harris, GA  
 Muscogee, GA  
 \*Columbus, OH  
 Delaware, OH  
 Fairfield, OH  
 Franklin, OH  
 Licking, OH  
 Madison, OH  
 Pickaway, OH  
 Corpus Christi, TX  
 Nueces, TX  
 San Patricio, TX  
 Cumberland, MD-WV  
 Allegany, MD  
 Mineral, WV  
 \*Dallas, TX  
 Collin, TX  
 Dallas, TX  
 Denton, TX  
 Ellis, TX  
 Henderson, TX  
 Hunt, TX  
 Kaufman, TX  
 Rockwall, TX  
 Danville, VA  
 Danville City, VA  
 Pittsylvania, VA  
 Davenport-Rock Island-Moline, IA-IL  
 Scott, IA  
 Henry, IL  
 Rock Island, IL  
 Dayton-Springfield, OH  
 Clark, OH  
 Greene, OH  
 Miami, OH  
 Montgomery, OH  
 Daytona Beach, FL  
 Flagler, FL  
 Volusia, FL  
 Decatur, AL  
 Lawrence, AL  
 Morgan, AL  
 Decatur, IL  
 Macon, IL  
 \*Denver, CO  
 Adams, CO  
 Arapahoe, CO  
 Denver, CO  
 Douglas, CO

Jefferson, CO  
Des Moines, IA  
Dallas, IA  
Polk, IA  
Warren, IA  
\*Detroit, MI  
Lapeer, MI  
Macomb, MI  
Monroe, MI  
Oakland, MI  
St. Clair, MI  
Wayne, MI  
Dothan, AL  
Dale, AL  
Houston, AL  
Dover, DE  
Kent, DE  
Dubuque, IA  
Dubuque, IA  
Duluth-Superior, MN-WI  
St. Louis, MN  
Douglas, WI  
Dutchess County, NY  
Dutchess, NY  
Eau Claire, WI  
Chippewa, WI  
Eau Claire, WI  
El Paso, TX  
El Paso, TX  
Elkhart-Goshen, IN  
Elkhart, IN  
Elmira, NY  
Chemung, NY  
Enid, OK  
Garfield, OK  
Erie, PA  
Erie, PA  
Eugene-Springfield, OR  
Lane, OR  
Evansville-Henderson, IN-KY  
Posey, IN  
Vanderburgh, IN  
Warrick, IN  
Henderson, KY  
Fargo-Moorhead, ND-MN  
Clay, MN  
Cass, ND  
Fayetteville, NC  
Cumberland, NC  
Fayetteville-Springdale-Rogers, AR  
Benton, AR  
Washington, AR  
Flint, MI  
Genesee, MI  
Florence, AL  
Colbert, AL  
Lauderdale, AL  
Florence, SC  
Florence, SC  
Fort Collins-Loveland, CO  
Larimer, CO  
\*Ft. Lauderdale, FL  
Broward, FL  
Fort Myers-Cape Coral, FL  
Lee, FL  
Fort Pierce-Port St. Lucie, FL  
Martin, FL  
St. Lucie, FL  
Fort Smith, AR-OK  
Crawford, AR  
Sebastian, AR  
Sequoyah, OK  
Fort Walton Beach, FL  
Okaloosa, FL  
Fort Wayne, IN  
Adams, IN  
Allen, IN  
