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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

42 CFR Part 409

[CMS–1545–F]

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Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities for FY 2008

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

ACTION: Final rule.

SUMMARY: This final rule updates the payment rates used under the prospective payment system (PPS) for skilled nursing facilities (SNFs) for fiscal year (FY) 2008. In addition, this final rule revises and rebases the SNF market basket, and modifies the threshold for the adjustment to account for market basket forecast error. This final rule also responds to public comments submitted on the proposed rule and makes a technical correction in the regulations text.

DATES: This final rule becomes effective on October 1, 2007.

FOR FURTHER INFORMATION CONTACT:

Ellen Berry, (410) 786–4528 (for information related to the case-mix classification methodology).

Mollie Knight, (410) 786–7948 (for information related to the SNF market basket and labor-related share).

Jeanette Kranacs, (410) 786–9385 (for information related to the development of the payment rates).

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

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

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Abbreviations

In addition, because of the many terms to which we refer by abbreviation in this final rule, we are listing these abbreviations and their corresponding terms in alphabetical order below:

AIDS Acquired Immune Deficiency Syndrome
BBA Balanced Budget Act of 1997, Pub. L. 105–33
BBRA Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999, Pub. L. 106–113
BIPA Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, Pub. L. 106–554
CAH Critical Access Hospital
CBSA Core-Based Statistical Area
CFR Code of Federal Regulations
CMS Centers for Medicare & Medicaid Services
ECI Employment Cost Index
FLSA Fair Labor Standards Act, Pub. L. 75–718
FQHC Federally Qualified Health Center
FR **Federal Register**
FY Fiscal Year
GAO Government Accountability Office
GII Global Insight, Inc.
HCPCS Healthcare Common Procedure Coding System
MCR Medicare Cost Report
MDS Minimum Data Set
MEDPAC Medicare Payment Advisory Commission
MEDPAR Medicare Provider Analysis and Review File
MIEA Medicare Improvements and Extension Act of 2006, Pub. L. 109–432
MMA Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. 108–173
MSA Metropolitan Statistical Area
OMB Office of Management and Budget
PPI Producer Price Index
PPS Prospective Payment System
RFA Regulatory Flexibility Act, Pub. L. 96–354
RHC Rural Health Clinic
RIA Regulatory Impact Analysis
RUG–III Resource Utilization Groups, Version III
RUG–53 Refined 53-Group RUG–III Case-Mix Classification System
SCHIP State Children's Health Insurance Program
SNF Skilled Nursing Facility
STM Staff Time Measurement
UMRA Unfunded Mandates Reform Act, Pub. L. 104–4

I. Background

On May 4, 2007, we published a proposed rule in the **Federal Register** (72 FR 25526, hereafter referred to as the FY 2008 proposed rule), setting forth the proposed updates to the payment rates used under the prospective payment system (PPS) for skilled nursing facilities (SNFs) for FY 2008. Annual updates to the prospective payment system (PPS) rates for skilled nursing facilities (SNFs) are required by section 1888(e) of the Social Security Act (the Act), as added by section 4432 of the Balanced Budget Act of 1997 (BBA), and amended by the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA), the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), and the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). Our most recent annual update occurred in an update notice (71 FR 43158, July 31, 2006) that set forth updates to the SNF PPS payment rates for fiscal year (FY) 2007. We subsequently published a correction notice (71 FR 57519, September 29, 2006) with respect to those payment rate updates.

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

Section 4432 of the Balanced Budget Act of 1997 (BBA) amended section 1888 of the Act to provide for the implementation of a per diem PPS for SNFs, covering all costs (routine, ancillary, and capital-related) of covered SNF services furnished to beneficiaries under Part A of the Medicare program, effective for cost reporting periods beginning on or after July 1, 1998. In this final rule, we are updating the per diem payment rates for SNFs for FY 2008. Major elements of the SNF PPS include:

• *Rates.* As discussed in section I.F.1 of the FY 2008 proposed rule, we established per diem Federal rates for urban and rural areas using allowable costs from FY 1995 cost reports. These rates also included an estimate of the cost of services that, before July 1, 1998, had been paid under Part B but furnished to Medicare beneficiaries in a SNF during a Part A covered stay. We update the rates annually using a SNF market basket index, and we adjust them by the hospital inpatient wage index to account for geographic variation in wages. We also apply a case-mix adjustment to account for the relative resource utilization of different patient types. This adjustment utilizes a refined, 53-group version of the Resource Utilization Groups, version III (RUG–III) case-mix classification system, based on information obtained from the required resident assessments using the Minimum Data Set (MDS) 2.0. Additionally, as noted in the August 4, 2005 final rule (70 FR 45028), the payment rates at various times have also reflected specific legislative provisions, including section 101 of the BBRA, sections 311, 312, and 314 of the BIPA, and section 511 of the MMA.

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

• *Coverage.* The establishment of the SNF PPS did not change Medicare's fundamental requirements for SNF coverage. However, because the RUG–III classification is based, in part, on the beneficiary's need for skilled nursing care and therapy, we have attempted, where possible, to coordinate claims review procedures with the output of beneficiary assessment and RUG–III classifying activities. This approach includes an administrative presumption that utilizes a beneficiary's initial classification in one of the upper 35 RUGs of the refined 53-group system to assist in making certain SNF level of care determinations, as was discussed in greater detail in section II.E. of the FY 2008 proposed rule.

• *Consolidated Billing.* The SNF PPS includes a consolidated billing provision that requires a SNF to submit consolidated Medicare bills to its fiscal intermediary for almost all of the services that its residents receive during the course of a covered Part A stay. While section 313 of the BIPA repealed the Part B aspect of the consolidated billing requirement, SNFs maintain responsibility for submitting consolidated Medicare bills to the fiscal intermediary for physical, occupational, and speech-language therapy that residents receive during a noncovered stay. The statute excludes a small list of services from the consolidated billing provision (primarily those of physicians and certain other types of practitioners), which remain separately billable under Part B when furnished to a SNF's Part A resident. A more detailed discussion of this provision appeared in section V. of the FY 2008 proposed rule.

