

DEPARTMENT OF HEALTH AND HUMAN SERVICES**Health Care Financing Administration**

[BPD-889-NC]

RIN 0938-AH88

Medicare Program; Schedule of Limits on Home Health Agency Costs Per Visit for Cost Reporting Periods Beginning on or After July 1, 1997**AGENCY:** Health Care Financing Administration (HCFA), HHS.**ACTION:** Notice with comment Period.

SUMMARY: This notice sets forth a revised schedule of limits on home health agency costs that may be paid under the Medicare program for cost reporting periods beginning on or after July 1, 1997. These limits replace the per visit limits that were set forth in our July 1, 1996 notice with comment period (61 FR 34344). This notice also responds to comments on the July 1, 1996 notice.

DATES: Effective Date: The schedule of limits is effective for cost reporting periods beginning on or after July 1, 1997.

Comment Period: Written comments will be considered if we receive them at the appropriate address, as provided below, no later than 5 p.m. on September 2, 1997.

ADDRESSES: Mail written comments (one original and three copies) to the following address: Health Care Financing Administration, Department of Health and Human Services, Attention: BPD-889-NC, P.O. Box 7517, Baltimore, Maryland 21207-0517.

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

Room 309-G, Hubert H. Humphrey Building, 00 Independence Avenue, SW, Washington, D.C. 20201, or Room C5-09-26, Central Building 7500 Security Boulevard Baltimore, Maryland 21244-1850.

Comments may also be submitted electronically to the following e-mail address: BPD-889-NC@hcf.gov. E-mail comments must include the full name and address of the sender and must be submitted to the referenced address in order to be considered. All comments must be incorporated in the e-mail message because we may not be able to access attachments. Electronically submitted comments will be available for public inspection at the Independence Avenue address below.

Because of staffing and resource limitations, we cannot accept comments

by facsimile (FAX) transmission. In commenting, please refer to file code BPD-889-NC. Comments received timely will be available for public inspection as they are received, generally beginning approximately 3 weeks after publication of a document, in Room 309-G of the Department's offices at 200 Independence Avenue, SW, Washington, DC, on Monday through Friday of each week from 8:30 a.m. to 5 p.m. (Phone: (202) 690-7890).

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

SUPPLEMENTARY INFORMATION:**I. Background**

Section 1861(v)(1)(A) of the Social Security Act (the Act) authorizes the Secretary to establish limits on allowable costs incurred by a provider of services that may be paid under the Medicare program, based on estimates of the costs necessary in the efficient delivery of needed health services. Under this authority, we have maintained limits on home health agency (HHA) per-visit costs since 1979.

The limits may be applied to direct or indirect overall costs or to the costs incurred for specific items or services furnished by the provider. Implementing regulations are located at 42 CFR 413.30. Additional statutory provisions specifically governing the limits applicable to HHAs are contained at section 1861(v)(1)(L) of the Act. Section 1861(v)(1)(L)(i) of the Act specifies that the cost limits are not to exceed 112 percent of the mean of the labor-related and nonlabor per-visit costs for freestanding HHAs. Section 1861(v)(1)(L)(iii) of the Act requires that the Secretary establish HHA cost limits on an annual basis for cost reporting periods beginning on or after July 1 of each year (except for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996). In establishing these limits, the Act directs the Secretary to use the applicable hospital wage index, as discussed below.

On July 1, 1996, we published in the **Federal Register** (61 FR 34344) a notice with comment period that set forth a revised schedule of limits on HHA costs that may be paid under the Medicare program for cost reporting periods beginning on or after July 1, 1996. These limits replaced the per-visit limits that were set forth in our February 14, 1995 notice with comment period (60 FR 8389). The July 1, 1996 limits were computed using the actual cost-per-visit data from cost reporting periods ending on or after June 30, 1991, and settled by October 1, 1995, and were adjusted by later estimates in the "market basket" index to reflect changes in the prices of goods and services furnished by HHAs.

This notice with comment period sets forth revised cost limits for cost reporting periods beginning on or after July 1, 1997. As required by section 1861(v)(1)(L)(iii) of the Act, we are using the area wage index applicable under section 1886(d)(3)(E) of the Act determined using the survey of the most recent available wages and wage-related costs of hospitals located in the geographic area in which the HHA is located. For purposes of this notice, the HHA wage index is based on the most recent hospital wage index, that is, the hospital wage index effective for hospital discharges on or after October 1, 1996, which uses Federal fiscal year (FY) 1993 wage data. As the statute also specifies, in applying the hospital wage index to HHAs, no adjustments are to be made to account for hospital reclassifications under section 1886(d)(8)(B) of the Act, decisions of the Medicare Geographic Classification Review Board (MGCRCB) under section

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

II. Analysis of and Response to Public Comments

We received 28 items of timely correspondence on the July 1, 1996 notice with comment period. A summary of these comments and our responses are discussed below.

Comment: One commenter suggested that an HHA based in a hospital that has been redesignated by the MGCRB should be allowed to use the same wage index as that used by the parent hospital.

Response: Section 1861(v)(1)(L)(iii) of the Social Security Act requires us to use the wage index used for hospitals under the inpatient hospital prospective payment system (PPS) using the survey of the most recent available wages and wage-related costs of hospitals located in the geographic area in which the HHA is located, determined without regard to whether the hospitals have been reclassified to a new geographic area. Given this explicit statutory requirement, the wage index value for an area cannot reflect any redesignations by the MGCRB.

Comment: A number of commenters raised concerns regarding the budget neutrality factor of 0.91, included in the July 1, 1996 notice and its effect on the July 1, 1996 schedule of limits. They indicated that the decrease in the budget neutrality factor, from 1.067, for the limits effective July 1, 1993, to 0.91 for the cost limits effective July 1, 1996, failed to account for industry growth and growing labor costs. Commenters also expressed concern that this decrease would create a reduction in cost limits that could threaten the quality of services HHAs can affordably provide, especially in rural areas.

Response: Subsequent to the publication of the July 1, 1996 schedule of limits, we identified several errors in the data that were used to calculate the budget neutrality factor of 0.91 in the July 1, 1996 notice. In order to ensure the accuracy of the factor, we conducted an exhaustive review of all the data used in the calculation of the 1996 limits. Based on corrected data, we have revised the budget neutrality factor to be 1.078. Our fiscal intermediaries have been directed, in Program Memorandum A-96-11, November 1996, to use this revised factor in limits calculations for all cost reporting periods beginning on or after July 1, 1996. Since the previous factor, in the limits effective July 1, 1993, had a value of 1.067, the revised budget neutrality factor of 1.078 had no substantial effect on the July 1, 1996

schedule of limits applied to any agency.

Comment: One commenter suggested that the limits take into account the special circumstances of rural home health agencies.

Response: The July 1, 1996 limits were based on the latest available settled cost reports. In calculating the limits, we determined the average cost per visit for urban and rural agencies separately. Therefore, the limits applied to rural HHAs are based on the actual operating and cost experience of rural agencies, and are reflective of the circumstances unique to an agency operating in a rural area.

Comment: One commenter recommended that the wage index used in the July 1, 1996 schedule of limits be that used in the hospital prospective payment system that was effective on October 1, 1996.

Response: Section 1861(v)(1)(L)(iii) of the Act requires us to use the area wage index applicable under section 1886(d)(3)(E) of the Act determined using the survey of the most recent available wages and wage-related costs of hospitals located in the geographic area in which the HHA is located. Accordingly, in our July 1, 1996 notice, the HHA wage index was based on the most recent hospital wage index at that time, which was the index effective for hospital discharges on or after October 1, 1995.

Comment: One commenter suggested that we include in our **Federal Register** notices and the public use data file more details and information on the methodology and data used in calculating the limits.

Response: In each of the **Federal Register** notices we have published since 1979, we have striven to provide all of the information necessary for the public to understand the reason and basis for our policies. At the same time, we try to avoid dense and highly technical discussions that would be of interest to few readers and that might be found to be confusing or perceived as obfuscatory. We are always open to suggestions on the adequacy of the information provided in the notices. In response to the commenter, in this 1997 notice, we are providing additional information on the assumptions used in computing the budget neutrality adjustment. We will attempt to include more technical details in future notices. We are also amenable to including additional data items in the public use data file, and will expand this file as requested.

Comment: Commenters wanted assurance that the effect of an increase in the minimum wage had been

considered when the forecast of the HHA market basket was made for the July 1, 1996 schedule of limits.

Response: Public Law 104-188 signed on August 20, 1996, raised the minimum wage of \$4.25 per hour by \$0.50 per hour in October 1996 to \$4.75 per hour, and an additional \$0.40 per hour in September 1997 to \$5.15 per hour. The HHA input price index is a national, not a regional, measure of price changes in a "market basket" reflecting the inputs used by HHAs in providing covered home health services. The forecast used for the HHA market basket in the July 1, 1996 notice did reflect anticipated increases in the minimum wage, although the timing and magnitude of the changes were different than those of the actual legislated increases, enacted after the July 1, 1996 notice. There are two areas where minimum wage increases can impact on the HHA market basket. Each of these areas is discussed in detail below.

One area where an increase in the minimum wage can have an impact on the HHA input price index is the annual percent increase of that index. The impact of a minimum wage increase is reflected in the HHA input price index as a "one-time" increase in the growth rate that is distributed over time in a lagged manner. The increase is distributed over time because of the two-step increase in the minimum wage, the use of four-quarter moving-average percent changes, and the delayed response by some firms to increased wages of employees that are currently slightly above the new minimum. The minimum wage increase is reflected in:

- (1) The price proxies for compensation of workers in the HHA input price index, which are the five Employment Cost Indexes (ECI) for each of the occupational categories; and
- (2) the noncompensation price proxies as secondary impacts where labor is used in an earlier stage of processing.

DRI/McGraw-Hill, under contract with HCFA to forecast the HHA index, includes increases in the minimum wage in its macroeconomic forecast assumptions. The increase in the minimum wage is incorporated in the DRI models used to establish the economy-wide profile, as well as the profile for individual occupations and sectors, for wages, salaries, benefits, and noncompensation price inflation used in the HHA input price index. While the inclusion of the minimum wage increases directly affects the wage price proxy (five ECIs for the occupational groupings) in the HHA input price index, it also indirectly affects the growth of other nonlabor cost input

proxies in a lesser manner through a stages-of-processing methodology.