DeKalb, IN  
Huntington, IN  
Wells, IN  
Whitley, IN  
\*Forth Worth-Arlington, TX  
Hood, TX  
Johnson, TX  
Parker, TX  
Tarrant, TX  
Fresno, CA  
Fresno, CA  
Madera, CA  
Gadsden, AL  
Etowah, AL  
Gainesville, FL  
Alachua, FL  
Galveston-Texas City, TX  
Galveston, TX  
Gary, IN  
Lake, IN  
Porter, IN  
Glens Falls, NY  
Warren, NY  
Washington, NY  
Goldsboro, NC  
Wayne, NC  
Grand Forks, ND-MN  
Polk, MN  
Grand Forks, ND  
Grand Rapids-Muskegon-Holland, MI  
Allegan, MI  
Kent, MI  
Muskegon, MI  
Ottawa, MI  
Great Falls, MT  
Cascade, MT  
Greeley, CO  
Weld, CO  
Green Bay, WI  
Brown, WI  
\*Greensboro-Winston-Salem-High  
Point, NC  
Alamance, NC  
Davidson, NC  
Davie, NC  
Forsyth, NC  
Guilford, NC  
Randolph, NC  
Stokes, NC  
Yadkin, NC  
Greenville, NC  
Pitt, NC  
Greenville-Spartanburg-Anderson, SC  
Anderson, SC  
Cherokee, SC  
Greenville, SC  
Pickens, SC  
Spartanburg, SC  
Hagerstown, MD  
Washington, MD  
Hamilton-Middletown, OH  
Butler, OH  
Harrisburg-Lebanon-Carlisle, PA  
Cumberland, PA  
Dauphin, PA  
Lebanon, PA  
Perry, PA  
\*Hartford, CT  
Hartford, CT  
Litchfield, CT  
Middlesex, CT  
Tolland, CT  
Hickory-Morganton, NC  
Alexander, NC  
Burke, NC  
Caldwell, NC  
Catawba, NC  
Honolulu, HI  
Honolulu, HI  
Houma, LA  
Lafourche, LA  
Terrebonne, LA  
\*Houston, TX  
Chambers, TX  
Fort Bend, TX  
Harris, TX  
Liberty, TX  
Montgomery, TX  
Waller, TX  
Huntington-Ashland, WV-KY-OH  
Boyd, KY  
Carter, KY  
Greenup, KY  
Lawrence, OH  
Cabell, WV  
Wayne, WV  
Huntsville, AL  
Limestone, AL  
Madison, AL  
\*Indianapolis, IN  
Boone, IN  
Hamilton, IN  
Hancock, IN  
Hendricks, IN  
Johnson, IN  
Madison, IN  
Marion, IN  
Morgan, IN  
Shelby, IN  
Iowa City, IA  
Johnson, IA  
Jackson, MI  
Jackson, MI  
Jackson, MS  
Hinds, MS  
Madison, MS  
Rankin, MS  
Jackson, TN  
Madison, TN  
Jacksonville, FL  
Clay, FL  
Duval, FL  
Nassau, FL  
St. Johns, FL  
Jacksonville, NC  
Onslow, NC  
Jamestown, NY  
Chautauqua, NY  
Janesville-Beloit, WI  
Rock, WI