• *Application of the SNF PPS to SNF Services Furnished by Swing-bed Hospitals.* Section 1883 of the Act permits certain small, rural hospitals to enter into a Medicare swing-bed agreement, under which the hospital can use its beds to provide either acute or SNF care, as needed. For critical access hospitals (CAHs), Part A pays on a reasonable cost basis for SNF services furnished under a swing-bed agreement. However, in accordance with section 1888(e)(7) of the Act, these services furnished by non-CAH rural hospitals are paid under the SNF PPS, effective with cost reporting periods beginning on or after July 1, 2002. A more detailed discussion of this provision can be found in section VI. of the FY 2008 proposed rule.

• *Technical Correction.* We are also taking this opportunity to make a technical correction in the text of the regulations, as discussed in greater detail in section IV of this final rule.

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

Section 1888(e)(4)(H) of the Act requires that we publish annually in the **Federal Register:**

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

In the July 30, 1999 final rule (64 FR 41670), we indicated that we would announce any changes to the guidelines for Medicare level of care determinations related to modifications in the RUG–III classification structure (see section II.E of the FY 2008 proposed rule for a discussion of the relationship between the case-mix classification system and SNF level of care determinations).

Along with a number of other revisions outlined later in this preamble, this final rule provides the annual updates to the Federal rates as mandated by the Act.

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

There were several provisions in the BBRA that resulted in adjustments to the SNF PPS. We described these provisions in detail in the final rule that we published in the **Federal Register** on July 31, 2000 (65 FR 46770). In particular, section 101(a) of the BBRA provided for a temporary 20 percent increase in the per diem adjusted payment rates for 15 specified RUG–III groups. In accordance with section 101(c)(2) of the BBRA, this temporary payment adjustment expired on January 1, 2006, with the implementation of case-mix refinements (see section I.F.1. of this final rule). We included further information on BBRA provisions that affected the SNF PPS in Program Memorandums A–99–53 and A–99–61 (December 1999).

Also, section 103 of the BBRA designated certain additional services for exclusion from the consolidated billing requirement, as discussed in section V. of the FY 2008 proposed rule and in Program Memorandum AB–00–18 (Change Request #1070), issued March 2000, which is available online at *http://www.cms.hhs.gov/transmittals/downloads/AB001860.pdf.* Further, for

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

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

The BIPA also included several provisions that resulted in adjustments to the SNF PPS. We described these provisions in detail in the final rule that we published in the **Federal Register** on July 31, 2001 (66 FR 39562). In particular:

- Section 203 of the BIPA exempted CAH swing-beds from the SNF PPS. We included further information on this provision in Program Memorandum A–01–09 (Change Request #1509), issued January 16, 2001, which is available online at *http://www.cms.hhs.gov/transmittals/downloads/a0109.pdf.*
- Section 311 of the BIPA revised the statutory update formula for the SNF market basket, and also directed us to conduct a study of alternative case-mix classification systems for the SNF PPS. In 2006, we submitted a report to the Congress on this study, which is available online at *http://www.cms.hhs.gov/snfpps/downloads/rc_2006_pc-ppssnf.pdf.*
- Section 312 of the BIPA provided for a temporary increase of 16.66 percent in the nursing component of the case-mix adjusted Federal rate for services furnished on or after April 1, 2001, and before October 1, 2002. The add-on is no longer in effect. This section also directed the Government Accountability Office (GAO) to conduct an audit of SNF nursing staff ratios and submit a report to the Congress on whether the temporary increase in the nursing component should be continued. The report (GAO–03–176), which GAO issued in November 2002, is available online at *http://www.gao.gov/new.items/d03176.pdf.*
- Section 313 of the BIPA repealed the consolidated billing requirement for services (other than physical, occupational, and speech-language therapy) furnished to SNF residents during noncovered stays, effective January 1, 2001. (A more detailed discussion of this provision appears in section V. of the FY 2008 proposed rule.)
- Section 314 of the BIPA corrected an anomaly involving three of the RUGs that the BBRA had designated to receive the temporary payment adjustment discussed above in section I.C. of this final rule. (As noted previously, in accordance with section 101(c)(2) of the BBRA, this temporary payment adjustment expired with the implementation of case-mix refinements on January 1, 2006.)
- Section 315 of the BIPA authorized us to establish a geographic reclassification procedure that is specific to SNFs, but only after collecting the data necessary to establish a SNF wage index that is based on wage data from nursing homes. As discussed in section III.B.3 of this final rule, this has proven not to be feasible due to the volatility of existing SNF wage data and the significant amount of resources that would be required to improve the quality of such data.

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

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

The MMA included a provision that results in a further adjustment to the SNF PPS. Specifically, section 511 of the MMA amended section 1888(e)(12) of the Act to provide for a temporary increase of 128 percent in the PPS per diem payment for any SNF resident with Acquired Immune Deficiency Syndrome (AIDS), effective with services furnished on or after October 1, 2004. This special AIDS add-on was to remain in effect until ''* * * such date as the Secretary certifies that there is an appropriate adjustment in the case mix * * *.'' The AIDS add-on is also discussed in Program Transmittal #160 (Change Request #3291), issued on April 30, 2004, which is available online at *http://www.cms.hhs.gov/transmittals/downloads/r160cp.pdf.* As discussed in the SNF PPS final rule for FY 2006 (70 FR 45028, August 4, 2005), we did not address the certification of the AIDs add-on with the implementation of the case-mix refinements, thus allowing the temporary add-on payment created by section 511 of the MMA to continue in effect.

For the limited number of SNF residents that qualify for the AIDS add-on, implementation of this provision results in a significant increase in payment. For example, using fiscal year 2006 data, we identified 2,590 SNF residents with a principal or secondary diagnosis code of 042 (''Human Immunodeficiency Virus (HIV) Infection''). For FY 2008, an urban facility with a resident with AIDS in RUG group ''SSA'' would have a case-mix adjusted payment of almost $250.65 (see Table 4) before the application of the MMA adjustment. After an increase of 128 percent, this urban facility would receive a case-mix adjusted payment of approximately $571.48.