The first quarter 1996 DRI/McGraw-Hill forecast was used to determine the HHA input price increases in the July 1, 1996 notice. In its first quarter 1996 forecast, DRI anticipated minimum wage increases in 1997 and 1998, and included its expectations in the model at that time. When DRI made its first quarter 1996 forecast in March 1996, it expected minimum wage increases of \$0.45 per hour in April 1997 and an additional \$0.10 per hour in April 1998. These expectations contributed to an increase in the HHA input price index growth rate between the second quarter of 1997 and the second quarter of 1999. (The growth rate is affected for nine quarters, in part because HCFA uses a four-quarter moving-average percent change for price increases, meaning that an increase in the minimum wage in the second quarter of 1998 will show up in the calculation of the four-quarter moving-average percent change for the second quarter of 1999.)

As mentioned above, the actual, legislated minimum wage increases are \$0.50 per hour in October 1996 and an additional \$0.40 per hour in September 1997. Because the July 1, 1996 notice was published before we knew the exact amount of the minimum wage increase, the first quarter 1996 DRI forecast, the latest data available for use in that notice, did not reflect the actual, legislated minimum wage increase. Beginning with the second quarter 1996 DRI forecast, however, the legislated minimum wage increase is reflected in all DRI forecasts. The HHA input price index growth rate, based on the actual minimum wage increase, will be impacted between the fourth quarter of 1996 and the fourth quarter of 1998, instead of the period between the second quarter of 1997 and the second quarter of 1999 as anticipated in the first quarter 1996 DRI forecast. The forecasted impact will also be larger than was anticipated in the first quarter 1996 forecast because the minimum wage will increase \$0.35 per hour more than was expected in early 1996.

To analyze the impact of the cumulative \$0.90 per hour minimum wage increase on the HHA input price index growth rate, we examined the underlying wage distribution of the ECI occupational categories used in the HHA compensation price proxies. We estimated the impact on those workers in those occupational categories earning below or up to the September 1997 national minimum wage of \$5.15 an hour. An analysis of the March 1995 Current Population Survey showed that roughly 10 percent of workers in those

occupational categories earned below \$5.15. Those workers earning just above this new minimum are also expected to be affected by a modest ripple effect. DRI estimates the new minimum wage will increase the growth rate in the HHA input price index by 0.25 percentage points between the fourth quarter of 1996 and the fourth quarter of 1998.

We compared the first quarter 1996 DRI forecast used in the July 1, 1996 notice to the fourth quarter 1996 DRI forecast for the forecasted FY 1996, FY 1997, and FY 1998 percent increases. The first quarter 1996 forecast was made based on DRI assumptions of how much and when the minimum wage would increase, while the fourth quarter 1996 DRI forecast was made after the August 1996 passage date of the minimum wage legislation. Since the first of the two-step minimum wage increase did not take place until October 1996, the FY 1996 percent increase in the HHA market basket was not impacted by the increase in the minimum wage. Our analysis showed that even though the full effect of the minimum wage was not included in the July 1, 1996 notice, other negative factors such as lower than expected benefits price increases and lower than expected administrative and general expense price increases more than offset the effect of the minimum wage increases. The FY 1997 increase is now being forecast by DRI to be lower than originally expected in the first quarter of 1996 by 0.2 percentage points (3.1 percent vs 2.9 percent). The FY 1998 increase, however, is now being forecast to increase roughly 0.1 percentage points faster than was expected in the first quarter of 1996 (3.3 percent vs 3.2 percent). The cumulative growth in the HHA market basket for FY 1997 and FY 1998 is 0.1 percentage points lower than was forecast in the July 1, 1996 notice.

The other area where a change in the minimum wage can impact the HHA input price index is the cost category weights, although any impact on percentage changes would be insignificant. Because the 1993 base year for the HHA market basket is earlier than the October 1996 minimum wage increase, this change is not represented in the cost category weights. However, when HCFA updates the base year for the HHA index in a future year, the minimum wage increase will be reflected in the wages and salaries cost category weight.

Comment: Several commenters requested that we evaluate labor-related share by provider or individual geographic area, not by industry averages.

Response: The national industry share of labor-related costs is used for adjusting area variations in compensation costs for the major provider types, including PPS hospitals, skilled nursing facilities (SNFs), and HHAs. The national average reflects a standard mix of labor-related inputs relative to nonlabor inputs. Inefficient mixes of inputs are not rewarded with higher payments. If the labor-related share was somehow estimated at the individual provider level, it could encourage individual providers to game the system to maximize payments. Additionally, the required data to calculate or estimate labor-related costs of the individual provider or in geographic areas are typically not available. However, more data are available at the national level.

Comment: One commenter questioned why the HHA Input Price Index has failed to address concerns that the home health industry has previously submitted to HCFA, such as costs that change as a result of modifications in hospital discharge practices or advancements in home health technology.

Response: HCFA, by design, uses fixed weight or Laspeyres-type indices to measure pure price increases for HHA services. A Laspeyres index is used to measure the cost of a given market basket at different points in time. The HHA Input Price Index answers the question of how much more or less it would cost, at a later time, to purchase the same mix of goods and services per HHA visit that was purchased in the base period. Changes in costs as a result of modifications in hospital discharge practices or advancements in home health technology are appropriately handled in other ways in the HHA update framework. For example, if discharge patterns change so that more high-skilled physical therapist and registered nurse visits are needed relative to HHA aide visits, this automatically is reflected in higher cost per visit. Higher costs per visit within each of the various visit types are reflected in the HHA Medicare cost report data and thus in payment limit updates. If the effect of changing technology and changing discharge practices is a change in the mix of goods and services, then this is automatically taken into account when the weights are rebased. When this occurs, the most recently available cost structure of the industry, reflecting changes in technology, changed mix of goods and services, etc., is reflected in the weights developed for the market basket. Therefore, the cost limits methodology, which includes the Input Price Index,

accounts for the changes in costs that were of concern to the commenters.

Comment: One commenter questioned why HCFA uses data from outside the home health care industry as a proxy for changes in home health employees' compensation. In addition, one commenter pointed out that HHAs also compete with employers in nonhealth industries, such as retail and service industries.

Response: The HHA market basket wage and benefits labor categories include: (1) Skilled nurses, therapists, and other professional and technical workers; (2) managerial and supervisory workers; (3) clerical workers; and (4) service workers. HHAs compete for these occupational labor categories with employers both inside and outside the HHA care sector. In the case of compensation for nurses and certain other health care technicians and professionals, the hospital labor market may be predominant. However, hospitals and HHAs also compete with other industries to obtain certain skilled professional and technical staff (for example, accountants and computer programmers). For professional and technical workers (skilled nurses, therapists, and other professional and technical workers), we believe that a price proxy that reflects a blend of compensation variables internal and external to the health sector is appropriate. The blend used is price proxies that are equally weighted between ECI for civilian hospital workers and ECI for economy-wide professional and technical workers. The PPS hospital market basket has used this same blend of internal and external price proxies for professional and technical workers since the 1980's.

Since HHAs compete primarily with employers outside the health care sector for the other three occupational categories (managerial and supervisory, clerical, and service workers), we use economy-wide employment cost indices as price proxies for these three occupational groups. The health care sector is included in economy-wide employment cost indices. According to the Bureau of Labor Statistics Current Employment Statistics Survey (establishment data), in March 1995 the health care sector accounted for over 9 percent of employment in the total nonfarm economy.

We ran a simulation using the compensation weights in the 1993-based HHA Input Price Index to show the cumulative difference between using the blend in the HHA Input Price Index of 50 percent ECI for hospital workers, and 50 percent ECI for professional and technical workers and using only the

ECI for hospital workers (the internal health sector component of the blend) over 10 years (fourth quarter of 1986 through the fourth quarter of 1996). The cumulative difference was only 0.7 percentage points over 10 years. This amounts to an average difference of less than 0.1 percentage point per year, indicating that the blend, while technically more accurate, results in a rate of increase that is almost identical to that measured by the nonblended ECI.

Comment: One commenter questioned why data for hospital-based HHAs were not included in the derivation of weights for the revised and rebased market basket.

Response: Data for hospital-based HHAs were not used in the revised and rebased HHA Input Price Index because Medicare cost reports for hospital-based HHAs contain costs that, due to the stepdown of overhead cost from the hospital, are not part of an efficient HHA cost structure. In addition, the data for hospital-based HHAs were not as detailed as the data for freestanding HHAs. We believe that an input price index based on the cost structure of freestanding HHAs more accurately represents the cost structure of the home health industry than would a market basket based on the cost structure of both freestanding and hospital-based HHAs. This same approach is used for SNFs.

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

Section 4207(d)(2) of the Omnibus Budget Reconciliation Act of 1990 (OBRA '90) (Public Law 101-508) requires that, in updating the wage index, aggregate payments to HHAs will remain the same as they would have been if the wage index had not been updated. Therefore, overall payments to HHAs are not affected by changes in the wage index values.

To comply with the requirement of section 4207(d)(2) of OBRA '90 that updating the wage index be budget neutral, we determined that it is necessary to apply a budget neutrality adjustment factor of 1.078 to the labor-related portion of the July 1, 1997 cost limits. This adjustment ensures that aggregate payments to HHAs are not affected by the change to a wage index based on the hospital wage index published on August 30, 1996 (61 FR 46166). The adjustment factor of 1.078 is the same as the factor derived from the November 1996 calculations. When we updated the data for the wage index, we did not find changes significant enough to have an effect on the budget neutrality adjustment factor.

To determine this factor, we analyzed both the data obtained from the freestanding agencies used to determine the cost limits and the settled cost report data covering the same time period for the hospital-based agencies. For each agency in this database, we replaced their current wage index with the one corresponding to the 1982 hospital wage index. Some Metropolitan Statistical Areas (MSAs) that currently exist did not exist at the time this index was created and therefore have no matching 1982 wage index. In the database we are currently using, these unmatchable MSAs represented 2 percent of the total visits. Since this percentage was small, we deleted these agencies from the analysis. We then determined what Medicare program payments would be using the 1982 wage index. Next, we determined payments using the new wage index and adjusted the labor portion of the payment by the factor necessary to match program payments if the 1982 wage index was used. (See the example in section VIII.A of this notice regarding the adjustment of cost limits by the wage index and the budget neutrality factor.)