Jersey City, NJ  
 Hudson, NJ  
 Johnson City-Kingsport-Bristol, TN-VA  
 Carter, TN  
 Hawkins, TN  
 Sullivan, TN  
 Unicoi, TN  
 Washington, TN  
 Bristol City, VA  
 Scott, VA  
 Washington, VA  
 Johnstown, PA  
 Cambria, PA  
 Somerset, PA  
 Joplin, MO  
 Jasper, MO  
 Newton, MO  
 Kalamazoo-Battlecreek, MI  
 Calhoun, MI  
 Kalamazoo, MI  
 Van Buren, MI  
 Kankakee, IL  
 Kankakee, IL  
 \*Kansas City, KS-MO  
 Johnson, KS  
 Leavenworth, KS  
 Miami, KS  
 Wyandotte, KS  
 Cass, MO  
 Clay, MO  
 Clinton, MO  
 Jackson, MO  
 Lafayette, MO  
 Platte, MO  
 Ray, MO  
 Kenosha, WI  
 Kenosha, WI  
 Killeen-Temple, TX  
 Bell, TX  
 Coryell, TX  
 Knoxville, TN  
 Anderson, TN  
 Blount, TN  
 Knox, TN  
 Loudon, TN  
 Sevier, TN  
 Union, TN  
 Kokomo, IN  
 Howard, IN  
 Tipton, IN  
 La Crosse, WI-MN  
 Houston, MN  
 La Crosse, WI  
 Lafayette, LA  
 Acadia, LA  
 Lafayette, LA  
 St. Landry, LA  
 St. Martin, LA  
 Lafayette, IN  
 Clinton, IN  
 Tippecanoe, IN  
 Lake Charles, LA  
 Calcasieu, LA  
 Lakeland-Winter Haven, FL  
 Polk, FL  
 Lancaster, PA  
 Lancaster, PA  
 Lansing-East Lansing, MI  
 Clinton, MI  
 Eaton, MI  
 Ingham, MI  
 Laredo, TX  
 Webb, TX  
 Las Cruces, NM  
 Dona Ana, NM  
 Las Vegas, NV-AZ  
 Mohave, AZ  
 Clark, NV  
 Nye, NV  
 Lawrence, KS  
 Douglas, KS  
 Lawton, OK  
 Comanche, OK  
 Lewiston-Auburn, ME  
 Androscoggin, ME  
 Lexington, KY  
 Bourbon, KY  
 Clark, KY  
 Fayette, KY  
 Jessamine, KY  
 Madison, KY  
 Scott, KY  
 Woodford, KY  
 Lima, OH  
 Allen, OH  
 Auglaize, OH  
 Lincoln, NE  
 Lancaster, NE  
 Little Rock-North Little Rock, AR  
 Faulkner, AR  
 Lonoke, AR  
 Pulaski, AR  
 Saline, AR  
 Longview-Marshall, TX  
 Gregg, TX  
 Harrison, TX  
 Upshur, TX \*Los Angeles-Long  
 Beach, CA  
 Los Angeles, CA  
 Louisville, KY-IN  
 Clark, IN  
 Floyd, IN  
 Harrison, IN  
 Scott, IN  
 Bullitt, KY  
 Jefferson, KY  
 Oldham, KY  
 Lubbock, TX  
 Lubbock, TX  
 Lynchburg, VA  
 Amherst, VA  
 Bedford City, VA  
 Bedford, VA  
 Campbell, VA  
 Lynchburg City, VA  
 Macon, GA  
 Bibb, GA  
 Houston, GA  
 Jones, GA  
 Peach, GA  
 Twiggs, GA  
 Madison, WI  
 Dane, WI  
 Mansfield, OH  
 Crawford, OH  
 Richland, OH  
 Mayaguez, PR  
 Anasco, PR  
 Cabo Rojo, PR  
 Hormigueros, PR  
 Mayaguez, PR  
 Sabana Grande, PR  
 San German, PR  
 McAllen-Edinburg-Mission, TX  
 Hidalgo, TX  
 Medford-Ashland, OR Jackson, OR  
 Melbourne-Titusville-Palm Bay FL  
 Brevard, FL  
 \*Memphis, TN-AR-MS  
 Crittenden, AR  
 De Soto, MS  
 Fayette, TN  
 Shelby, TN  
 Tipton, TN  
 Merced, CA  
 Merced, CA  
 \*Miami, FL  
 Dade, FL  
 \*Middlesex-Somerset-Hunterdon, NJ  
 Hunterdon, NJ  
 Middlesex, NJ  
 Somerset, NJ  
 \*Milwaukee, WI  
 Milwaukee, WI  
 Ozaukee, WI  
 Washington, WI  
 Waukesha, WI  
 \*Minneapolis-St Paul, MN-WI  
 Anoka, MN  
 Carver, MN  
 Chisago, MN  
 Dakota, MN  
 Hennepin, MN  
 Isanti, MN  
 Ramsey, MN  
 Scott, MN  
 Sherburne, MN  
 Washington, MN  
 Wright, MN  
 Pierce, WI  
 St. Croix, WI  
 Mobile, AL  
 Baldwin, AL  
 Mobile, AL  
 Modesto, CA  
 Stanislaus, CA  
 Monmouth-Ocean, NJ  
 Monmouth, NJ  
 Ocean, NJ  
 Monroe, LA  
 Ouachita, LA  
 Montgomery, AL  
 Autauga, AL  
 Elmore, AL  
 Montgomery, AL  
 Muncie, IN  
 Delaware, IN  
 Myrtle Beach, SC  
 Horry, SC  
 Naples, FL  
 Collier, FL  
 \*Nashville, TN  
 Cheatham, TN  
 Davidson, TN  
 Dickson, TN  
 Robertson, TN  
 Rutherford TN