In addition, section 410 of the MMA contained a provision that excluded from consolidated billing certain practitioner and other services furnished to SNF residents by rural health clinics (RHCs) and Federally Qualified Health Centers (FQHCs). (A more detailed discussion of this provision appears in section V. of the FY 2008 proposed rule, as well as in Program Transmittal #390 (Change Request #3575), issued December 10, 2004, which is available online at *http://www.cms.hhs.gov/transmittals/downloads/r390cp.pdf.*)

F. Skilled Nursing Facility Prospective Payment System—General Overview

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

1. Payment Provisions—Federal Rate

The PPS uses per diem Federal payment rates based on mean SNF costs in a base year updated for inflation to the first effective period of the PPS. We developed the Federal payment rates using allowable costs from hospital-based and freestanding SNF cost reports for reporting periods beginning in FY 1995. The data used in developing the Federal rates also incorporated an estimate of the amounts that would be

payable under Part B for covered SNF services furnished to individuals during the course of a covered Part A stay in a SNF.

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

The Federal rate also incorporates adjustments to account for facility case-mix, using a classification system that accounts for the relative resource utilization of different patient types. The RUG–III classification system uses beneficiary assessment data from the Minimum Data Set (MDS) completed by SNFs to assign beneficiaries to one of 53 RUG–III groups. The original RUG–III case-mix classification system included 44 groups. However, under refinements that became effective on January 1, 2006, we added nine new groups—comprising a new Rehabilitation plus Extensive Services category—at the top of the RUG hierarchy. The May 12, 1998 interim final rule (63 FR 26252) included a complete and detailed description of the original 44-group RUG–III case-mix classification system. A comprehensive description of the refined 53-group RUG–III case-mix classification system (RUG–53) appeared in the proposed and final rules for FY 2006 (70 FR 29070, May 19, 2005, and 70 FR 45026, August 4, 2005).

Further, in accordance with section 1888(e)(4)(E)(ii)(IV) of the Act, the Federal rates in this final rule reflect an update to the rates that we published in the July 31, 2006 final rule for FY 2007 (71 FR 43158) and the associated correction notice (71 FR 57519, September 29, 2006), equal to the full change in the SNF market basket index. A more detailed discussion of the SNF market basket index and related issues appears in sections I.F.2. and III.C of the FY 2008 proposed rule.

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

Section 1888(e)(5) of the Act requires us to establish a SNF market basket index that reflects changes over time in the prices of an appropriate mix of goods and services included in covered SNF services. We use the SNF market basket index to update the Federal rates on an annual basis. In the FY 2008 proposed rule, we proposed to revise and rebase the market basket to reflect 2004 Medicare-allowable cost data, as detailed in section III.A of that proposed rule. The proposed FY 2008 market basket increase was 3.3 percent. (However, we also noted that both the President's budget and the recommendations of the Medicare Payment Advisory Commission (MedPAC) included a proposal for a zero percent update in the SNF market basket for FY 2008, and that the provisions outlined in the proposed rule would need to reflect any legislation that the Congress might enact to adopt this proposal.)

In the FY 2008 proposed rule, we also proposed to revise the threshold percentage that serves to trigger an adjustment to account for market basket forecast error, which we discuss in greater detail in section III.C.2 of this final rule. Table 1 below shows the forecasted and actual market basket amount for FY 2006.

TABLE 1.—DIFFERENCE BETWEEN THE FORECASTED AND ACTUAL MARKET BASKET INCREASES FOR FY 2006

Index	Forecasted actual FY 2006 increase*	Actual FY 2006 increase**	FY 2006 difference
SNF	3.1	3.4	0.3

*Published in **Federal Register**; based on the second quarter 2005 Global Insight Inc. forecast (97 index).
**Based on the second quarter 2007 Global Insight forecast (97 index).

II. Summary of the Provisions of the FY 2008 Proposed Rule

The FY 2008 proposed rule included proposed updates to the Federal payment rates used under the SNF PPS. In accordance with section 1888(e)(4)(E)(ii)(IV) of the Act, the updates reflect the full SNF market basket percentage change for the fiscal year. We also proposed to revise and rebase the SNF market basket (which would include updating the base year from FY 1997 to FY 2004), and to modify the threshold that serves to trigger an adjustment to account for market basket forecast error. In addition, we proposed to specify an area wage adjustment methodology for those geographic areas that lack hospital wage index data. Further, we invited public comments on additional HCPCS codes that could represent the type of ''high-cost, low probability'' services within certain designated service categories (that is, chemotherapy and its administration, radioisotope services, and customized prosthetic devices) that section 103 of the BBRA has authorized us to exclude from the SNF consolidated billing provision. More detailed information on each of these issues, to the extent that we received public comments on them, appears in the discussion contained in the following sections of this final rule.

III. Analysis of and Response to Public Comments on the FY 2008 Proposed Rule

In response to the publication of the May 4, 2007 proposed rule for FY 2008, we received 17 timely items of correspondence from the public. The comments originated primarily from various trade associations and major organizations, but also from individual providers, corporations, and government agencies.

Brief summaries of each proposed provision, a summary of the public comments we received and our responses to the comments are set forth below.

A. General Comments on the FY 2008 Proposed Rule

In addition to the comments that we received on the proposed rule's discussion of specific aspects of the SNF PPS (which we address later in this final rule), commenters also submitted the following, more general observations on the payment system.

Comment: Some commenters asked us to consider modifications to the SNF PPS payment system that would better recognize the specialized care provided in hospital-based SNFs. A few commenters encouraged us to create a SNF outlier policy. Other commenters requested that we address perceived inadequacies in payment for non-therapy ancillary services, including those services relating to the provision of ventilator care in SNFs.