IV. Update of Limits

The methodology used to develop the schedule of limits set forth in this notice is the same as that used in setting the limits that were effective July 1, 1996. We have updated the cost limits to reflect the expected cost increases occurring between the cost reporting periods for the data contained in the database and June 30, 1998.

A. Data Used

To develop the schedule of limits that is effective July 1, 1997, we extracted actual cost per-visit data from settled Medicare cost reports for periods ending on or after June 30, 1991, and settled by October 1, 1995. The majority of the cost reports were from FY 1993. We then adjusted the data using the latest available market basket indexes to reflect expected cost increases occurring between the cost reporting periods contained in our database and June 30, 1998.

Previous to the July 1, 1996 notice, HCFA used the market basket index to adjust the cost report data to the midpoint (December 31) of the first cost reporting period to which the limits applied (July 1). The present limits adjust the data to the end of the first cost reporting period to which the limits apply (June 30, 1998), a change that will enable fiscal intermediaries to calculate the applicable adjustment factors for HHAs with a cost reporting period of fewer than 12 months. Previously, the

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

B. Wage Index

The wage index is used to adjust the labor-related portion of the limits to reflect differing wage levels among areas. In setting this schedule of limits, we used the FY 1997 hospital wage index, which is based on 1993 hospital wage data.

Each HHA's labor market area is determined based on the definitions of MSAs issued by the Office of Management and Budget (OMB). Section 1861(v)(1)(L) of the Act requires us to use the current hospital wage index (that is, the FY 1997 hospital wage index, which was published in the **Federal Register** on August 30, 1996 (61 FR 46256)) to establish the HHA cost limits. Therefore, this schedule of limits reflects the MSA definitions that are currently in effect under the hospital prospective payment system.

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

- Litchfield County, CT in the Hartford, CT MSA.
- York County, ME and Sagadahoc County, ME in the Portland, ME MSA.

- Merrimack County, NH in the Boston-Brockton-Nashua, MA-NH MSA.

- Newport County, RI in the Providence Fall-Warwick, RI MSA.

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

V. Provisions of the HHA Schedule of Limits

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

The schedule of limits effective for cost reporting periods beginning on or after July 1, 1997, is based on the actual cost per-visit data from settled Medicare cost reports for periods ending on or after June 30, 1991, and settled by October 1, 1995, updated by the market basket rate of increase and provides for the following:

- A classification system based on whether an HHA is located within an MSA, a NECMA, or a non-MSA area. (See Tables 4a and 4b in section X. of this notice for the listing of MSAs, NECMAs, and rural areas.)
- The use of a single schedule of limits for hospital-based and freestanding agencies. This single limit is based on the cost experience of freestanding agencies.
- The use of a market basket index, which was developed from the price of goods and services purchased by HHAs to account for the impact of changing wage and price levels on HHA costs.
- The use of the current hospital wage index. The wage index is used to adjust the labor-related portion of the limits. The employee wage portion of

the market basket index, including a proportionate share of contract services (64.226 percent), and the employee benefits portion (13.442 percent) are used to determine the labor component (77.668 percent) of all HHA per-visit costs used to set the limits.

- Separate treatment of the labor and nonlabor components of per-visit costs. The separate components of costs are calculated by obtaining actual HHA cost data for each agency for cost periods ending on or after June 30, 1991 and settled before October 1, 1995, and increasing those data by the actual and projected increases in the HHA market basket index. We then separate each HHA's per-visit costs into labor and nonlabor portions, and divide the labor portion by the wage index value for the agency's location to control for the effect of geographic variations in prevailing wage levels. Separate means are computed for the labor and nonlabor components of per-visit costs. For each comparison group, the resulting amounts are shown in Table 3 of section IX. of this notice.

- The application of a cost-of-living adjustment to the nonlabor portion of the limit for HHAs located in Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands.

- Limits that are determined for the per-visit cost of each type of home health service: skilled nursing care, physical therapy, speech pathology, occupational therapy, medical social services, and home health aide.

- Application of the limits in the aggregate after an HHA's actual costs are adjusted. An HHA's actual costs are adjusted for individual items of cost that are found to be excessive under Medicare principles of provider payment and for costs that are not included in the limitation amount. The limits are applied in the aggregate to the cost remaining after these adjustments are made. Payment is limited to the lower of the actual costs or the cost limits.

VI. Market Basket

The 1993-Based cost categories and weights are listed in Table 1 below.

TABLE 1.—1993-BASED COST CATEGORIES, WEIGHTS, AND PRICE PROXIES

Cost category	1993-Based market basket weight	Price proxy
Compensation, including allocated Contract Services' Labor	77.668	
Wages and Salaries, including allocated Contract Services, Labor	64.226	HHA Occupational Wage Index.
Employee benefits, including allocated Contract Services' Labor	13.442	HHA Occupational Benefits Index.
Operations & Maintenance	0.832	CPI-U Fuel & Other Utilities.
Administrative & General, including allocated Contract Services' Non-Labor	9.569	
Telephone	0.725	CPI-U Telephone.

TABLE 1.—1993-BASED COST CATEGORIES, WEIGHTS, AND PRICE PROXIES—Continued

Cost category	1993-Based market basket weight	Price proxy
Paper & Printing	0.529	CPI-U Household Paper, Paper Products & Stationery Supplies.
Postage	0.724	CPI-U Postage.
Other Administrative & General, including allocated Contract Services Non-Labor.	7.591	CPI-U Services.
Transportation	3.405	CPI-U Private Transportation.
Capital-Related	3.204	
Insurance	0.560	CPI-U Household Insurance.
Fixed Capital	1.764	CPI-U Owner's Equivalent Rent.
Movable Capital	0.880	PPI Machinery & Equipment.
Other Expenses, including allocated Contract Services' Non-Labor	5.322	CPI-U All Items Less Food & Energy.
Total	100.000	

VII. Methodology for Determining Cost-Per-Visit Limits**A. Data**

For this notice, the cost-per-visit limit values were determined by extracting

settled actual cost-per-visit data from Medicare cost reports for cost reporting periods ending on or after June 30, 1991, and settled before October 1, 1995. We then adjusted the data using the latest available market basket factors to reflect

expected cost increases occurring between the cost reporting periods contained in our database and June 30, 1998. The following adjustment factors were used to compute the per-visit costs:

TABLE 2.—FACTORS FOR INFLATING DATABASE DOLLARS TO JUNE 30, 1998

Inflation adjustment factors ¹			
Fiscal year end	1992	1993	1994
January 31		1.17097	1.13480
February 28		1.16778	1.13203
March 31		1.16457	1.12934
April 30		1.16135	1.12672
May 31		1.15816	1.12413
June 30	1.19400	1.15505	1.12152
July 31	1.19056	1.15202	1.11889
August 31	1.18719	1.14906	1.11625
September 30	1.18387	1.14614	1.11359
October 31	1.18061	1.14327	1.11091
November 30	1.17738	1.14043	1.10824
December 31	1.17417	1.13761	1.10562

B. Cost Reporting Periods Consisting of Fewer Than 12 Months

HHAs may have cost reporting periods that are fewer than 12 months in duration. This may happen, for example, when a new provider enters the Medicare program after its selected fiscal year has already begun, or when a provider experiences a change of ownership before the end of the cost reporting period. As explained in section IV. of this preamble, the data used in calculating the cost limits were updated to June 30, 1998. Therefore, the cost limits published in this notice are for a 12-month cost reporting period beginning July 1, 1997 and ending June 30, 1998. For 12-month cost reporting periods beginning after July 1, 1997 and before July 1, 1998, cost reporting year adjustment factors are provided in Table 5. However, when a cost reporting period consists of fewer than 12 months,

adjustments must be made to the data that have been developed for use with 12-month cost reporting periods. To promote the efficient dissemination of cost limits to providers with cost reporting periods of fewer than 12 months, we are publishing the following examples and tables to enable intermediaries to calculate the applicable adjustment factors.

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

short period ends before the sixteenth of the month, we will consider the period to have ended at the end of the preceding month; if the short period ends on or after the sixteenth of the month, it will be considered to have ended at the end of that month.

Examples:

1. After approval by its intermediary, an HHA changes its fiscal year end from June 30 to December 31. Therefore, the HHA had a short cost reporting period beginning on July 1, 1997 and ending on December 31, 1997. The cost limits that apply to this short period must be adjusted as follows:

Step 1—From Table 6, sum the index levels for the months of July 1997 through December 1997: 6.81963.

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

$6.81963 \div 6 = 1.136605$

Step 3—From Table 6, sum the index levels for the months in the common period of July 1997 through June 1998.
13.75528

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

$13.75528 \div 12 = 1.146273$

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

$1.136605 \div 1.146273 = .991566$

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

a. Urban Skilled Nursing Labor Portion.

$\$79.01 \times .991566 = \78.34

b. Urban Skilled Nursing Nonlabor Portion.

$\$22.28 \times .991566 = \22.09

2. A HHA with a fiscal year end of November 30, 1997 changes ownership on September 21, 1998. The HHA is required to file a terminated cost report for the period of December 1, 1997 to September 21, 1998. The cost limits that apply to this short period must be adjusted as follows:

Step 1—From Table 6, sum the index level for the month of December 1997 through September 1998.

11.58995

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

$11.58995 \div 10 = 1.158995$

Step 3—From Table 6, sum the index levels for the months in the common period of July 1997, through June 1998.
13.75528

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

$13.75528 \div 12 = 1.146273$

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

$1.158995 \div 1.146273 = 1.011099$

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

a. Urban Skilled Nursing Labor Portion.

$\$79.01 \times 1.011099 = \79.89

b. Urban Skilled Nursing Non-Labor Portion.

$\$22.28 \times 1.011099 = \22.53

C. Standardization for Wage Levels

After adjustment by the market basket index, we divided each HHA's per-visit costs into labor and nonlabor portions. The labor portion of costs (77.668 percent as determined by the market basket) represents the employee wage

and benefit factor plus the contract services factor from the market basket. We then divided the labor portion of per-visit costs by the wage index applicable to the HHA's location to arrive at an adjusted labor cost.

