

# DEPARTMENT OF HEALTH AND HUMAN SERVICES

## Health Care Financing Administration

[BPD-893-FN]

RIN 0938-A116

### Medicare Program; Physician Fee Schedule Conversion Factor for Calendar Year 1998 and Sustainable Growth Rate for Fiscal Year 1998

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

ACTION: Final notice.

**SUMMARY:** This final notice announces the calendar year 1998 Medicare physician fee schedule conversion factor and the fiscal year 1998 sustainable growth rate for expenditures for physicians' services under the Medicare Supplementary Medical Insurance (Part B) program as required by sections 1848(d) and (f), respectively, of the Social Security Act. The 1998 Medicare physician fee schedule conversion factor is \$36.6873. The sustainable growth rate for fiscal year 1998 is 1.5 percent.

**EFFECTIVE DATE:** The provisions in this final notice pertaining to the Medicare sustainable growth rate of increase are effective October 1, 1997, and the provisions pertaining to the Medicare physician fee schedule conversion factor are effective January 1, 1998, as provided by the Medicare statute.

**ADDRESSES:** *Copies:* To order paper copies of the **Federal Register** containing this document, send your request to: New Orders, Superintendent of Documents, P. O. Box 371954, Pittsburgh, PA 15250-7954. Specify Stock Number 069-001-00101-3 and enclose a check or money order payable to the Superintendent of Documents, or enclose your Visa or Master Card number and expiration date. Credit card orders can also be placed by calling the order desk at (202) 512-1800 (or toll-free at 1-888-293-6498) or by faxing to (202) 512-2250. The cost for each paper copy is \$8. As an alternative, you can view and photocopy the **Federal Register** document at most libraries designated as Federal Depository Libraries and at many other public and academic libraries throughout the country that receive the **Federal Register**.

To order copies of the source files for this document on high density 3.5 inch personal computer diskettes, send your request to: Superintendent of Documents, Attention: Electronic Products, P. O. Box 37082, Washington, DC 20013-7082. Enclose a check or

money order payable to the Superintendent of Documents, or enclose your Visa or Master Card number and expiration date. Credit card orders can also be placed by calling the order desk at (202) 512-1530 or by faxing to (202) 512-1262. The cost for the diskettes is \$17. The file formats on the diskettes are comma delimited ASCII, EXCEL, and WordPerfect 6.1.

This **Federal Register** document is also available from the **Federal Register** online database through GPO Access, a service of the U.S. Government Printing Office. Free public access is available on a Wide Area Information Server (WAIS) through the Internet and via asynchronous dial-in. Internet users can access the database by using the World Wide Web; the Superintendent of Documents home page address is <http://www.access.gpo.gov/su—docs/>, by using local WAIS client software, or by telnet to swais.access.gpo.gov, then login as guest (no password required). Dial-in users should use communications software and modem to call (202) 512-1661; type swais, then login as guest (no password required).

**FOR FURTHER INFORMATION CONTACT:**  
*Ordering information:* See **ADDRESSES** section.

*Content information:* Don Thompson, (410) 786-4586.

#### SUPPLEMENTARY INFORMATION:

##### I. Background and Summary of Legislation

The following discussion contains references to the conversion factor and relative value units as components of the Medicare physician fee schedule. The 1998 physician fee schedule final rule, published elsewhere in this **Federal Register** issue, explains how these factors are used in determining payments under the fee schedule.

##### A. Calendar Year 1998 Physician Fee Schedule Conversion Factor

There are currently three conversion factors used in the physician fee schedule: one for primary care services, one for surgical services, and one for all other services. However, section 1848(d)(1)(C) of the Social Security Act (the Act), as amended by section 4501 of the Balanced Budget Act of 1997 (BBA 1997) (Pub. L. 105-33), enacted on August 5, 1997, states that the 1998 physician fee schedule conversion factor for all services "shall be the conversion factor for primary care services for 1997, increased by the Secretary's estimate of the weighted average of the three separate updates that would otherwise occur were it not

for the enactment of . . . the Balanced Budget Act of 1997."

The conversion factor is also affected by section 1848(c)(2)(B)(ii)(II) of the Act, which requires that any changes to the relative value units of the Medicare physician fee schedule not cause expenditures to increase or decrease by more than \$20 million from the amount of expenditures that would have been made if such adjustments had not been made. We implement this requirement through a uniform budget neutrality adjustment to the conversion factor.