Response: As noted previously in section I.F.1 of this final rule, the SNF PPS final rule for FY 2006 (70 FR 45034, August 4, 2005) introduced a refined case-mix classification system as of January 1, 2006, which added nine new Rehabilitation plus Extensive Service groups to the RUG hierarchy to account more accurately for patients with both rehabilitation needs and extensive services. At that time, we described the FY 2006 refinements as a first step in updating the SNF PPS. We described our intent to perform a staff time measurement study, in which we would survey SNFs and collect data that better reflects current practice patterns and resource use. We are concerned that incentives of the SNF PPS and the public reporting of nursing home quality measures likely have altered industry practices, and have had a significant impact on the nursing resources required to treat different types of patients.

The Staff Time and Resource Intensity Verification (STRIVE) project started onsite facility data collection in the spring of 2006, and will continue to collect data through the summer of 2007. When complete, the study will have collected data from approximately 200 facilities from approximately 15 States. While facilities were selected largely based on random sampling techniques, targeted sampling was also performed to ensure adequate representation of special populations, such as residents in hospital-based facilities. In addition to providing us with data to analyze and evaluate how current industry practices have affected the Federal classification system, the data will enable us to analyze non-therapy ancillary usage more thoroughly, assess the need for a SNF outlier policy, and gain a better understanding of the resource usage of residents in hospital-based SNFs. We plan to make available some preliminary analysis results in 2008, which should aid us in reviewing and addressing some of the concerns expressed by the commenters.

B. Annual Update of Payment Rates Under the Prospective Payment System for Skilled Nursing Facilities

1. Federal Prospective Payment System

This final rule sets forth a schedule of Federal prospective payment rates applicable to Medicare Part A SNF services beginning October 1, 2007. The schedule incorporates per diem Federal rates that provide Part A payment for all costs of services furnished to a beneficiary in a SNF during a Medicare-covered stay.

a. Costs and Services Covered by the Federal Rates

The Federal rates apply to all costs (routine, ancillary, and capital-related) of covered SNF services other than costs associated with approved educational activities as defined in § 413.85. Under section 1888(e)(2) of the Act, covered SNF services include post-hospital SNF services for which benefits are provided under Part A (the hospital insurance program), as well as all items and services (other than those services excluded by statute) that, before July 1, 1998, were paid under Part B (the supplementary medical insurance program) but furnished to Medicare beneficiaries in a SNF during a Part A covered stay. (These excluded service categories are discussed in greater detail in section V.B.2. of the May 12, 1998 interim final rule (63 FR 26295–97)).

b. Methodology Used for the Calculation of the Federal Rates

The FY 2008 rates reflect an update using the full amount of the latest market basket index. The FY 2008 market basket increase factor is 3.3 percent. A complete description of the multi-step process initially appeared in the May 12, 1998 interim final rule (63 FR 26252), as further revised in subsequent rules. We note that in accordance with section 101(c)(2) of the BBRA, the previous, temporary increases in the per diem adjusted payment rates for certain designated RUGs, as specified in section 101(a) of the BBRA and section 314 of the BIPA, are no longer in effect due to the implementation of case-mix refinements as of January 1, 2006. However, the temporary increase of 128 percent in the per diem adjusted payment rates for SNF residents with AIDS, enacted by section 511 of the MMA, remains in effect.

We used the SNF market basket to adjust each per diem component of the Federal rates forward to reflect cost increases occurring between the midpoint of the Federal fiscal year beginning October 1, 2006, and ending September 30, 2007, and the midpoint of the Federal fiscal year beginning October 1, 2007, and ending September 30, 2008, to which the payment rates apply. In accordance with section 1888(e)(4)(E)(ii)(IV) of the Act, we update the payment rates for FY 2008 by a factor equal to the full market basket index percentage increase. We further adjusted the rates by a wage index budget neutrality factor, described later in this section. Tables 2 and 3 reflect the updated components of the unadjusted Federal rates for FY 2008.

TABLE 2.—FY 2008 UNADJUSTED FEDERAL RATE PER DIEM URBAN

Rate component	Nursing-case-mix	Therapy-case-mix	Therapy-non-case-mix	Non-case-mix
Per Diem Amount	$146.62	$110.44	$14.54	$74.83

TABLE 3.—FY 2008 UNADJUSTED FEDERAL RATE PER DIEM RURAL

Rate component	Nursing-case-mix	Therapy-case-mix	Therapy-non-case-mix	Non-case-mix
Per Diem Amount	$140.08	$127.35	$15.54	$76.21

2. Case-Mix Refinements

Under the BBA, each update of the SNF PPS payment rates must include the case-mix classification methodology applicable for the coming Federal fiscal year. As indicated previously in section I.F.1, the payment rates set forth in this final rule reflect the use of the refined RUG–53 classification system that we discussed in detail in the proposed and final rules for FY 2006 (70 FR 29070, May 19, 2005, and 70 FR 45026, August 4, 2005). As noted in the FY 2006 final rule, we deferred RUG–53 implementation from the beginning of FY 2006 (October 1, 2005) until January 1, 2006, in order to allow sufficient time to prepare for and ease the transition to the refinements (70 FR 45034).

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

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Table 4
RUG-53
CASE-MIX ADJUSTED FEDERAL RATES AND ASSOCIATED INDEXES
URBAN