D. Adjustment for "Outliers"

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

E. Basic Service Limit

We calculate a basic service limit equal to 112 percent of the mean labor and nonlabor portions of the per-visit costs of freestanding HHAs for each type of service. (See Table 3 in section IX.)

VIII. Computing the Adjusted Limit

A. Adjustment of Cost Limits by Wage Index

To arrive at the adjusted limit, which is to be applied to each service furnished by an HHA, the HHA's intermediary first determines the adjusted labor-related component by multiplying the labor-related component of the limit by the appropriate wage index and by multiplying the adjusted labor-related component by the special labor adjustment for budget neutrality. (See example below and Tables 4a and 4b in section X. of this notice.) The sum of the nonlabor component plus the labor-related component is the adjusted limit applicable to an HHA.

EXAMPLE—CALCULATION OF ADJUSTED OCCUPATIONAL THERAPY LIMIT FOR A FREESTANDING HHA IN DALLAS, TX

Labor component (Table 3)	\$85.97
Wage index value (Table 4a) ...	0.9729
Labor portion	83.64
Special labor adjustment for budget neutrality	1.078
Adjusted labor portion	90.16
Nonlabor component (Table 3)	24.55
Adjusted occupational therapy limit	114.71

B. Adjustment for Reporting Year

If an HHA has a 12-month cost reporting period beginning on or after August 1, 1997, the adjusted per-visit limit for each service is again revised by an adjustment factor from Table 5 that corresponds to the month and year in which the cost reporting period begins.

Each factor represents the compounded rate of monthly increase derived from the projected annual increase in the market basket index, and is used to account for inflation in costs that will occur after the date on which the limits become effective.

For example, if the HHA in the example above had a cost reporting period beginning January 1, 1998, its per-visit therapy limit would be further adjusted as follows:

COMPUTATION OF REVISED LIMIT FOR OCCUPATIONAL THERAPY

Adjusted per-visit limit	\$114.71
Adjustment factor from Table 5	1.01588
Revised per-visit limit	116.53

In this example, the revised adjusted per-visit limit for occupational therapy applicable to this HHA for the cost reporting period beginning January 1, 1998, is \$116.53 per visit.

If an HHA uses a cost reporting period that is not 12 months in duration, a special calculation of the adjustment factor must be made. This results from the fact that projections are computed to June 30, 1998. This calculation is done using the methodology described in section VII.B.

IX. Schedule of Limits

The schedule of limits set forth below applies to cost reporting periods beginning on or after July 1, 1997. The intermediaries will compute the adjusted limits using the wage index published in Tables 4a and 4b of section X. and will notify each HHA they service of its applicable cost per-visit limit for each type of service. Each HHA's aggregate limit cannot be determined prospectively, but depends on each HHA's Medicare visits for each type of service for the cost reporting periods subject to this notice.

The HHA costs that are subject to the limits include the cost of medical supplies routinely furnished in conjunction with patient care. Durable medical equipment, orthotics, prosthetics, and other medical supplies directly identifiable as services to an individual patient are excluded from the per-visit costs and are paid without regard to this schedule of limits. (See Chapter IV of the Home Health Agency Manual (HCFA Pub. 11).)

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

Example: HHA X, a freestanding agency located in Richmond, VA, furnished 5,000 covered skilled nursing visits, 2,000 physical therapy visits, and 4,000 home health aide visits to Medicare beneficiaries during its 12-month cost reporting period beginning July 1, 1997. The aggregate cost limit for the HHA is calculated as follows:

DETERMINING THE AGGREGATE COST LIMIT

Type of visit	Visits	Nonlabor portion	Adjusted labor portion	Adjusted limit ¹	Aggregate limit
Skilled nursing	5,000	\$22.28	\$72.64	\$100.59	\$502,950
Physical therapy	2,000	24.30	79.54	110.04	220,080
Home health aide	4,000	10.88	35.25	48.88	195,520
Total Visits	11,000				
Aggregate cost limit					918,5501

¹ Includes special labor adjustment of 1.078 for budget neutrality.

Before the limits are applied during settlement of the cost report, the HHA's actual costs are reduced by the amount of individual items of cost (for example, administrative compensation and contract services) that are found to be excessive under the Medicare principles of provider payment. That is, the intermediary reviews the various reported costs, taking into account all the Medicare payment principles; for example, the cost guidelines for physical therapy furnished under arrangements (see 42 CFR 413.106) and the limitation on costs that are substantially out of line with those comparable home health agencies (see 42 CFR 413.9).

TABLE 3.—PER VISIT LIMITS FOR HOME HEALTH AGENCIES

Type of visit	Limit	Labor portion	Nonlabor portion ¹
MSA (NECMA) location:			
Skilled nursing care	\$101.20	\$79.01	\$22.28
Physical therapy	110.81	86.51	24.30
Speech pathology	111.60	86.96	24.64
Occupational therapy	110.52	85.97	24.55
Medical social services	146.39	114.01	32.38
Home health aide	49.22	38.34	10.88
Non-MSA location:			
Skilled nursing care	113.07	92.35	20.72
Physical therapy	123.38	100.66	22.72
Speech pathology	134.19	109.22	24.97
Occupational therapy	133.22	108.26	24.96
Medical social services	189.57	154.33	35.24
Home health aide	49.03	40.03	9.00

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

Location	Adjustment factor
Alaska	1.250
Hawaii:	
County of Honolulu	1.225
County of Hawaii	1.150
County of Kauai	1.200
County of Maui	1.225
County of Kalawao	1.225
Puerto Rico	1.100
Virgin Islands	1.125