##### B. Fiscal Year 1998 Medicare Sustainable Growth Rate

Section 1848(f) of the Act, as amended by section 4503 of the BBA 1997, replaces the volume performance standard with a sustainable growth rate standard. It specifies the formula for establishing yearly sustainable growth rate expenditure targets for physicians' services under Medicare. The use of sustainable growth rate targets is intended to control the actual growth in Medicare expenditures for physicians' services.

The sustainable growth rate targets are not limits on expenditures. Payments for services are not withheld if the sustainable growth rate target is exceeded. Rather, the appropriate fee schedule update, as specified in section 1848(d)(3)(A) of the Act, is adjusted to reflect the success or failure in meeting the sustainable growth rate target.

The amended section 1848(f)(2) of the Act now states that "the sustainable growth rate for all physicians' services for a fiscal year (beginning with fiscal year 1998) shall be equal to the product of—

(A) 1.0 plus the Secretary's estimate of the weighted-average percentage increase (divided by 100) in the fees for all physicians' services in the fiscal year involved,

(B) 1.0 plus the Secretary's estimate of the percentage change (divided by 100) in the average number of individuals enrolled under this part (other than Medicare+Choice plan enrollees) from the previous fiscal year to the fiscal year involved,

(C) 1.0 plus the Secretary's estimate of the projected percentage growth in real gross domestic product per capita (divided by 100) from the previous fiscal year to the year involved, and

(D) 1.0 plus the Secretary's estimate of the percentage change (divided by 100) in expenditures for all physicians' services in the fiscal year (compared with the previous fiscal year) that will result from changes in law or regulations determined without taking into account estimated changes in

expenditures resulting from the update adjustment factor determined under subsection (d)(3)(B), minus 1 and multiplied by 100.

### C. Physicians' Services

Because the scope of physicians' services covered by the sustainable growth rate is identical to the scope of services that was covered by the Medicare volume performance standards, we are using the same definition of physicians' services for the sustainable growth rate as we did for the Medicare volume performance standard. The November 22, 1996 final notice (61 FR 59717) announcing the fiscal year 1997 volume performance standard rates of increase contains a detailed description of this scope of services.

## II. Provisions of This Final Notice

### A. Calendar Year 1998 Physician Fee Schedule Conversion Factor

Under the requirements of the amended section 1848(d)(1)(C) of the Act, the 1998 physician fee schedule conversion factor is \$36.6873. We determined this conversion factor as follows:

1997 Primary care conversion factor .....	35.7671
Weighted average update if BBA 1997 not enacted .....	1.034
Budget neutrality adjustment* .....	0.992
1998 Physician fee schedule conversion factor .....	36.6873

\* This adjustment results from section 1848(c)(2)(B)(ii) of the Act and is described in the 1998 physician fee schedule final rule, published elsewhere in this **Federal Register** issue.

Under the requirements of section 1848(d)(1)(D) of the Act, as amended by section 4504 of the BBA 1997, the 1998 anesthesia conversion factor is equal to 46 percent of the 1998 physician fee schedule conversion factor. This calculation yields a 1998 anesthesia conversion factor of \$16.8762.

The specific calculations to determine the conversion factor for physicians' services for calendar year 1998 are explained in section III. A. of this notice.

The following table shows the combined effect on calendar year 1998 payments (relative to calendar year 1997) of the move to a single conversion factor and the changes to the 1998 Medicare physician fee schedule relative value units (described in the 1998 physician fee schedule final rule published elsewhere in this **Federal Register** issue).