RUG-III Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Total Rate
RUX	1.90	2.25	278.58	248.49		74.83	601.90
RUL	1.40	2.25	205.27	248.49		74.83	528.59
RVX	1.54	1.41	225.79	155.72		74.83	456.34
RVL	1.33	1.41	195.00	155.72		74.83	425.55
RHX	1.42	0.94	208.20	103.81		74.83	386.84
RHL	1.37	0.94	200.87	103.81		74.83	379.51
RMX	1.93	0.77	282.98	85.04		74.83	442.85
RML	1.68	0.77	246.32	85.04		74.83	406.19
RLX	1.31	0.43	192.07	47.49		74.83	314.39
RUC	1.28	2.25	187.67	248.49		74.83	510.99
RUB	0.99	2.25	145.15	248.49		74.83	468.47
RUA	0.84	2.25	123.16	248.49		74.83	446.48
RVC	1.23	1.41	180.34	155.72		74.83	410.89
RVB	1.09	1.41	159.82	155.72		74.83	390.37
RVA	0.82	1.41	120.23	155.72		74.83	350.78
RHC	1.22	0.94	178.88	103.81		74.83	357.52
RHB	1.11	0.94	162.75	103.81		74.83	341.39
RHA	0.94	0.94	137.82	103.81		74.83	316.46
RMC	1.15	0.77	168.61	85.04		74.83	328.48
RMB	1.09	0.77	159.82	85.04		74.83	319.69
RMA	1.04	0.77	152.48	85.04		74.83	312.35
RLB	1.14	0.43	167.15	47.49		74.83	289.47
RLA	0.85	0.43	124.63	47.49		74.83	246.95
SE3	1.86		272.71		14.54	74.83	362.08
SE2	1.49		218.46		14.54	74.83	307.83
SE1	1.26		184.74		14.54	74.83	274.11
SSC	1.23		180.34		14.54	74.83	269.71
SSB	1.13		165.68		14.54	74.83	255.05
SSA	1.10		161.28		14.54	74.83	250.65
CC2	1.22		178.88		14.54	74.83	268.25
CC1	1.06		155.42		14.54	74.83	244.79
CB2	0.98		143.69		14.54	74.83	233.06
CB1	0.91		133.42		14.54	74.83	222.79
CA2	0.90		131.96		14.54	74.83	221.33
CA1	0.80		117.30		14.54	74.83	206.67
IB2	0.74		108.50		14.54	74.83	197.87
IB1	0.72		105.57		14.54	74.83	194.94
IA2	0.61		89.44		14.54	74.83	178.81
IA1	0.56		82.11		14.54	74.83	171.48
BB2	0.73		107.03		14.54	74.83	196.40
BB1	0.69		101.17		14.54	74.83	190.54
BA2	0.60		87.97		14.54	74.83	177.34
BA1	0.52		76.24		14.54	74.83	165.61
PE2	0.85		124.63		14.54	74.83	214.00
PE1	0.82		120.23		14.54	74.83	209.60
PD2	0.78		114.36		14.54	74.83	203.73
PD1	0.76		111.43		14.54	74.83	200.80
PC2	0.71		104.10		14.54	74.83	193.47
PC1	0.69		101.17		14.54	74.83	190.54
PB2	0.55		80.64		14.54	74.83	170.01
PB1	0.54		79.17		14.54	74.83	168.54
PA2	0.53		77.71		14.54	74.83	167.08
PA1	0.50		73.31		14.54	74.83	162.68

Table 5
RUG-53
CASE-MIX ADJUSTED FEDERAL RATES AND ASSOCIATED INDEXES
RURAL

RUG-III Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Total Rate
RUX	1.9	2.25	266.15	286.54		76.21	628.90
RUL	1.4	2.25	196.11	286.54		76.21	558.86
RVX	1.54	1.41	215.72	179.56		76.21	471.49
RVL	1.33	1.41	186.31	179.56		76.21	442.08
RHX	1.42	0.94	198.91	119.71		76.21	394.83
RHL	1.37	0.94	191.91	119.71		76.21	387.83
RMX	1.93	0.77	270.35	98.06		76.21	444.62
RML	1.68	0.77	235.33	98.06		76.21	409.60
RLX	1.31	0.43	183.50	54.76		76.21	314.47
RUC	1.28	2.25	179.30	286.54		76.21	542.05
RUB	0.99	2.25	138.68	286.54		76.21	501.43
RUA	0.84	2.25	117.67	286.54		76.21	480.42
RVC	1.23	1.41	172.30	179.56		76.21	428.07
RVB	1.09	1.41	152.69	179.56		76.21	408.46
RVA	0.82	1.41	114.87	179.56		76.21	370.64
RHC	1.22	0.94	170.90	119.71		76.21	366.82
RHB	1.11	0.94	155.49	119.71		76.21	351.41
RHA	0.94	0.94	131.68	119.71		76.21	327.60
RMC	1.15	0.77	161.09	98.06		76.21	335.36
RMB	1.09	0.77	152.69	98.06		76.21	326.96
RMA	1.04	0.77	145.68	98.06		76.21	319.95
RLB	1.14	0.43	159.69	54.76		76.21	290.66
RLA	0.85	0.43	119.07	54.76		76.21	250.04
SE3	1.86		260.55		15.54	76.21	352.30
SE2	1.49		208.72		15.54	76.21	300.47
SE1	1.26		176.50		15.54	76.21	268.25
SSC	1.23		172.30		15.54	76.21	264.05
SSB	1.13		158.29		15.54	76.21	250.04
SSA	1.10		154.09		15.54	76.21	245.84
CC2	1.22		170.90		15.54	76.21	262.65
CC1	1.06		148.48		15.54	76.21	240.23
CB2	0.98		137.28		15.54	76.21	229.03
CB1	0.91		127.47		15.54	76.21	219.22
CA2	0.90		126.07		15.54	76.21	217.82
CA1	0.80		112.06		15.54	76.21	203.81
IB2	0.74		103.66		15.54	76.21	195.41
IB1	0.72		100.86		15.54	76.21	192.61
IA2	0.61		85.45		15.54	76.21	177.20
IA1	0.56		78.44		15.54	76.21	170.19
BB2	0.73		102.26		15.54	76.21	194.01
BB1	0.69		96.66		15.54	76.21	188.41
BA2	0.60		84.05		15.54	76.21	175.80
BA1	0.52		72.84		15.54	76.21	164.59
PE2	0.85		119.07		15.54	76.21	210.82
PE1	0.82		114.87		15.54	76.21	206.62
PD2	0.78		109.26		15.54	76.21	201.01
PD1	0.76		106.46		15.54	76.21	198.21
PC2	0.71		99.46		15.54	76.21	191.21
PC1	0.69		96.66		15.54	76.21	188.41
PB2	0.55		77.04		15.54	76.21	168.79
PB1	0.54		75.64		15.54	76.21	167.39
PA2	0.53		74.24		15.54	76.21	165.99
PA1	0.50		70.04		15.54	76.21	161.79

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3. Wage Index Adjustment to Federal Rates

Section 1888(e)(4)(G)(ii) of the Act requires that we adjust the Federal rates to account for differences in area wage levels, using a wage index that we find appropriate. Since the inception of a PPS for SNFs, we have used hospital wage data in developing a wage index to be applied to SNFs. We proposed and are finalizing that practice for FY 2008, as we continue to believe that in the absence of SNF-specific wage data, using the hospital inpatient wage data is appropriate and reasonable for the SNF PPS. As explained in the update notice for FY 2005 (69 FR 45786, July 30, 2004), the SNF PPS does not use the hospital area wage index's occupational mix adjustment, as this adjustment serves specifically to define the occupational categories more clearly in a hospital setting; moreover, the collection of the occupational wage data also excludes any wage data related to SNFs. Therefore, we believe that using the updated wage data exclusive of the occupational mix adjustment continues to be appropriate for SNF payments.