X. Wage Indexes

TABLE 4a.—WAGE INDEX FOR URBAN AREAS

	Urban area (Constituent counties or county equivalents)	Wage index
0040	Abilene, TX	0.8048
	Taylor, TX	
0060	Aguadilla, PR	0.4237
	Aguada, PR	
	Aguadilla, PR	
	Moca, PR	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
0080	Akron, OH	0.9853
	Portage, OH	
	Summit, OH	
0120	Albany, GA	0.8597
	Dougherty, GA	
	Lee, GA	
0160	Albany-Schenectady-Troy, NY	0.8624
	Albany, NY	
	Montgomery, NY	
	Rensselaer, NY	
	Saratoga, NY	
	Schenectady, NY	
	Schoharie, NY	
0200	Albuquerque, NM	0.9344
	Bernalillo, NM	
	Sandoval, NM	
	Valencia, NM	
0220	Alexandria, LA	0.8119
	Rapides, LA	
0240	Allentown-Bethlehem-Easton, PA	0.9992
	Carbon, PA	
	Lehigh, PA	
	Northampton, PA	
0280	Altoona, PA	0.9510
	Blair, PA	
0320	Amarillo, TX	0.8730
	Potter, TX	
	Randall, TX	
0380	Anchorage, AK	1.3224
	Anchorage, AK	
0440	Ann Arbor, MI	1.1662
	Lenawee, MI	
	Livingston, MI	
	Washtenaw, MI	
0450	Anniston, AL	0.8023
	Calhoun, AL	
0460	Appleton-Oshkosh-Neenah, WI	0.8890
	Calumet, WI	
	Outagamie, WI	
	Winnebago, WI	
0470	Arecibo, PR	0.4397
	Arecibo, PR	
	Camuy, PR	
	Hatillo, PR	
0480	Asheville, NC	0.9334
	Buncombe, NC	
	Madison, NC	
0500	Athens, GA	0.9408
	Clarke, GA	
	Madison, GA	
	Oconee, GA	
0520	*Atlanta, GA	1.0033
	Barrow, GA	
	Bartow, GA	
	Carroll, GA	
	Cherokee, GA	
	Clayton, GA	
	Cobb, GA	
	Coweta, GA	
	DeKalb, GA	
	Douglas, GA	
	Fayette, GA	
	Forsyth, GA	
	Fulton, GA	
	Gwinnett, GA	
	Henry, GA	
	Newton, GA	
	Paulding, GA	
	Pickens, GA	
	Rockdale, GA	
	Spalding, GA	
	Walton, GA	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
0560	Atlantic City—Cape May, NJ	1.1077
	Atlantic City, NJ	
	Cape May, NJ	
0600	Augusta-Aiken, GA—SC	0.8836
	Columbia, GA	
	McDuffie, GA	
	Richmond, GA	
	Aiken, SC	
	Edgefield, SC	
0640	Austin-San Marcos, TX	0.9254
	Bastrop, TX	
	Caldwell, TX	
	Hays, TX	
	Travis, TX	
	Williamson, TX	
0680	Bakersfield, CA	1.0189
	Kern, CA	
0720	*Baltimore, MD	0.9798
	Anne Arundel, MD	
	Baltimore, MD	
	Baltimore City, MD	
	Carroll, MD	
	Harford, MD	
	Howard, MD	
	Queen Annes, MD	
0733	Bangor, ME	0.9391
	Penobscot, ME	
0743	Barnstable-Yarmouth, MA	1.3651
	Barnstable, MA	
0760	Baton Rouge, LA	0.8433
	Ascension, LA	
	East Baton Rouge, LA	
	Livingston, LA	
	West Baton Rouge, LA	
0840	Beaumont-Port Arthur, TX	0.8576
	Hardin, TX	
	Jefferson, TX	
	Orange, TX	
0860	Bellingham, WA	1.1317
	Whatcom, WA	
0870	Benton Harbor, MI	0.8506
	Berrien, MI	
0875	*Bergen-Passaic, NJ	1.1785
	Bergen, NJ	
	Passaic, NJ	
0880	Billings, MT	0.9086
	Yellowstone, MT	
0920	Biloxi-Gulfport-Pascagoula, MS	0.8554
	Hancock, MS	
	Harrison, MS	
	Jackson, MS	
0960	Binghamton, NY	0.8822
	Broome, NY	
	Tioga, NY	
1000	Birmingham, AL	0.9036
	Blount, AL	
	Jefferson, AL	
	St. Clair, AL	
	Shelby, AL	
1010	Bismarck, ND	0.7923
	Burleigh, ND	
	Morton, ND	
1020	Bloomington, IN	0.8652
	Monroe, IN	
1040	Bloomington-Normal, IL	0.8990
	McLean, IL	
1080	Boise City, ID	0.9383
	Ada, ID	
	Canyon, ID	
1123	*Boston-Worcester Lawrence-Lowell-Brockton, MA—NH	1.1613
	Bristol, MA	
	Essex, MA	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
	Middlesex, MA	
	Norfolk, MA	
	Plymouth, MA	
	Suffolk, MA	
	Worcester, MA	
	Hillsborough, NH	
	Merrimack, NH	
	Rockingham, NH	
	Strafford, NH	
1125	Boulder-Longmont, CO	0.9522
	Boulder, CO	
1145	Brazoria, TX	0.9201
	Brazoria, TX	
1150	Bremerton, WA	1.0901
	Kitsap, WA	
1240	Brownsville-Harlingen-San Benito, TX	0.8542
	Cameron, TX	
1260	Bryan-College Station, TX	0.8851
	Brazos, TX	
1280	*Buffalo-Niagara Falls, NY	0.9107
	Erie, NY	
	Niagara, NY	
1303	Burlington, VT	1.0068
	Chittenden, VT	
	Franklin, VT	
	Grand Isle, VT	
1310	Caguas, PR	0.4573
	Caguas, PR	
	Cayey, PR	
	Cidra, PR	
	Gurabo, PR	
	San Lorenzo, PR	
1320	Canton-Massillon, OH	0.8648
	Carroll, OH	
	Stark, OH	
1350	Casper, WY	0.8821
	Natrona, WY	
1360	Cedar Rapids, IA	0.8458
	Linn, IA	
1400	Champaign-Urbana, IL	0.9391
	Champaign, IL	
1440	Charleston-North Charleston, SC	0.8963
	Berkeley, SC	
	Charleston, SC	
	Dorchester, SC	
1480	Charleston, WV	0.9526
	Kanawha, WV	
	Putnam, WV	
1520	*Charlotte-Gastonia-Rock Hill, NC—SC	0.9620
	Cabarrus, NC	
	Gaston, NC	
	Lincoln, NC	
	Mecklenburg, NC	
	Rowan, NC	
	Union, NC	
	York, SC	
1540	Charlottesville, VA	0.9155
	Albemarle, VA	
	Charlottesville City, VA	
	Fluvanna, VA	
	Greene, VA	
1560	Chattanooga, TN—GA	0.8847
	Catoosa, GA	
	Dade, GA	
	Walker, GA	
	Hamilton, TN	
	Marion, TN	
1580	Cheyenne, WY	0.7678
	Laramie, WY	
1600	*Chicago, IL	1.0760
	Cook, IL	
	DeKalb, IL	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
	DuPage, IL Grundy, IL Kane, IL Kendall, IL Lake, IL McHenry, IL Will, IL	
1620	Chico-Paradise, CA	1.0417
	Butte, CA	
1640	*Cincinnati, OH-KY-IN	0.9570
	Dearborn, IN Ohio, IN Boone, KY Campbell, KY Gallatin, KY Grant, KY Kenton, KY Pendleton, KY Brown, OH Clermont, OH Hamilton, OH Warren, OH	
1660	Clarksville-Hopkinsville, TN-KY	0.7716
	Christian, KY Montgomery, TN	
1680	*Cleveland-Lorain-Elyria, OH	0.9886
	Ashtabula, OH Cuyahoga, OH Geauga, OH Lake, OH Lorain, OH Medina, OH	
1720	Colorado Springs, CO	0.9341
	El Paso, CO	
1740	Columbia, MO	0.8899
	Boone, MO	
1760	Columbia, SC	0.9160
	Lexington, SC Richland, SC	
1800	Columbus, GA-AL	0.7779
	Russell, AL Chattahoochee, GA Harris, GA Muscogee, GA	
1840	*Columbus, OH	0.9681
	Delaware, OH Fairfield, OH Franklin, OH Licking, OH Madison, OH Pickaway, OH	
1880	Corpus Christi, TX	0.8881
	Nueces, TX San Patricio, TX	
1900	Cumberland, MD-WV	0.8671
	Allegany, MD Mineral, WV	
1920	*Dallas, TX	0.9729
	Collin, TX Dallas, TX Denton, TX Ellis, TX Henderson, TX Hunt, TX Kaufman, TX Rockwall, TX	
1950	Danville, VA	0.8497
	Danville City, VA Pittsylvania, VA	
1960	Davenport-Rock Island-Moline, IA-IL	0.8388
	Scott, IA Henry, IL Rock Island, IL	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
2000	Dayton-Springfield, OH	0.9559
	Clark, OH	
	Greene, OH	
	Miami, OH	
	Montgomery, OH	
2020	Daytona Beach, FL	0.8871
	Flagler, FL	
	Volusia, FL	
2030	Decatur, AL	0.8384
	Lawrence, AL	
	Morgan, AL	
2040	Decatur, IL	0.7848
	Macon, IL	
2080	*Denver, CO	1.0166
	Adams, CO	
	Arapahoe, CO	
	Denver, CO	
	Douglas, CO	
	Jefferson, CO	
2120	Des Moines, IA	0.8815
	Dallas, IA	
	Polk, IA	
	Warren, IA	
2160	*Detroit, MI	1.0724
	Lapeer, MI	
	Macomb, MI	
	Monroe, MI	
	Oakland, MI	
	St. Clair, MI	
	Wayne, MI	
2180	Dothan, AL	0.7740
	Dale, AL	
	Houston, AL	
2190	Dover, DE	0.8997
	Kent, DE	
2200	Dubuque, IA	0.8112
	Dubuque, IA	
2240	Duluth-Superior, MN-WI	0.9416
	St. Louis, MN	
	Douglas, WI	
2281	Dutchess County, NY	1.0589
	Dutchess, NY	
2290	Eau Claire, WI	0.8678
	Chippewa, WI	
	Eau Claire, WI	
2320	El Paso, TX	0.9464
	El Paso, TX	
2330	Elkhart-Goshen, IN	0.8801
	Elkhart, IN	
2335	Elmira, NY	0.8417
	Chemung, NY	
2340	Enid, OK	0.7862
	Garfield, OK	
2360	Erie, PA	0.9159
	Erie, PA	
2400	Eugene-Springfield, OR	1.1271
	Lane, OR	
2440	Evansville-Henderson, IN-KY	0.8983
	Posey, IN	
	Vanderburgh, IN	
	Warrick, IN	
	Henderson, KY	
2520	Fargo-Moorhead, ND-MN	0.9045
	Clay, MN	
	Cass, ND	
2560	Fayetteville, NC	0.9007
	Cumberland, NC	
2580	Fayetteville-Springdale-Rogers, AR	0.7220
	Benton, AR	
	Washington, AR	
2620	Flagstaff, AZ-UT	0.9019
	Coconino, AZ	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
2640	Kane, UT Flint, MI	1.1248
2650	Genesee, MI Florence, AL	0.7938
2655	Colbert, AL Lauderdale, AL	0.8594
2670	Florence, SC Fort Collins-Loveland, CO	1.0562
2680	Larimer, CO *Ft. Lauderdale, FL	1.0548
2700	Broward, FL Fort Myers-Cape Coral, FL	0.9032
2710	Lee, FL Fort Pierce-Port St. Lucie, FL	1.0169
2720	Martin, FL St. Lucie, FL Fort Smith, AR—OK	0.7864
2750	Crawford, AR Sebastian, AR Sequoyah, OK Fort Walton Beach, FL	0.9192
2760	Okaloosa, FL Fort Wayne, IN	0.8800
2800	Adams, IN Allen, IN DeKalb, IN Huntington, IN Wells, IN Whitley, IN *Forth Worth-Arlington, TX	1.0153
2840	Hood, TX Johnson, TX Parker, TX Tarrant, TX Fresno, CA	1.1183
2880	Fresno, CA Madera, CA Gadsden, AL	0.8881
2900	Etowah, AL Gainesville, FL	0.9434
2920	Alachua, FL Galveston-Texas City, TX	1.0997
2960	Galveston, TX Gary, IN	0.9641
2975	Lake, IN Porter, IN Glens Falls, NY	0.8562
2980	Warren, NY Washington, NY Goldsboro, NC	0.8393
2985	Wayne, NC Grand Forks, ND—MN	0.9011
2995	Polk, MN Grand Forks, ND Grand Junction, CO	0.8336
3000	Mesa, CO Grand Rapids-Muskegon-Holland, MI	1.0119
3040	Allegan, MI Kent, MI Muskegon, MI Ottawa, MI Great Falls, MT	0.8681
3060	Cascade, MT Greeley, CO	0.9690
3080	Weld, CO Green Bay, WI	0.9038
3120	Brown, WI *Greensboro-Winston-Salem-High Point, NC	0.9332
	Alamance, NC Davidson, NC Davie, NC	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
	Forsyth, NC	
	Guilford, NC	
	Randolph, NC	
	Stokes, NC	
	Yadkin, NC	
3150	Greenville, NC	0.9078
	Pitt, NC	
3160	Greenville-Spartanburg-Anderson, SC	0.8927
	Anderson, SC	
	Cherokee, SC	
	Greenville, SC	
	Pickens, SC	
	Spartanburg, SC	
3180	Hagerstown, MD	0.9175
	Washington, MD	
3200	Hamilton-Middletown, OH	0.9490
	Butler, OH	
3240	Harrisburg-Lebanon-Carlisle, PA	1.0158
	Cumberland, PA	
	Dauphin, PA	
	Lebanon, PA	
	Perry, PA	
3283	*Hartford, CT	1.2367
	Hartford, CT	
	Litchfield, CT	
	Middlesex, CT	
	Tolland, CT	
3285	Hattiesburg, MS	0.7252
	Forrest, MS	
	Lamar, MS	
3290	Hickory-Morganton-Lenoir, NC	0.8626
	Alexander, NC	
	Burke, NC	
	Caldwell, NC	
	Catawba, NC	
3320	Honolulu, HI	1.1461
	Honolulu, HI	
3350	Houma, LA	0.7853
	Lafourche, LA	
	Terrebonne, LA	
3360	*Houston, TX	1.0000
	Chambers, TX	
	Fort Bend, TX	
	Harris, TX	
	Liberty, TX	
	Montgomery, TX	
	Waller, TX	
3400	Huntington-Ashland, WV-KY-OH	0.9174
	Boyd, KY	
	Carter, KY	
	Greenup, KY	
	Lawrence, OH	
	Cabell, WV	
	Wayne, WV	
3440	Huntsville, AL	0.8206
	Limestone, AL	
	Madison, AL	
3480	*Indianapolis, IN	0.9903
	Boone, IN	
	Hamilton, IN	
	Hancock, IN	
	Hendricks, IN	
	Johnson, IN	
	Madison, IN	
	Marion, IN	
	Morgan, IN	
	Shelby, IN	
3500	Iowa City, IA	0.9361
	Johnson, IA	
3520	Jackson, MI	0.9045
	Jackson, MI	
3560	Jackson, MS	0.7884