Sumner, TN  
 Williamson, TN  
 Wilson, TN  
 \*Nassau-Suffolk, NY  
 Nassau, NY  
 Suffolk, NY  
 \*New Haven-Bridgeport-Stamford-  
 Danbury-Waterbury, CT  
 Fairfield, CT  
 New Haven, CT  
 New London-Norwich, CT  
 New London, CT  
 \*New Orleans, LA  
 Jefferson, LA  
 Orleans, LA  
 Plaquemines, LA  
 St. Bernard, LA  
 St. Charles, LA  
 St. James, LA  
 St. John The Baptist, LA  
 St. Tammany, LA  
 \*New York, NY  
 Bronx, NY  
 Kings, NY  
 New York, NY  
 Putnam, NY  
 Queens, NY  
 Richmond, NY  
 Rockland, NY  
 Westchester, NY  
 \*Newark, NJ  
 Essex, NJ  
 Morris, NJ  
 Sussex, NJ  
 Union, NJ  
 Warren, NJ  
 Newburgh, NY-PA  
 Orange, NY  
 Pike, PA  
 \*Norfolk-Virginia Beach-Newport News,  
 VA-NC  
 Currituck, NC  
 Chesapeake City, VA  
 Gloucester, VA  
 Hampton City, VA  
 Isle of Wight, VA  
 James City, VA  
 Mathews, VA  
 Newport News City, VA  
 Norfolk City, VA  
 Poquoson City, VA  
 Portsmouth City, VA  
 Suffolk City, VA  
 Virginia Beach City VA  
 Williamsburg City, VA  
 York, VA  
 \*Oakland, CA  
 Alameda, CA  
 Contra Costa, CA  
 Ocala, FL  
 Marion, FL  
 Odessa-Midland, TX  
 Ector, TX  
 Midland, TX  
 Oklahoma City, OK  
 Canadian, OK  
 Cleveland, OK  
 Logan, OK  
 McClain, OK  
 Oklahoma, OK  
 Pottawatomie, OK  
 Olympia, WA  
 Thurston, WA  
 Omaha, NE-IA  
 Pottawattamie, IA  
 Cass, NE  
 Douglas, NE  
 Sarpy, NE  
 Washington, NE  
 \*Orange County, CA Orange, CA  
 \*Orlando, FL  
 Lake, FL  
 Orange, FL  
 Osceola, FL  
 Seminole, FL  
 Owensboro, KY  
 Daviess, KY  
 Panama City, FL Bay, FL  
 Parkersburg-Marietta, WV-OH  
 Washington, OH  
 Wood, WV  
 Pensacola, FL  
 Escambia, FL  
 Santa Rosa, FL  
 Peoria-Pekin, IL  
 Peoria, IL  
 Tazewell, IL  
 Woodford, IL  
 \*Philadelphia, PA-NJ  
 Burlington, NJ  
 Camden, NJ  
 Gloucester, NJ  
 Salem, NJ  
 Bucks, PA  
 Chester, PA  
 Delaware, PA  
 Montgomery, PA  
 Philadelphia, PA  
 \*Phoenix-Mesa, AZ  
 Maricopa, AZ  
 Pinal, AZ  
 Pine Bluff, AR  
 Jefferson, AR  
 \*Pittsburgh, PA  
 Allegheny, PA  
 Beaver, PA  
 Butler, PA  
 Fayette, PA  
 Washington, PA  
 Westmoreland, PA  
 Pittsfield, MA  
 Berkshire, MA  
 Ponce, PR  
 Guayanilla, PR  
 Juana Diaz, PR  
 Penuelas, PR  
 Ponce, PR  
 Villalba, PR  
 Yauco, PR  
 Portland, ME  
 Cumberland, ME  
 Sagadahoc, ME  
 York, ME  
 \*Portland-Vancouver, OR-WA  
 Clackamas, OR  
 Columbia, OR  
 Multnomah, OR  
 Washington, OR  
 Yamhill, OR  
 Clark, WA  
 \*Providence-Warwick, RI  
 Bristol, RI  
 Kent, RI  
 Newport, RI  
 Providence, RI  
 Washington, RI  
 Provo-Orem, UT  
 Utah, UT  
 Pueblo, CO  
 Pueblo, CO  
 Punta Gorda, FL  
 Charlotte, FL  
 Racine, WI  
 Racine, WI  
 Raleigh-Durham-Chapel Hill, NC  
 Chatham, NC  
 Durham, NC  
 Franklin, NC  
 Johnston, NC  
 Orange, NC  
 Wake, NC  
 Rapid City, SD  
 Pennington, SD  
 Reading, PA  
 Berks, PA  
 Redding, CA  
 Shasta, CA  
 Reno, NV  
 Washoe, NV  
 Richland-Kennewick-Pasco, WA  
 Benton, WA  
 Franklin, WA  
 Richmond-Petersburg, VA  
 Charles City County, VA  
 Chesterfield, VA  
 Colonial Heights City, VA  
 Dinwiddie, VA  
 Goochland, VA  
 Hanover, VA  
 Henrico, VA  
 Hopewell City, VA  
 New Kent, VA  
 Petersburg City, VA  
 Powhatan, VA  
 Prince George, VA  
 Richmond City, VA  
 \*Riverside-San Bernardino, CA  
 Riverside, CA  
 San Bernardino, CA  
 Roanoke, VA  
 Botetourt, VA  
 Roanoke, VA  
 Roanoke City, VA  
 Salem City, VA  
 Rochester, MN  
 Olmsted, MN  
 \*Rochester, NY  
 Genesee, NY  
 Livingston, NY  
 Monroe, NY  
 Ontario, NY  
 Orleans, NY  
 Wayne, NY  
 Rockford, IL  
 Boone, IL  
 Ogle, IL  
 Winnebago, IL