Comment: A few commenters requested that we develop a SNF-specific wage index and subsequently allow geographic reclassification.

Response: The regulations that govern the SNF PPS currently do not provide a mechanism for allowing providers to seek geographic reclassification. Moreover, as we have explained on numerous occasions in the past (most recently, in the SNF PPS final rule for FY 2006, 70 FR 45040–45041, August 4, 2005), while section 315 of the BIPA does authorize us to establish such a reclassification methodology under the SNF PPS, it additionally stipulates that such reclassification cannot be implemented until we have collected the data necessary to establish a SNF-specific wage index. This, in turn, has proven not to be feasible due to ''. . . the volatility of existing SNF wage data and the significant amount of resources that would be required to improve the quality of that data'' (70 FR 45041). We continue to believe that these factors make it unlikely for such an approach to yield meaningful improvements in our ability to determine facility payments, or to justify the significant increase in administrative resources as well as burden on providers that this type of data collection would involve.

We plan to monitor current research efforts on wage index issues nonetheless. Section 106(b)(1)(A) of the Medicare Improvements and Extension Act of 2006 (MIEA, Pub. L. 109–432) requires MedPAC to submit a report to the Congress on the wage index not later than June 30, 2007. MIEA requires the report to include any alternatives the Commission recommends to the method to compute the wage index. MedPAC discusses this issue in its Report to the Congress entitled ''Promoting Greater Efficiency in Medicare'' (June 2007), which is available online at *http://www.medpac.gov/documents/Jun07_EntireReport.pdf.* The Secretary is required to consider MedPAC's recommendations and nine specific aspects of the wage index as part of making one or more proposals in the Hospital Inpatient PPS (IPPS) proposed rule for FY 2009.

Comment: One commenter suggested that CMS provide an adjustment to certain States due to the impact of the new Federal minimum wage on the wage index.

Response: On May 25, 2007, the President signed the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (Pub. L. 110–28) that, among other things, amended the Fair Labor Standards Act (FLSA, Pub. L. 75–718) to increase the Federal minimum wage in three steps: to $5.85 per hour effective July 24, 2007; to $6.55 per hour effective July 24, 2008; and to $7.25 per hour effective July 24, 2009. Wage data reflecting the new Federal minimum wage will not be available for the FY 2008 SNF PPS. We plan to monitor current research efforts on all wage index issues, including the MIEA-required MedPAC report and the IPPS proposed rule for FY 2009.

In this final rule, we apply the wage index adjustment to the labor-related portion of the Federal rate, which is 70.152 percent of the total rate. This percentage reflects the labor-related relative importance for FY 2008, using the revised and rebased FY 2004-based market basket. The labor-related relative importance for FY 2007 was 75.839, using the FY 1997-based market basket, as shown in Table 13. We calculate the labor-related relative importance from the SNF market basket, and it approximates the labor-related portion of the total costs after taking into account historical and projected price changes between the base year and FY 2008. The price proxies that move the different cost categories in the market basket do not necessarily change at the same rate, and the relative importance captures these changes. Accordingly, the relative importance figure more closely reflects the cost share weights for FY 2008 than the base year weights from the SNF market basket.

We calculate the labor-related relative importance for FY 2008 in four steps. First, we compute the FY 2008 price index level for the total market basket and each cost category of the market basket. Second, we calculate a ratio for each cost category by dividing the FY 2008 price index level for that cost category by the total market basket price index level. Third, we determine the FY 2008 relative importance for each cost category by multiplying this ratio by the base year (FY 1997) weight. Finally, we add the FY 2008 relative importance for each of the labor-related cost categories (wages and salaries, employee benefits, nonmedical professional fees, labor-intensive services, and a portion of capital-related expenses) to produce the FY 2008 labor-related relative importance. Tables 6 and 7 show the Federal rates by labor-related and non-labor-related components.

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Table 6
RUG-53
Case-Mix Adjusted Federal Rates for Urban SNFs
By Labor and Non-Labor Component

RUG-III Category	Total Rate	Labor Portion	Non-Labor Portion
RUX	601.90	422.24	179.66
RUL	528.59	370.82	157.77
RVX	456.34	320.13	136.21
RVL	425.55	298.53	127.02
RHX	386.84	271.38	115.46
RHL	379.51	266.23	113.28
RMX	442.85	310.67	132.18
RML	406.19	284.95	121.24
RLX	314.39	220.55	93.84
RUC	510.99	358.47	152.52
RUB	468.47	328.64	139.83
RUA	446.48	313.21	133.27
RVC	410.89	288.25	122.64
RVB	390.37	273.85	116.52
RVA	350.78	246.08	104.70
RHC	357.52	250.81	106.71
RHB	341.39	239.49	101.90
RHA	316.46	222.00	94.46
RMC	328.48	230.44	98.04
RMB	319.69	224.27	95.42
RMA	312.35	219.12	93.23
RLB	289.47	203.07	86.40
RLA	246.95	173.24	73.71
SE3	362.08	254.01	108.07
SE2	307.83	215.95	91.88
SE1	274.11	192.29	81.82
SSC	269.71	189.21	80.50
SSB	255.05	178.92	76.13
SSA	250.65	175.84	74.81
CC2	268.25	188.18	80.07
CC1	244.79	171.73	73.06
CB2	233.06	163.50	69.56
CB1	222.79	156.29	66.50
CA2	221.33	155.27	66.06
CA1	206.67	144.98	61.69
IB2	197.87	138.81	59.06
IB1	194.94	136.75	58.19
IA2	178.81	125.44	53.37
IA1	171.48	120.30	51.18
BB2	196.40	137.78	58.62
BB1	190.54	133.67	56.87
BA2	177.34	124.41	52.93
BA1	165.61	116.18	49.43
PE2	214.00	150.13	63.87
PE1	209.60	147.04	62.56
PD2	203.73	142.92	60.81
PD1	200.80	140.87	59.93
PC2	193.47	135.72	57.75
PC1	190.54	133.67	56.87
PB2	170.01	119.27	50.74
PB1	168.54	118.23	50.31
PA2	167.08	117.21	49.87
PA1	162.68	114.12	48.56