TABLE 1.—1998 PERCENT CHANGE IN PAYMENTS BY SPECIALTY\*

Specialty	Change due to single conversion factor	Change due to relative value units	Combined change
M.D./D.O. Physicians:			
Radiation Oncology .....	9.2	-0.7	8.4
Psychiatry .....	9.0	-0.7	8.2
Radiology .....	9.0	-0.7	8.2
Pathology .....	9.3	-1.1	8.1
Hematology/Oncology .....	7.1	0.8	8.0
Neurology .....	7.9	0.0	7.9
Pulmonary .....	8.1	-0.4	7.7
Rheumatology .....	5.7	1.4	7.2
Gastroenterology .....	8.5	-1.3	7.1
Internal Medicine .....	6.4	0.6	7.0
Family Practice .....	5.0	1.3	6.4
Cardiology .....	7.9	-1.4	6.4
Other Physician .....	6.4	-0.2	6.2
General Practice .....	4.7	1.2	6.0
Nephrology .....	6.0	-1.2	4.7
Clinics .....	4.5	-0.1	4.4
Emergency Medicine .....	3.8	-0.6	3.2
Anesthesiology .....	1.2	0.9	2.1
Obstetrics/Gynecology .....	-2.3	3.0	0.6
Otolaryngology .....	-0.1	0.6	0.5
General Surgery .....	-4.0	1.8	-2.3
Vascular Surgery .....	-4.0	1.5	-2.6
Urology .....	-3.3	0.4	-2.9
Orthopedic Surgery .....	-4.8	0.8	-4.0
Dermatology .....	-4.8	0.2	-4.6
Plastic Surgery .....	-6.9	1.7	-5.3
Ophthalmology .....	-3.3	-2.6	-5.8
Neurosurgery .....	-5.7	-0.2	-5.9
Thoracic Surgery .....	-7.0	-0.2	-7.2
Cardiac Surgery .....	-8.1	-0.7	-8.8
Others:			
Chiropractic .....	9.3	-0.8	8.4
Suppliers .....	9.3	-1.0	8.2
Optometry .....	5.7	0.1	5.8
Nonphysician practitioners .....	5.1	-0.6	4.5
Podiatry .....	-5.2	0.8	-4.4

\*Table reflects changes from 1997 payments due to the relative value units and single conversion factor, excluding the 0.3 percent volume and intensity increase associated with the single conversion factor and the 0.1 percent volume and intensity increase associated with the relative value unit changes.

**B. Physician Sustainable Growth Rate for Fiscal Year 1998**

Under the requirements in sections 1848(f)(2)(A) and (B) of the Act, as amended by section 4503 of the BBA 1997, we have determined that the sustainable growth rate of increase for physicians' services for fiscal year 1998 is 1.5 percent.

This determination is based on the following statutory factors:

Statutory factors	Percent change
Fees .....	2.3
Enrollment .....	-2.4

Statutory factors	Percent change
Increase in Gross Domestic Product .....	1.1
Legislation .....	0.6
Total .....	1.5

The specific calculations to determine the sustainable growth rate for physicians' services for fiscal year 1998 are explained in section III. B. of this notice.

**III. Detail on Calculation of the Calendar Year 1998 Physician Fee Schedule Conversion Factor and the Fiscal Year 1998 Sustainable Growth Rate****A. Physician Fee Schedule Conversion Factor****1. The Weighted Average Update**

The weighted average update if the BBA 1997 had not been enacted is 3.4 percent. This was determined based on the Medicare Economic Index (MEI) and the Medicare volume performance standard (MVPS) adjustments as follows:

Service	1998 MEI	MVPS adjustment	Update (prior to BBA 1997)
	[In Percent]		
Primary Care .....	2.2	5.3	7.5
Surgical .....	2.2	0.3	2.5
All other .....	2.2	-0.3	1.9
Weighted average .....			3.4

The MEI and the MVPS adjustments are described below.

**2. The Percentage Change in the Medicare Economic Index**

The MEI measures the weighted-average annual price change for various inputs needed to produce physicians' services. The MEI is a fixed-weight input price index, with an adjustment for the change in economy-wide labor productivity. This index, which has 1989 base weights, is comprised of two broad categories: (1) Physician's own time, and (2) physician's practice expense.

The physician's own time component represents the net income portion of business receipts and primarily reflects

the input of the physician's own time into the production of physicians' services in physicians' offices. This category consists of two subcomponents: wages and salaries, and fringe benefits. These components are adjusted by the 10-year moving average percent change in output per man-hour for the nonfarm business sector to eliminate double counting for productivity growth in physicians' offices and the general economy.

The physician's practice expense category represents the rate of price growth in nonphysician inputs to the production of services in physicians' offices. This category consists of wages and salaries and fringe benefits for

nonphysician staff and other nonlabor inputs. Like physician's own time, the nonphysician staff categories are adjusted for productivity using the 10-year moving average percent change in output per man-hour for the nonfarm business sector. The physician's practice expense component also includes the following categories of nonlabor inputs: office expense, medical materials and supplies, professional liability insurance, medical equipment, professional car, and other expense. The table below presents a listing of the MEI cost categories with associated weights and percent changes for price proxies for the 1998 update. The calendar year 1998 MEI is 2.2 percent.