Rocky Mount, NC  
 Edgecombe, NC  
 Nash, NC  
 \*Sacramento, CA  
 El Dorado, CA  
 Placer, CA  
 Sacramento, CA  
 Saginaw-Bay City-Midland, MI  
 Bay, MI  
 Midland, MI  
 Saginaw, MI  
 St. Cloud, MN  
 Benton, MN  
 Stearns, MN  
 St. Joseph, MO  
 Andrews, MO  
 Buchanan, MO  
 \*St. Louis, MO-IL  
 Clinton, IL  
 Jersey, IL  
 Madison, IL  
 Monroe, IL  
 St. Clair, IL  
 Franklin, MO  
 Jefferson, MO  
 Lincoln, MO  
 St. Charles, MO  
 St. Louis, MO  
 St. Louis City, MO  
 Warren, MO  
 Salem, OR  
 Marion, OR  
 Polk, OR  
 Salinas, CA  
 Monterey, CA  
 \*Salt Lake City-Ogden, UT  
 Davis, UT  
 Salt Lake, UT  
 Weber, UT  
 San Angelo, TX  
 Tom Green, TX  
 \*San Antonio, TX  
 Bexar, TX  
 Comal, TX  
 Guadalupe, TX  
 Wilson, TX  
 \*San Diego, CA  
 San Diego, CA  
 \*San Francisco, CA  
 Marin, CA  
 San Francisco, CA  
 San Mateo, CA  
 \*San Jose, CA  
 Santa Clara, CA  
 \*San Juan-Bayamon, PR  
 Aguas Buenas, PR  
 Barceloneta, PR  
 Bayamon, PR  
 Canovanas, PR  
 Carolina, PR  
 Catano, PR  
 Ceiba, PR  
 Comerio, PR  
 Corozal, PR  
 Dorado, PR  
 Fajardo, PR  
 Florida, PR  
 Guaynabo, PR  
 Humacao, PR  
 Juncos, PR  
 Los Piedras, PR  
 Loiza, PR  
 Luguillo, PR  
 Manati, PR  
 Naranjito, PR  
 Rio Grande, PR  
 San Juan, PR  
 Toa Alta, PR  
 Toa Baja, PR  
 Trujillo Alto, PR  
 Vega Alta, PR  
 Vega Baja, PR  
 Yabucoa, PR  
 San Luis Obispo-Atascadero-Paso  
 Robles, CA  
 San Luis Obispo, CA  
 Santa Barbara-Santa Maria-Lompoc, CA  
 Santa Barbara, CA  
 Santa Cruz-Watsonville, CA  
 Santa Cruz, CA  
 Santa Fe, NM  
 Los Alamos, NM  
 Santa Fe, NM  
 Santa Rosa, CA  
 Sonoma, CA  
 Sarasota-Bradenton, FL  
 Manatee, FL  
 Sarasota, FL  
 Savannah, GA  
 Bryan, GA  
 Chatham, GA  
 Effingham, GA  
 Scranton-Wilkes-Barre-Hazleton, PA  
 Columbia, PA  
 Lackawanna, PA  
 Luzerne, PA  
 Wyoming, PA  
 \*Seattle-Bellevue-Everett, WA  
 Island, WA  
 King, WA  
 Snohomish, WA  
 Sharon, PA  
 Mercer, PA  
 Sheboygan, WI  
 Sheboygan, WI  
 Sherman-Denison, TX  
 Grayson, TX  
 Shreveport-Bossier City, LA  
 Bossier, LA  
 Caddo, LA  
 Webster, LA  
 Sioux City, IA-NE  
 Woodbury, IA  
 Dakota, NE  
 Sioux Falls, SD  
 Lincoln, SD  
 Minnehaha, SD  
 South Bend, IN  
 St. Joseph, IN  
 Spokane, WA  
 Spokane, WA  
 Springfield, IL  
 Menard, IL  
 Sangamon, IL  
 Springfield, MO  
 Christian, MO  
 Greene, MO  
 Webster, MO  
 Springfield, MA  
 Hampden, MA  
 Hampshire, MA  
 State College, PA  
 Centre, PA  
 Steubenville-Weirton, OH-WV  
 Jefferson, OH  
 Brooke, WV  
 Hancock, WV  
 Stockton-Lodi, CA  
 San Joaquin, CA  
 Sumter, SC  
 Sumter, SC  
 Syracuse, NY  
 Cayuga, NY  
 Madison, NY  
 Onondaga, NY  
 Oswego, NY  
 Tacoma, WA  
 Pierce, WA  
 Tallahassee, FL  
 Gadsden, FL  
 Leon, FL  
 \*Tampa-St. Petersburg-Clearwater, FL  
 Hernando, FL  
 Hillsborough, FL  
 Pasco, FL  
 Pinellas, FL  
 Terre Haute, IN  
 Clay, IN  
 Vermillion, IN  
 Vigo, IN  
 Texarkana, AR-Texarkana, TX  
 Miller, AR  
 Bowie, TX  
 Toledo, OH  
 Fulton, OH  
 Lucas, OH  
 Wood, OH  
 Topeka, KS  
 Shawnee, KS  
 Trenton, NJ  
 Mercer, NJ  
 Tucson, AZ  
 Pima, AZ  
 Tulsa, OK  
 Creek, OK  
 Osage, OK  
 Rogers, OK  
 Tulsa, OK  
 Wagoner, OK  
 Tuscaloosa, AL  
 Tuscaloosa, AL  
 Tyler, TX  
 Smith, TX  
 Utica-Rome, NY  
 Herkimer, NY  
 Oneida, NY  
 Vallejo-Fairfield-Napa, CA  
 Napa, CA  
 Solano, CA  
 Ventura, CA  
 Ventura, CA  
 Victoria, TX  
 Victoria, TX  
 Vineland-Millville-Bridgeton, NJ  
 Cumberland, NJ  
 Visalia-Tulare-Porterville, CA  
 Tulare, CA