Table 7
RUG-53
Case-Mix Adjusted Federal Rates for Rural SNFs by Labor and Non-Labor Component

RUG-III Category	Total Rate	Labor Portion	Non-Labor Portion
RUX	628.90	441.19	187.71
RUL	558.86	392.05	166.81
RVX	471.49	330.76	140.73
RVL	442.08	310.13	131.95
RHX	394.83	276.98	117.85
RHL	387.83	272.07	115.76
RMX	444.62	311.91	132.71
RML	409.60	287.34	122.26
RLX	314.47	220.61	93.86
RUC	542.05	380.26	161.79
RUB	501.43	351.76	149.67
RUA	480.42	337.02	143.40
RVC	428.07	300.30	127.77
RVB	408.46	286.54	121.92
RVA	370.64	260.01	110.63
RHC	366.82	257.33	109.49
RHB	351.41	246.52	104.89
RHA	327.60	229.82	97.78
RMC	335.36	235.26	100.10
RMB	326.96	229.37	97.59
RMA	319.95	224.45	95.50
RLB	290.66	203.90	86.76
RLA	250.04	175.41	74.63
SE3	352.30	247.15	105.15
SE2	300.47	210.79	89.68
SE1	268.25	188.18	80.07
SSC	264.05	185.24	78.81
SSB	250.04	175.41	74.63
SSA	245.84	172.46	73.38
CC2	262.65	184.25	78.40
CC1	240.23	168.53	71.70
CB2	229.03	160.67	68.36
CB1	219.22	153.79	65.43
CA2	217.82	152.81	65.01
CA1	203.81	142.98	60.83
IB2	195.41	137.08	58.33
IB1	192.61	135.12	57.49
IA2	177.20	124.31	52.89
IA1	170.19	119.39	50.80
BB2	194.01	136.10	57.91
BB1	188.41	132.17	56.24
BA2	175.80	123.33	52.47
BA1	164.59	115.46	49.13
PE2	210.82	147.89	62.93
PE1	206.62	144.95	61.67
PD2	201.01	141.01	60.00
PD1	198.21	139.05	59.16
PC2	191.21	134.14	57.07
PC1	188.41	132.17	56.24
PB2	168.79	118.41	50.38
PB1	167.39	117.43	49.96
PA2	165.99	116.45	49.54
PA1	161.79	113.50	48.29

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Section 1888(e)(4)(G)(ii) of the Act also requires that we apply this wage index in a manner that does not result in aggregate payments that are greater or less than would otherwise be made in the absence of the wage adjustment. For FY 2008 (Federal rates effective October 1, 2007), we apply the most recent wage index using the hospital inpatient wage data, and also apply an adjustment to fulfill the budget neutrality requirement. We meet this requirement by multiplying each of the components of the unadjusted Federal rates by a factor equal to the ratio of the volume weighted mean wage adjustment factor (using the wage index from the previous year) to the volume weighted mean wage adjustment factor, using the wage index for the FY beginning October 1, 2007. We use the same volume weights in both the numerator and denominator, and derive them from the 1997 Medicare Provider Analysis and Review File (MEDPAR) data. We define the wage adjustment factor used in this calculation as the labor share of the rate component multiplied by the wage index plus the non-labor share. The budget neutrality factor for this year is 0.9993. The wage index applicable to FY 2008 appears in Tables 8 and 9 of this final rule, which are attached as an addendum.

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

In adopting the OMB Core-Based Statistical Area (CBSA) geographic designations, we provided for a 1-year transition with a blended wage index for all providers. For FY 2006, the wage index for each provider consisted of a blend of 50 percent of the FY 2006 MSA-based wage index and 50 percent of the FY 2006 CBSA-based wage index (both using FY 2002 hospital data). We referred to the blended wage index as the FY 2006 SNF PPS transition wage index. As discussed in the SNF PPS final rule for FY 2006 (70 FR 45041, August 4, 2005), subsequent to the expiration of this 1-year transition on September 30, 2006, we use the full CBSA-based wage index values, as presented in Tables 8 and 9 of this final rule.

When adopting OMB's new labor market designations, we identified some geographic areas where there were no hospitals and, thus, no hospital wage index data on which to base the calculation of the SNF PPS wage index (70 FR 29095, May 19, 2005). As in the SNF PPS final rule for FY 2006 (70 FR 45041) and in the SNF PPS update notice for FY 2007 (71 FR 43170, July 31, 2006), we proposed to address two situations concerning the wage index in the FY 2008 proposed rule.

First, we proposed a minor change in the wage index for rural geographic areas that do not have hospitals and, therefore, lack hospital wage data on which to base an area wage adjustment. We proposed to use the average wage index from all contiguous CBSAs as a reasonable proxy for the rural area, consistent with the policy adopted in the CY 2007 Home Health final rule. We note that Massachusetts is the only State that this change would affect; we did not propose to apply this methodology to rural Puerto Rico due to the distinct economic circumstances that exist there, but instead proposed to continue using the most recent wage index (0.4047) previously available for that area.

Comment: One commenter supported our proposal to use the average wage index from all contiguous CBSAs as a reasonable proxy for rural Massachusetts.