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
3580	Hinds, MS Madison, MS Rankin, MS Jackson, TN	0.8288
3600	Madison, TN Chester, TN Jacksonville, FL	0.9086
3605	Clay, FL Duval, FL Nassau, FL St. Johns, FL Jacksonville, NC	0.7055
3610	Onslow, NC Jamestown, NY	0.7670
3620	Chautauqua, NY Janesville-Beloit, WI	0.8645
3640	Rock, WI Jersey City, NJ	1.1382
3660	Hudson, NJ Johnson City-Kingsport-Bristol, TN-VA	0.8884
3680	Carter, TN Hawkins, TN Sullivan, TN Unicoi, TN Washington, TN Bristol City, VA Scott, VA Washington, VA Johnstown, PA	0.8398
3700	Cambria, PA Somerset, PA Jonesboro, AR	0.7220
3710	Craighead, AR Joplin, MO	0.7638
3720	Jasper, MO Newton, MO Kalamazoo-Battlecreek, MI	1.0542
3740	Calhoun, MI Kalamazoo, MI Van Buren, MI Kankakee, IL	0.9115
3760	Kankakee, IL *Kansas City, KS-MO	0.9478
3800	Johnson, KS Leavenworth, KS Miami, KS Wyandotte, KS Cass, MO Clay, MO Clinton, MO Jackson, MO Lafayette, MO Platte, MO Ray, MO Kenosha, WI	0.9145
3810	Kenosha, WI Killeen-Temple, TX	1.0392
3840	Bell, TX Coryell, TX Knoxville, TN	0.8502
3850	Anderson, TN Blount, TN Knox, TN Loudon, TN Sevier, TN Union, TN Kokomo, IN	0.8590
3870	Howard, IN Tipton, IN La Crosse, WI-MN	0.8618
	Houston, MN La Crosse, WI	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
3880	Lafayette, LA	0.8163
	Acadia, LA	
	Lafayette, LA	
	St. Landry, LA	
	St. Martin, LA	
3920	Lafayette, IN	0.8781
	Clinton, IN	
	Tippecanoe, IN	
3960	Lake Charles, LA	0.8034
	Calcasieu, LA	
3980	Lakeland-Winter Haven, FL	0.8774
	Polk, FL	
4000	Lancaster, PA	0.9583
	Lancaster, PA	
4040	Lansing-East Lansing, MI	1.0010
	Clinton, MI	
	Eaton, MI	
	Ingham, MI	
4080	Laredo, TX	0.7073
	Webb, TX	
4100	Las Cruces, NM	0.8497
	Dona Ana, NM	
4120	*Las Vegas, NV-AZ	1.0870
	Mohave, AZ	
	Clark, NV	
	Nye, NV	
4150	Lawrence, KS	0.8597
	Douglas, KS	
4200	Lawton, OK	0.8365
	Comanche, OK	
4243	Lewiston-Auburn, ME	0.9410
	Androscoggin, ME	
4280	Lexington, KY	0.8293
	Bourbon, KY	
	Clark, KY	
	Fayette, KY	
	Jessamine, KY	
	Madison, KY	
	Scott, KY	
	Woodford, KY	
4320	Lima, OH	0.8732
	Allen, OH	
	Auglaize, OH	
4360	Lincoln, NE	0.9161
	Lancaster, NE	
4400	Little Rock-North Little Rock, AR	0.8597
	Faulkner, AR	
	Lonoke, AR	
	Pulaski, AR	
	Saline, AR	
4420	Longview-Marshall, TX	0.8645
	Gregg, TX	
	Harrison, TX	
	Upshur, TX	
4480*	Los Angeles-Long Beach, CA	1.2343
	Los Angeles, CA	
4520	Louisville, KY-IN	0.9447
	Clark, IN	
	Floyd, IN	
	Harrison, IN	
	Scott, IN	
	Bullitt, KY	
	Jefferson, KY	
	Oldham, KY	
4600	Lubbock, TX	0.8510
	Lubbock, TX	
4640	Lynchburg, VA	0.8052
	Amherst, VA	
	Bedford, VA	
	Bedford City, VA	
	Campbell, VA	
	Lynchburg City, VA	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
4680	Macon, GA	0.8824
	Bibb, GA	
	Houston, GA	
	Jones, GA	
	Peach, GA	
	Twiggs, GA	
4720	Madison, WI	1.0021
	Dane, WI	
4800	Mansfield, OH	0.8524
	Crawford, OH	
	Richland, OH	
4840	Mayaguez, PR	0.4215
	Anasco, PR	
	Cabo Rojo, PR	
	Hormigueros, PR	
	Mayaguez, PR	
	Sabana Grande, PR	
	San German, PR	
4880	McAllen-Edinburg-Mission, TX	0.8485
	Hidalgo, TX	
4890	Medford-Ashland, OR	1.0068
	Jackson, OR	
4900	Melbourne-Titusville-Palm Bay, FL	0.9068
	Brevard, FL	
4920	*Memphis, TN-AR-MS	0.8166
	Crittenden, AR	
	DeSoto, MS	
	Fayette, TN	
	Shelby, TN	
	Tipton, TN	
4940	Merced, CA	1.0660
	Merced, CA	
5000	*Miami, FL	0.9938
	Dade, FL	
5015	*Middlesex-Somerset-Hunterdon, NJ	1.0883
	Hunterdon, NJ	
	Middlesex, NJ	
	Somerset, NJ	
5080	*Milwaukee-Waukesha, WI	0.9645
	Milwaukee, WI	
	Ozaukee, WI	
	Washington, WI	
	Waukesha, WI	
5120	*Minneapolis-St. Paul, MN-WI	1.0777
	Anoka, MN	
	Carver, MN	
	Chisago, MN	
	Dakota, MN	
	Hennepin, MN	
	Isanti, MN	
	Ramsey, MN	
	Scott, MN	
	Sherburne, MN	
	Washington, MN	
	Wright, MN	
	Pierce, WI	
	St. Croix, WI	
5160	Mobile, AL	0.7981
	Baldwin, AL	
	Mobile, AL	
5170	Modesto, CA	1.0600
	Stanislaus, CA	
5190	*Monmouth-Ocean, NJ	1.0833
	Monmouth, NJ	
	Ocean, NJ	
5200	Monroe, LA	0.8211
	Ouachita, LA	
5240	Montgomery, AL	0.7876
	Autauga, AL	
	Elmore, AL	
	Montgomery, AL	
5280	Muncie, IN	0.9714