- Waco, TX
- McLennan, TX
- \*Washington, DC—MD—VA—WV
- District of Columbia, DC
- Calvert, MD
- Charles, MD
- Frederick, MD
- Montgomery, MD
- Prince Georges, MD
- Alexandria City, VA
- Arlington, VA
- Clarke, VA
- Culpepper, VA
- Fairfax, VA
- Fairfax City, VA
- Falls Church City, VA
- Fauquier, VA
- Fredericksburg City, VA
- King George, VA
- Loudoun, VA
- Manassas City, VA
- Manassas Park City, VA
- Prince William, VA
- Spotsylvania, VA
- Stafford, VA
- Warren, VA
- Berkeley, WV
- Jefferson, WV
- Waterloo-Cedar Falls, IA
- Black Hawk, IA
- Wausau, WI
- Marathon, WI
- West Palm Beach-Boca Raton, FL
- Palm Beach, FL
- Wheeling, OH—WV
- Belmont, OH
- Marshall, WV
- Ohio, WV
- Wichita, KS
- Butler, KS
- Harvey, KS
- Sedgwick, KS
- Wichita Falls, TX
- Archer, TX
- Wichita, TX
- Williamsport, PA
- Lycoming, PA
- Wilmington-Newark, DE—MD
- New Castle, DE
- Cecil, MD
- Wilmington, NC
- New Hanover, NC
- Brunswick, NC
- Yakima, WA
- Yakima, WA
- Yolo, CA
- Yolo, CA
- York, PA
- York, PA
- Youngstown-Warren, OH
- Columbiana, OH
- Mahoning, OH
- Trumbull, OH
- Yuba City, CA
- Sutter, CA
- Yuba, CA
- Yuma, AZ
- Yuma, AZ