**INCREASE IN THE MEDICARE ECONOMIC INDEX UPDATE FOR CALENDAR YEAR 1998<sup>1</sup>**

	1989 weights <sup>2</sup>	CY 1998 percent changes
Medicare Economic Index Total .....	100.0	2.2
1. Physician's Own Time <sup>3,4</sup> .....	54.2	2.5
a. Wages and Salaries: Average hourly earnings private nonfarm, net of productivity .....	45.3	2.8
b. Fringe Benefits: Employment Cost Index, benefits, private nonfarm, net of productivity .....	8.8	1.2
2. Physician's Practice Expense <sup>3</sup> .....	45.8	1.9
a. Nonphysician Employee Compensation .....	16.3	2.4
1. Wages and Salaries: Employment Cost Index, wages and salaries, weighted by occupation, net of productivity .....	13.8	2.6
2. Fringe Benefits: Employment Cost Index, fringe benefits, white collar, net of productivity .....	2.5	1.4
b. Office Expense: Consumer Price Index for Urban Consumers (CPI-U), housing .....	10.3	2.9
c. Medical Materials and Supplies: Producer Price Index (PPI), ethical drugs/PPI, surgical appliances and supplies/CPI-U, medical equipment and supplies (equally weighted) .....	5.2	1.6
d. Professional Liability Insurance: HCFA professional liability insurance survey <sup>5</sup> .....	4.8	-1.8
e. Medical Equipment: PPI, medical instruments and equipment .....	2.3	-0.4
f. Other Professional Expense .....	6.9	2.5
1. Professional Car: CPI-U, private transportation .....	1.4	2.3
2. Other: CPI-U, all items less food and energy .....	5.5	2.6

INCREASE IN THE MEDICARE ECONOMIC INDEX UPDATE FOR CALENDAR YEAR 1998<sup>1</sup>—Continued

	1989 weights <sup>2</sup>	CY 1998 percent changes
Addendum:		
Productivity: 10-year moving average of output per man-hour, nonfarm business sector .....	N/A	0.8
Physician's Own Time, not productivity adjusted .....	54.2	3.3
Wages and salaries, not productivity adjusted .....	45.3	3.6
Fringe benefits, not productivity adjusted .....	8.8	2.0
Nonphysician Employee Compensation, not productivity adjusted .....	16.3	3.2
Wages and salaries, not productivity adjusted .....	13.8	3.4
Fringe benefits, not productivity adjusted .....	2.5	2.2

<sup>1</sup> The rates of change are for the 12-month period ending June 30, 1997, which is the period used for computing the calendar year 1998 update. The price proxy values are based upon the latest available Bureau of Labor Statistics data as of September 1997.

<sup>2</sup> The weights shown for the MEI components are the 1989 base-year weights, which may not sum to subtotals or totals because of rounding. The MEI is a fixed-weight, Laspeyres-type input price index whose category weights indicate the distribution of expenditures among the inputs to physicians' services for calendar year 1989. To determine the MEI level for a given year, the price proxy level for each component is multiplied by its 1989 weight. The sum of these products (weights multiplied by the price index levels) over all cost categories yields the composite MEI level for a given year. The annual percent change in the MEI levels is an estimate of price change over time for a fixed market basket of inputs to physicians' services.

<sup>3</sup> The Physician's Own Time and Nonphysician Employee Compensation category price measures include an adjustment for productivity. The price measure for each category is divided by the 10-year moving average of output per man-hour in the nonfarm business sector. For example, the wages and salaries component of Physician's Own Time is calculated by dividing the rate of growth in average hourly earnings by the 10-year moving average rate of growth of output per man-hour for the nonfarm business sector. Dividing one plus the decimal form of the percent change in the average hourly earnings (1+.036=1.036 by one plus the decimal form of the percent change in the 10-year moving average of labor productivity (1+.008=1.008) equals one plus the change in average hourly earnings net of the change in output per manhour (1.036/1.008=1.028). All Physician's Own Time and Nonphysician Employee Compensation categories are adjusted in this way. Due to a higher level of precision the computer calculated quotient may differ from the quotient calculated from rounded individual percent changes.

<sup>4</sup> The average hourly earnings proxy, the Employment Cost Index proxies, as well as the CPI-U, housing and CPI-U, private transportation are published in the Current Labor Statistics Section of the Bureau of Labor Statistics' Monthly Labor Review. The remaining CPIs and PPIs in the revised index can be obtained from the Bureau of Labor Statistics' CPI Detailed Report or Producer Price Indexes.