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
5330	Delaware, IN Myrtle Beach, SC	0.7790
5345	Horry, SC	1.0199
5360	Naples, FL	0.9081
	Collier, FL	
	*Nashville, TN	
	Cheatham, TN	
	Davidson, TN	
	Dickson, TN	
	Robertson, TN	
	Rutherford TN	
	Sumner, TN	
	Williamson, TN	
	Wilson, TN	
5380	*Nassau-Suffolk, NY	1.3547
	Nassau, NY	
	Suffolk, NY	
5483	*New Haven-Bridgeport-Stamford-Danbury-Waterbury, CT	1.2704
	Fairfield, CT	
	New Haven, CT	
5523	New London-Norwich, CT	1.2262
	New London, CT	
5560	*New Orleans, LA	0.9294
	Jefferson, LA	
	Orleans, LA	
	Plaquemines, LA	
	St. Bernard, LA	
	St. Charles, LA	
	St. James, LA	
	St. John Baptist, LA	
	St. Tammany, LA	
5600	*New York, NY	1.4154
	Bronx, NY	
	Kings, NY	
	New York, NY	
	Putnam, NY	
	Queens, NY	
	Richmond, NY	
	Rockland, NY	
	Westchester, NY	
5640	*Newark, NJ	1.1762
	Essex, NJ	
	Morris, NJ	
	Sussex, NJ	
	Union, NJ	
	Warren, NJ	
5660	Newburgh, NY-PA	1.0803
	Orange, NY	
	Pike, PA	
5720	*Norfolk-Virginia Beach-Newport News, VA-NC	0.8348
	Currituck, NC	
	Chesapeake City, VA	
	Gloucester, VA	
	Hampton City, VA	
	Isle of Wight, VA	
	James City, VA	
	Mathews, VA	
	Newport News City, VA	
	Norfolk City, VA	
	Poquoson City, VA	
	Portsmouth City, VA	
	Suffolk City, VA	
	Virginia Beach City VA	
	Williamsburg City, VA	
	York, VA	
5775	*Oakland, CA	1.4991
	Alameda, CA	
	Contra Costa, CA	
5790	Ocala, FL	0.9105
	Marion, FL	
5800	Odessa-Midland, TX	0.8482
	Ector, TX	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
5880	Midland, TX * Oklahoma City, OK	0.8371
	Canadian, OK	
	Cleveland, OK	
	Logan, OK	
	McClain, OK	
	Oklahoma, OK	
	Pottawatomie, OK	
5910	Olympia, WA	1.0689
	Thurston, WA	
5920	Omaha, NE—IA	0.9480
	Pottawattamie, IA	
	Cass, NE	
	Douglas, NE	
	Sarpy, NE	
	Washington, NE	
5945	* Orange County, CA	1.1966
	Orange, CA	
5960	* Orlando, FL	0.9470
	Lake, FL	
	Orange, FL	
	Osceola, FL	
	Seminole, FL	
5990	Owensboro, KY	0.7575
	Daviess, KY	
6015	Panama City, FL	0.8061
	Bay, FL	
6020	Parkersburg-Marietta, WV—OH	0.7877
	Washington, OH	
	Wood, WV	
6080	Pensacola, FL	0.8202
	Escambia, FL	
	Santa Rosa, FL	
6120	Peoria-Pekin, IL	0.8905
	Peoria, IL	
	Tazewell, IL	
	Woodford, IL	
6160	* Philadelphia, PA—NJ	1.1237
	Burlington, NJ	
	Camden, NJ	
	Gloucester, NJ	
	Salem, NJ	
	Bucks, PA	
	Chester, PA	
	Delaware, PA	
	Montgomery, PA	
	Philadelphia, PA	
6200	* Phoenix-Mesa, AZ	0.9810
	Maricopa, AZ	
	Pinal, AZ	
6240	Pine Bluff, AR	0.7886
	Jefferson, AR	
6280	* Pittsburgh, PA	0.9701
	Allegheny, PA	
	Beaver, PA	
	Butler, PA	
	Fayette, PA	
	Washington, PA	
	Westmoreland, PA	
6323	Pittsfield, MA	1.0552
	Berkshire, MA	
6340	Pocatelo, ID	0.8784
	Bannock ID	
6360	Ponce, PR	0.4685
	Guayanilla, PR	
	Juana Diaz, PR	
	Penuelas, PR	
	Ponce, PR	
	Villalba, PR	
	Yauco, PR	
6403	Portland, ME	0.9619
	Cumberland, ME	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
	Sagadahoc, ME	
	York, ME	
6440	*Portland-Vancouver, OR-WA	1.1235
	Clackamas, OR	
	Columbia, OR	
	Multnomah, OR	
	Washington, OR	
	Yamhill, OR	
	Clark, WA	
6483	Providence-Warwick-Pawtucket, RI	1.1092
	Bristol, RI	
	Kent, RI	
	Newport, RI	
	Providence, RI	
	Washington, RI	
	Statewide, RI	
6520	Provo-Orem, UT	1.01116
	Utah, UT	
6560	Pueblo, CO	0.8284
	Pueblo, CO	
6580	Punta Gorda, FL	0.8999
	Charlotte, FL	
6600	Racine, WI	0.8835
	Racine, WI	
6640	Raleigh-Durham-Chapel Hill, NC	0.9728
	Chatham, NC	
	Durham, NC	
	Franklin, NC	
	Johnston, NC	
	Orange, NC	
	Wake, NC	
6660	Rapid City, SD	0.8455
	Pennington, SD	
6680	Reading, PA	0.9445
	Berks, PA	
6690	Redding, CA	1.1605
	Shasta, CA	
6720	Reno, NV	1.1018
	Washoe, NV	
6740	Richland-Kennewick-Pasco, WA	0.9970
	Benton, WA	
	Franklin, WA	
6760	Richmond-Petersburg, VA	0.9194
	Charles City County, VA	
	Chesterfield, VA	
	Colonial Heights City, VA	
	Dinwiddie, VA	
	Goochland, VA	
	Hanover, VA	
	Henrico, VA	
	Hopewell City, VA	
	New Kent, VA	
	Petersburg City, VA	
	Powhatan, VA	
	Prince George, VA	
	Richmond City, VA	
6780	*Riverside-San Bernardino, CA	1.1379
	Riverside, CA	
	San Bernardino, CA	
6800	Roanoke, VA	0.8702
	Botetourt, VA	
	Roanoke, VA	
	Roanoke City, VA	
	Salem City, VA	
6820	Rochester, MN	1.0428
	Olmsted, MN	
6840	*Rochester, NY	0.9649
	Genesee, NY	
	Livingston, NY	
	Monroe, NY	
	Ontario, NY	
	Orleans, NY	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
6880	Wayne, NY Rockford, IL	0.8994
	Boone, IL Ogle, IL Winnebago, IL	
6895	Rocky Mount, NC	0.8955
	Edgecombe, NC Nash, NC	
6920	*Sacramento, CA	1.2351
	El Dorado, CA Placer, CA Sacramento, CA	
6960	Saginaw-Bay City-Midland, MI	0.9612
	Bay, MI Midland, MI Saginaw, MI	
6980	St. Cloud, MN	0.9457
	Benton, MN Stearns, MN	
7000	St. Joseph, MO	0.8551
	Andrews, MO Buchanan, MO	
7040	*St. Louis, MO—IL	0.9022
	Clinton, IL Jersey, IL Madison, IL Monroe, IL St. Clair, IL Franklin, MO Jefferson, MO Lincoln, MO St. Charles, MO St. Louis, MO St. Louis City, MO Warren, MO	
7080	Salem, OR	0.9728
	Marion, OR Polk, OR	
7120	Salinas, CA	1.3803
	Monterey, CA	
7160	*Salt Lake City-Ogden, UT	0.9677
	Davis, UT Salt Lake, UT Weber, UT	
7200	San Angelo, TX	0.7577
	Tom Green, TX	
7240	*San Antonio, TX	0.8390
	Bexar, TX Comal, TX Guadalupe, TX Wilson, TX	
7320	*San Diego, CA	1.2134
	San Diego, CA	
7360	*San Francisco, CA	1.4260
	Marin, CA San Francisco, CA San Mateo, CA	
7400	*San Jose, CA	1.4519
	Santa Clara, CA	
7440	*San Juan-Bayamon, PR	0.4506
	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	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
	Guaynabo, PR Humacao, PR Juncos, PR Los Piedras, PR Loiza, PR Luguillo, PR Manati, PR Morovis, PR Naguabo, PR Naranjito, PR Rio Grande, PR San Juan, PR Toa Alta, PR Toa Baja, PR Trujillo Alto, PR Vega Alta, PR Vega Baja, PR Yabucoa, PR	
7460	San Luis Obispo-Atascadero-Paso Robles, CA	1.1561
	San Luis Obispo, CA	
7480	Santa Barbara-Santa Maria-Lompoc, CA	1.1242
	Santa Barbara, CA	
7485	Santa Cruz-Watsonville, CA	1.3520
	Santa Cruz, CA	
7490	Santa Fe, NM	1.0823
	Los Alamos, NM	
	Santa Fe, NM	
7500	Santa Rosa, CA	1.2526
	Sonoma, CA	
7510	Sarasota-Bradenton, FL	0.9789
	Manatee, FL	
	Sarasota, FL	
7520	Savannah, GA	0.9649
	Bryan, GA	
	Chatham, GA	
	Effingham, GA	
7560	Scranton-Wilkes-Barre-Hazleton, PA	0.8752
	Columbia, PA	
	Lackawanna, PA	
	Luzerne, PA	
	Wyoming, PA	
7600	*Seattle-Bellevue-Everett, WA	1.1384
	Island, WA	
	King, WA	
	Snohomish, WA	
7610	Sharon, PA	0.8885
	Mercer, PA	
7620	Sheboygan, WI	0.7764
	Sheboygan, WI	
7640	Sherman-Denison, TX	0.8614
	Grayson, TX	
7680	Shreveport-Bossier City, LA	0.9359
	Bossier, LA	
	Caddo, LA	
	Webster, LA	
7720	Sioux City, IA-NE	0.8313
	Woodbury, IA	
	Dakota, NE	
7760	Sioux Falls, SD	0.8620
	Lincoln, SD	
	Minnehaha, SD	
7800	South Bend, IN	0.9934
	St. Joseph, IN	
7840	Spokane, WA	1.0524
	Spokane, WA	
7880	Springfield, IL	0.8671
	Menard, IL	
	Sangamon, IL	
7920	Springfield, MO	0.7823
	Christian, MO	
	Greene, MO	
	Webster, MO	

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
8003	Springfield, MA	1.0586
	Hampden, MA	
	Hampshire, MA	
8050	State College, PA	0.9538
	Centre, PA	
8080	Steubenville-Weirton, OH-WV	0.8266
	Jefferson, OH	
	Brooke, WV	
	Hancock, WV	
8120	Stockton-Lodi, CA	1.1330
	San Joaquin, CA	
8140	Sumter, SC	0.7699
	Sumter, SC	
8160	Syracuse, NY	0.9395
	Cayuga, NY	
	Madison, NY	
	Onondaga, NY	
	Oswego, NY	
8200	Tacoma, WA	1.0860
	Pierce, WA	
8240	Tallahassee, FL	0.8313
	Gadsden, FL	
	Leon, FL	
8280	*Tampa-St. Petersburg-Clearwater, FL	0.9250
	Hernando, FL	
	Hillsborough, FL	
	Pasco, FL	
	Pinellas, FL	
8320	Terre Haute, IN	0.8591
	Clay, IN	
	Vermillion, IN	
	Vigo, IN	
8360	Texarkana, AR-Texarkana, TX	0.8503
	Miller, AR	
	Bowie, TX	
8400	Toledo, OH	1.0361
	Fulton, OH	
	Lucas, OH	
	Wood, OH	
8440	Topeka, KS	1.0086
	Shawnee, KS	
8480	Trenton, NJ	1.0549
	Mercer, NJ	
8520	Tucson, AZ	0.9068
	Pima, AZ	
8560	Tulsa, OK	0.8095
	Creek, OK	
	Osage, OK	
	Rogers, OK	
	Tulsa, OK	
	Wagoner, OK	
8600	Tuscaloosa, AL	0.7784
	Tuscaloosa, AL	
8640	Tyler, TX	0.9996
	Smith, TX	
8680	Utica-Rome, NY	0.8413
	Herkimer, NY	
	Oneida, NY	
8720	Vallejo-Fairfield-Napa, CA	1.3947
	Napa, CA	
	Solano, CA	
8735	Ventura, CA	1.1454
	Ventura, CA	
8750	Victoria, TX	0.8393
	Victoria, TX	
8760	Vineland-Millville-Bridgeton, NJ	0.9993
	Cumberland, NJ	
8780	Visalia-Tulare-Porterville, CA	1.0151
	Tulare, CA	
8800	Waco, TX	0.7772
	McLennan, TX	
8840	*Washington, DC-MD-VA-WV	1.0823

TABLE 4a.—WAGE INDEX FOR URBAN AREAS—Continued

	Urban area (Constituent counties or county equivalents)	Wage index
	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	
8920	Waterloo-Cedar Falls, IA	0.8705
	Black Hawk, IA	
8940	Wausau, WI	1.0323
	Marathon, WI	
8960	West Palm Beach-Boca Raton, FL	1.0202
	Palm Beach, FL	
9000	Wheeling, OH-WV	0.7563
	Belmont, OH	
	Marshall, WV	
	Ohio, WV	
9040	Wichita, KS	0.9369
	Butler, KS	
	Harvey, KS	
	Sedgwick, KS	
9080	Wichita Falls, TX	0.8041
	Archer, TX	
	Wichita, TX	
9140	Williamsport, PA	0.8467
	Lycoming, PA	
9160	Wilmington-Newark, DE-MD	1.1315
	New Castle, DE	
	Cecil, MD	
9200	Wilmington, NC	0.9046
	New Hanover, NC	
	Brunswick, NC	
9260	Yakima, WA	1.0026
	Yakima, WA	
9270	Yolo, CA	1.1444
	Yolo, CA	
9280	York, PA	0.9104
	York, PA	
9320	Youngstown-Warren, OH	0.9742
	Columbiana, OH	
	Mahoning, OH	
	Trumbull, OH	
9340	Yuba City, CA	1.0414
	Sutter, CA	
	Yuba, CA	
9360	Yuma, AZ	0.9497
	Yuma, AZ	

* Large Urban Area.