\*Population greater than one million.

**V. Impact Statement**

Consistent with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 through 612), we prepare a regulatory flexibility analysis unless we certify that a notice will not have a significant economic impact on a substantial number of small entities. For purposes of the RFA, all physicians are considered to be small entities. Individuals and States are not included in the definition of a small entity.

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis for any notice that may have a significant impact on the operations of a substantial number of small rural hospitals. Such an analysis must conform to the provisions of section 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 50 beds.

As noted above, we are updating the RCE limits by applying the most recent economic index data without revising the methodology. This notice announces an update of the limits, as required by regulations at 42 CFR 405.482(f)(3), and does not alter any regulations or policy. As discussed above, the RCE limits apply only to providers paid on a reasonable cost basis, and to compensation a physician receives from a provider for services that benefit patients generally or otherwise but that are not eligible for payment under the physician fee schedule. Also, the limits do not apply to costs of physician compensation that are attributable to furnishing inpatient hospital services paid for under the hospital prospective payment system or that are attributable to GME costs. As a result of the application of the RCE limits, we estimate the costs associated with the updated limits for the next 5 fiscal years as follows:

UPDATE OF RCE LIMITS\*

Fiscal year	Costs
1997 .....	\$ 30
1998 .....	40
1999 .....	50
2000 .....	50
2001 .....	50

\*All figures are rounded to the nearest \$5 million.

For these reasons, we are not preparing analyses for either the RFA or section 1102(b) of the Act because we have determined, and we certify, that this notice will not have a significant

economic impact on a substantial number of small entities or a significant impact on the operations of a substantial number of small rural hospitals.

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

**VI. Waiver of Prior Notice and 30-Day Delay in the Effective Date**

We are publishing this notice as a final notice without prior publication of a proposed notice for public comment. For the reasons discussed below, we believe that publishing a proposed notice is unnecessary.

Section 405.482(f) permits us to publish revised RCE limits in final without prior publication of a proposal for public comment if the limits are merely updated by applying the most recent economic index data without revising the methodology. This notice does not implement any change in the methodology for determining the RCE limits.

Therefore, we believe that publication of a proposal is unnecessary, and we find good cause to waive the procedure.

We also normally provide a delay of 30 days in the effective date. However, if adherence to this procedure would be impractical, unnecessary, or contrary to public interest, we may waive the delay in the effective date. The RCE limits set forth in this notice are effective for cost reporting periods beginning on or after the date of publication of the notice in the **Federal Register**. As a practical matter, if we allowed a 30-day delay in the effective date of this notice, those providers with cost reporting periods beginning during those thirty days, and the physicians who are based in these providers, would be unable to take timely advantage of the increase in limits contained in this notice. This eventually would be contrary to the public interest. Therefore, we find good cause to waive the usual 30-day delay in the effective date.

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

Dated: December 20, 1996.

**Bruce C. Vladeck,**

*Administrator, Health Care Financing Administration.*

Dated: January 16, 1997.

**Donna E. Shalala,**

*Secretary.*

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