<sup>5</sup> Derived from a HCFA survey of several major insurers (the latest available historical percent change data are for calendar year 1997). This is consistent with prior computations of the professional liability insurance component of the MEI.

n/a Productivity is factored into the MEI compensation categories as an adjustment to the price variables; therefore, no explicit weight exists for productivity in the MEI.

### 3. Medicare Volume Performance Standard Performance Adjustment

Prior to the enactment of the BBA 1997, the update methodology set forth in section 1848(d)(3)(B)(i) of the Act would have increased the primary care services update by 5.3 percentage points, increased the surgical services update by 0.3 percentage points, and decreased the update for all other services by 0.3 percentage points. These

adjustments reflect the percentage increase in expenditures between fiscal year 1995 and fiscal year 1996 relative to the volume performance standard rates of increase for fiscal year 1996. The volume performance standard rates of increase were targets for the growth in Medicare expenditures for physicians' services that have subsequently been replaced by the sustainable growth rates. The success or failure in meeting the volume

performance standard targets was taken into account in determining the Medicare physician fee schedule update. The update methodology prior to the enactment of the BBA 1997 is described in detail in the November 22, 1996 final notice announcing the physician fee schedule update for 1997 (61 FR 59717).

The MVPS adjustments were derived as follows:

Service	FY 1996 MVPS target	FY 1996 in- crease in expendi- tures	MVPS ad- justment dif- ference)
	[In Percent]		
Primary Care .....	9.3	4.0	5.3
Surgical .....	-0.5	-0.8	0.3
All other .....	0.6	0.9	-0.3

### B. Fiscal Year 1998 Sustainable Growth Rate

Below we explain how we determined the increases for each of the four factors used in determining the sustainable growth rate for fiscal year 1998.

Factor 1—Percentage Increase in Fees for Physicians' Services (Before Applying Legislative Adjustments) for Fiscal Year 1998

This factor was calculated as a weighted average of the calendar year 1997 and 1998 fee increases that apply during fiscal year 1998. Adjustments to

the fee increases, such as the move to a single conversion factor, are accounted for in Factor 4 (the increase in expenditures resulting from changes in law or regulations).

Most of the fees for physicians' services (as defined in section I. C. of this notice) are updated by the MEI. However, laboratory services, which

represent about 13 percent of the Medicare allowed charges for physicians' services, are updated by the Consumer Price Index for Urban Consumers (CPI-U). The following table, therefore, shows both the MEI and CPI-U updates that were used in determining the percentage increase in physicians' fees for fiscal year 1998.

**MEDICARE ECONOMIC INDEX AND CONSUMER PRICE INDEX FOR URBAN CONSUMERS FOR CALENDAR YEARS 1997 AND 1998**

	1997	1998
MEI .....	2.0	2.2
CPI-U .....	2.7	3.0

After taking into account all the elements described above, we estimate that the weighted-average increase in fees for physicians' services in fiscal year 1998 before applying any legislative adjustments will be 2.3 percent for all physicians' services.

**Factor 2—The Percentage Change in the Average Number of Part B Enrollees from Fiscal Year 1997 to Fiscal Year 1998**

Due to the rapid growth in Medicare+Choice plan enrollees (whose Medicare-covered medical care is outside the scope of the sustainable growth rate), we estimate that the average number of Medicare Part B enrollees excluding those in Medicare+Choice plans will decline by 2.4 percent. This was derived as follows:

	Average Medicare Part B enrollment (in millions)		
	Overall	Medicare +Choice*	Overall excluding Medicare+Choice
FY 1997 .....	36.384	4.461	31.923
FY 1998 .....	36.775	5.627	31.148
Percent change .....	.....	.....	-2.4%

\*Because the Medicare+Choice program does not begin until 1998, the 1997 Medicare+Choice enrollment was proxied by the risk health maintenance organization enrollment.

Differences between projected and actual enrollment will be adjusted for in subsequent years.

**Factor 3—Estimated Real Gross Domestic Product Per Capita Growth in Fiscal Year 1998**

In calculating the sustainable growth rate, section 1848(f)(2)(C) of the Act, as amended by section 4503 of the BBA 1997, requires the Secretary to project real gross domestic product per capita growth for the coming fiscal year. We estimate that this growth will be 1.1 percent in fiscal year 1998.