TABLE 4b.—WAGE INDEX FOR RURAL AREAS

Nonurban area	Wage index
Alabama	0.7122
Alaska	1.2444
Arizona	0.7928
Arkansas	0.6954
California	1.0002
Colorado	0.8092
Connecticut	1.2759
Delaware	0.9447
Florida	0.8668
Georgia	0.7653
Hawaii	1.0245
Idaho	0.8277
Illinois	0.7553
Indiana	0.8124
Iowa	0.7373
Kansas	0.7107
Kentucky	0.7753
Louisiana	0.7232
Maine	0.8317
Maryland	0.8427
Massachusetts	1.0070
Michigan	0.8830
Minnesota	0.8144
Mississippi	0.6793
Missouri	0.7261
Montana	0.8128
Nebraska	0.7214
Nevada	0.8775
New Hampshire	0.9745
New Jersey ¹	
New Mexico	0.8000
New York	0.8558
North Carolina	0.7950
North Dakota	0.7358
Ohio	0.8332
Oklahoma	0.6942
Oregon	0.9664
Pennsylvania	0.8453
Puerto Rico	0.4026
Rhode Island ¹	
South Carolina	0.7668
South Dakota	0.7063
Tennessee	0.7341
Texas	0.7462
Utah	0.8848
Vermont	0.8921
Virginia	0.7713
Washington	0.9933
West Virginia	0.7904
Wisconsin	0.8430
Wyoming	0.8177

¹ All counties within the State are classified urban.

TABLE 5.—COST REPORTING YEAR ADJUSTMENT FACTOR¹

If the HHA cost reporting period begins	The adjustment factor is
August 1, 1997	1.00251
September 1, 1997	1.00509
October 1, 1997	1.00771
November 1, 1997	1.01038
December 1, 1997	1.01311
January 1, 1998	1.01588
February 1, 1998	1.01871
March 1, 1998	1.02154
April 1, 1998	1.02435

TABLE 5.—COST REPORTING YEAR ADJUSTMENT FACTOR¹—Continued

If the HHA cost reporting period begins	The adjustment factor is
May 1, 1998	1.02714
June 1, 1998	1.02993

¹ Based on compounded projected market basket inflation rates.

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

If, for any reason, we do not publish a new schedule of limits to be effective on July 1, 1998 or do not announce other changes in the current schedule by that date, the current limits will continue in effect. Intermediaries will be notified of the adjustment factors to be applied until a new schedule of limits or other provision is issued.

TABLE 6.—MONTHLY INDEX LEVELS FOR CALCULATING INFLATION FACTORS TO BE APPLIED TO HOME HEALTH AGENCY COST LIMITS

Month	Index level
July 1997	1.12866
August 1997	1.13200
September 1997	1.13499
October 1997	1.13799
November 1997	1.14100
December 1997	1.14499
January 1998	1.14899
February 1998	1.15300
March 1998	1.15500
April 1998	1.15700
May 1998	1.15900
June 1998	1.16266
July 1998	1.16632
August 1998	1.17000
September 1998	1.17299
October 1998	1.17599
November 1998	1.17900
December 1998	1.18266
January 1999	1.18632
February 1999	1.19000
March 1999	1.19233
April 1999	1.19466
May 1999	1.19700

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

XI. Regulatory Impact Statement

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

As discussed below, this notice has an impact of less than \$5 million on

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

This notice with comment period sets forth a revised schedule of HHA cost limits for cost reporting periods beginning on or after July 1, 1997. The methodology used to develop the schedule of limits set forth in this notice is the same as that used in setting the limits effective July 1, 1996. In accordance with section 1861(v)(1)(L)(i) of the Act, we are continuing to set the limits not to exceed 112 percent of the mean of the labor-related and nonlabor per-visit costs for freestanding HHAs. As required by section 1861(v)(1)(L)(iii) of the Act, we are using the most recent hospital wage index to calculate the HHA cost limits, that is, the hospital wage index effective for discharges on or after October 1, 1996, which is based on 1993 wage survey data. The wage index is used to adjust the labor-related portion of the limits to reflect differing wage levels among areas. As discussed in section II. of this notice, we are applying a budget neutrality adjustment factor of 1.078 to the labor-related portion of the limits to ensure that aggregate payments to HHAs are not affected by the updating of the wage index. Based on the database used to calculate the cost limits, there is no significant discernable redistribution of expenditures between types of agencies (freestanding or hospital-based) or regions as a result of this notice.

We are using settled cost report data from Medicare cost reports for cost reporting periods ending on or after June 30, 1991, and settled before October 1, 1995, to develop the HHA cost-per visit limit values for each type of home health service: skilled nursing care, physical therapy, speech pathology, occupational therapy, medical social services, and home health aide. The majority of the cost reports were from FY 1993. The data have been adjusted by the most recent market basket factors to reflect the expected cost increases occurring between the cost reporting periods for the data contained in the database and June 30, 1998. The intermediary determines the aggregate cost limit for each HHA by multiplying the number of Medicare visits for each type of service furnished by the HHA by the respective

per-visit cost limit. Each HHA's aggregate limit cannot be determined prospectively, but depends on each HHA's Medicare visits for each type of service and actual costs for the cost reporting period subject to this notice.

The methodology used to calculate these new limits is the same as the 1996 cost limit methodology. The projected aggregate Medicare expenditures under the new limits are approximately equal to the projected aggregate expenditures under the old limits in effect for cost reporting periods beginning on or after July 1, 1996, updated by the market basket increases since those limits took effect. In the absence of this notice,

these market basket increases will still take effect under current law. Therefore, this notice is expected to change Medicare expenditures by less than \$5 million.

The cost limits for HHAs are statutorily driven and the impact of the market basket increases has already been reflected in the current law baseline of the President's FY 1998 budget.

We are unable to identify the effects of changes to the cost limits on individual HHAs. In general, we believe that most HHAs will experience small revenue increases under the new limits; the degree of that increase will vary

depending on the proportion of an HHA's revenues that come from Medicare, the distribution of services provided by the HHA, and the HHA's ability to operate within the cost limits. As stated earlier, there is no significant discernable redistribution effect between freestanding and hospital-based home health agencies in the aggregate.

Table 7 below illustrates the proportion of HHAs that are likely to be affected by the limits. The results are based on both the data used to determine the limits and all available settled hospital-based cost reports for the same time period:

TABLE 7.—HHAS EXCEEDING THE COST LIMITS

	HHAs in database	HHAs exceeding the limits	Percentage of HHAs exceeding the limits
Total HHAs	4986	1569	31
Freestanding	3202	698	22
Hospital-based	1784	871	49

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

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

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

XII. Other Required Information

A. Waiver of Proposed Notice

In adopting notices such as this, we ordinarily publish a proposed notice in the **Federal Register** with a 60-day period for public comment as required under section 1871(b)(1) of the Act. However, we may waive this procedure if we find good cause that prior notice and comment are impracticable, unnecessary or contrary to public interest.

Section 1861(v)(1)(L)(iii) of the Act requires that the Secretary establish

revised HHA cost limits for cost reporting periods beginning on or after July 1, 1991 and annually thereafter (except for cost reporting periods beginning on or after July 1, 1994 and before July 1, 1996). As discussed in section III above, in accordance with the statute, we have used the same methodology to develop the schedule of limits that was used in setting the limits effective for cost reporting periods beginning on or after July 1, 1996. The cost limits have been updated by the appropriate market basket adjustment factor to reflect the cost increases occurring between the cost reporting periods for the data contained in the database and June 30, 1998. In addition, as required under section 1861(v)(1)(L)(iii) of the Act, we have updated the wage index using the most recent hospital wage index.

If HHAs are to receive timely the benefits of these new cost limits based on the updated wage index and market basket adjustment factors, it is necessary that these limits be published in time to take effect for cost reporting periods beginning on or after July 1, 1997. Because the methodology used to develop this schedule of limits is for the most part dictated by the statute and has been previously published for public comment, we believe that in this instance it would be impracticable, unnecessary and contrary to the public

interest to publish a proposed notice. Therefore, we find good cause to waive publication of a proposed notice. However, we are providing a 60-day period for public comment, as indicated at the beginning of this notice.

C. Public Comments

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

Authority: Section 1861(v)(1)(L) of the Social Security Act (42 U.S.C. 1395x(v)(1)(L)); section 4207(d) of Pub. L. 101-508 (42 U.S.C. 1395x (note)). (Catalog of Federal Domestic Assistance Program No. 93.773 Medicare—Hospital Insurance)

Dated: April 9, 1997.

Bruce C. Vladeck,
Administrator, Health Care Financing Administration.

Dated: April 30, 1997.

Donna E. Shalala,
Secretary.

[FR Doc. 97-17235 Filed 6-30-97; 8:45 am]

BILLING CODE 4120-01-P