Differences between projected and actual real gross domestic product per capita growth will be adjusted for in subsequent years.

**Factor 4—Percentage Increase in Expenditures for Physicians' Services Resulting from Changes in Law or Regulations in Fiscal Year 1998 Compared with Fiscal Year 1997**

Legislative changes contained in the BBA 1997 will impact expenditures for physicians' services in fiscal year 1998. Although the move to a single conversion factor for the Medicare physician fee schedule will cause the payments for surgical services to decline, it will increase the payments for nonsurgical services sufficiently to cause an overall increase in expenditures for fiscal year 1998 relative to fiscal year 1997. The Medicare coverage changes for screening mammography, colorectal

cancer screening, screening PAP smears, and screening pelvic exams will cause increases in Medicare expenditures. The changes in payments for nurse practitioners, clinical nurse specialists, and physician assistants will also increase expenditures. Medicare to be secondary payer and the provisions relating to payments for laboratory services will cause reductions in Medicare expenditures.

In response to the fee changes associated with implementation of the 1998 physician fee schedule, we anticipate that the volume and intensity of physician services provided to Medicare beneficiaries will increase by 0.1 percent. In order to prevent an increase in expenditures as a result of this volume and intensity response, an offsetting 0.1 percent reduction is made to the conversion factor. Because we incorporate both the volume and intensity response and the offsetting conversion factor reduction into the sustainable growth rate target, if the volume and intensity response does not occur, the sustainable growth rate system returns the offsetting reduction to the conversion factor in form of higher future updates to the Medicare physician fee schedule.

After taking into account all the BBA 1997 provisions, the increase in expenditures for physician services due to changes in law or regulations is estimated to be 0.6 percent.

**IV. Inapplicability of a Notice and Comment Procedure and of a 30-Day Delay in Effective Date**

We find good cause to waive notice and comment procedure for this final notice. It is an interpretive rule because section 1848 of the Social Security Act, as amended by sections 4501 and 4503 of the BBA 1997, sets out in detail the factors and procedures necessary to calculate the conversion factor for calendar year 1998 and the sustainable growth rate of increase for fiscal year 1998. As required by the statute, section I. A. of this notice discusses the replacement of the three conversion factors that are currently used under the physician fee schedule with a single conversion factor, and the method used to determine the conversion factor for calendar year 1998. Section I. B. of this notice discusses the replacement of the volume performance standard with the sustainable growth rate of increase, and the formula for establishing the fiscal year 1998 sustainable growth rate target for physicians' services under Medicare. Therefore, it would be impracticable and unnecessary to submit this notice to the public for a notice and comment procedure.

We usually provide a delay of 30 days in the effective date for final **Federal Register** documents. In this case, however, the sustainable growth rates of increase are required by law to be published by November 1, 1997 and are effective on October 1, 1997. Thus, the

Congress has clearly indicated its intent that the rates of increase be implemented without the usual 30-day delay in the effective date and has foreclosed any discretion by us in this matter. Therefore, the requirement for a 30-day delay in the effective date does not apply to this notice. With regard to the physician fee schedule conversion factor, the effective date will be January 1, 1998, which exceeds the 30-day requirement for the publication of this notice.

#### **V. Regulatory Impact Statement**

We generally prepare a regulatory flexibility analysis that is consistent with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 through 612) unless the Secretary certifies that a notice will not have a significant economic impact on a substantial number of small entities. For purposes of the RFA, States

and individuals are not entities, but we consider all physicians to be small entities.

We are not preparing a regulatory flexibility analysis since we have determined, and the Secretary certifies, that this notice will not have a significant economic impact on a substantial number of small entities.

Also, 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. This analysis must conform to the provisions of section 604 of the RFA. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside of a Metropolitan Statistical Area and has fewer than 50 beds.

We are not preparing a rural impact analysis since we have determined, and

the Secretary certifies, that this notice will not have 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.

(Sections 1848(d) and (f) of the Social Security Act) (42 U.S.C. 1395w-4(d) and (f)) (Catalog of Federal Domestic Assistance Program No. 93.774, Medicare—Supplementary Medical Insurance Program)

Dated: October 27, 1997.

**Nancy-Ann Min DeParle,**

*Deputy Administrator, Health Care Financing Administration.*

Dated: October 28, 1997.

**Donna E. Shalala,**

*Secretary.*

[FR Doc. 97-29028 Filed 10-30-97; 8:45 am]

BILLING CODE 4120-01-P