Response: We agree that the use of the average wage index from all contiguous CBSAs is a reasonable proxy for rural Massachusetts, which is a rural geographic area that does not have hospitals and, therefore, lacks hospital wage data on which to base an area wage adjustment for use in the SNF PPS. We believe it is appropriate at this point to update our methodology. By using the average wage index from all contiguous CBSAs as a reasonable proxy for those rural areas without hospital wage data, we are able to meet our goals of using pre-floor, pre-reclassified hospital wage data that is easy to evaluate, updateable from year-to-year, and uses the most local data available. Therefore, we are adopting our proposed policy of using the average wage index from all contiguous CBSAs as a reasonable proxy for rural geographic areas that do not have hospitals and, therefore, lack hospital wage data on which to base an area wage adjustment. We note that, at this time, Massachusetts is the only State that this change would affect; we are not applying this methodology to rural Puerto Rico due to the distinct economic circumstances that exist there.

The second situation involved the urban CBSA (25980) Hinesville-Fort Stewart, GA. Again, under CBSA designations there are no urban hospitals within that CBSA. For FY 2006 and FY 2007, we used the average wage indexes of all of the urban areas within the State to serve as a reasonable proxy for the urban area without specific hospital wage index data in determining the SNF PPS wage index for that urban CBSA. In the FY 2008 proposed rule, we proposed to continue this approach for urban areas without specific hospital wage index data. Therefore, we would calculate the wage index for urban CBSA (25980) Hinesville-Fort Stewart, GA as the average wage index of all urban areas in Georgia. We received no comments on this particular aspect of the proposed rule, and we will continue to use the approach that we adopted in FYs 2006 and 2007.

We are finalizing the wage index and associated policies as proposed for the SNF PPS for FY 2008. In addition, we note that we plan to evaluate any policies adopted in the FY 2008 IPPS final rule that affect the wage index, including how we treat certain New England hospitals under § 601(g) of the Social Security Amendments of 1983 (Pub. L. 98–21).

4. Updates to the Federal Rates

In accordance with section 1888(e)(4)(E) of the Act as amended by section 311 of the BIPA, the payment rates in this final rule reflect an update equal to the full SNF market basket, estimated at 3.3 percentage points. We will continue to disseminate the rates, wage index, and case-mix classification methodology through the **Federal Register** before the August 1 that precedes the start of each succeeding fiscal year.

5. *Relationship of RUG–III Classification System to Existing Skilled Nursing Facility Level-of-Care Criteria*

As discussed in § 413.345, we include in each update of the Federal payment rates in the **Federal Register** the designation of those specific RUGs under the classification system that represent the required SNF level of care, as provided in § 409.30. This designation reflects an administrative presumption under the refined RUG–53

classification system that beneficiaries who are correctly assigned to one of the upper 35 of the RUG–53 groups on the initial 5-day, Medicare-required assessment are automatically classified as meeting the SNF level of care definition up to and including the assessment reference date on the 5-day Medicare required assessment.

A beneficiary assigned to any of the lower 18 groups is not automatically classified as either meeting or not meeting the definition, but instead receives an individual level of care determination using the existing administrative criteria. This presumption recognizes the strong likelihood that beneficiaries assigned to one of the upper 35 groups during the immediate post-hospital period require a covered level of care, which would be significantly less likely for those beneficiaries assigned to one of the lower 18 groups.

In this final rule, we continue the designation of the upper 35 groups for purposes of this administrative presumption, consisting of the following RUG–53 classifications: All groups within the Rehabilitation plus Extensive Services category; all groups within the Ultra High Rehabilitation category; all groups within the Very High Rehabilitation category; all groups within the High Rehabilitation category; all groups within the Medium Rehabilitation category; all groups within the Low Rehabilitation category; all groups within the Extensive Services category; all groups within the Special Care category; and, all groups within the Clinically Complex category.

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

Using the hypothetical example of SNF XYZ described in Table 10, the following shows the adjustments made to the Federal per diem rate to compute the provider's actual per diem PPS payment. SNF XYZ's total PPS payment would equal $29,758. The Labor and Non-labor columns are derived from Table 6.

TABLE 10.—RUG–53 SNF XYZ: LOCATED IN CEDAR RAPIDS, IA (URBAN CBSA 16300) WAGE INDEX: 0.8852

RUG Group	Labor	Wage index	Adj. Labor	Non-Labor	Adj. Rate	Percent Adj	Medicare Days	Payment
RVX	$320.13	0.8852	$283.38	$136.21	$419.59	$419.59	14	$5,874.00
RLX	220.55	0.8852	195.23	93.84	289.07	289.07	30	8,672.00
RHA	222.00	0.8852	196.51	94.46	290.97	290.97	16	4,656.00
CC2	188.18	0.8852	166.58	80.07	246.65	562.36*	10	5,624.00
IA2	125.44	0.8852	111.04	53.37	164.41	164.41	30	4,932.00
							100	29,758.00

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

C. The Skilled Nursing Facility Market Basket Index

Section 1888(e)(5)(A) of the Act requires the establishment of a SNF market basket index (input price index) that reflects changes over time in the prices of an appropriate mix of goods and services included in the SNF PPS. We are incorporating into this final rule updated projections based on the latest available projections at the time of publication. Accordingly, we have developed a 2004-based SNF market basket index that encompasses the most commonly used cost categories for SNF routine services, ancillary services, and capital-related expenses. A detailed discussion of our proposal to revise and rebase the SNF market basket appears in section IV. of the FY 2008 proposed rule (72 FR 25540–25554, May 4, 2007), and our response to the comments that we received on this proposal appears in section III.D of this final rule.

Comment: Several commenters asked us to develop an adjustment to the SNF PPS that would prospectively adjust for forthcoming major program and policy changes, such as the increase in the Federal minimum wage, that affect Medicare reimbursement to affected providers. They state that the market basket update factor for the SNF PPS will not reflect the increase in costs associated with the Federally-mandated minimum wage increase.

Response: We do not agree with the commenter's suggestion to make additional adjustments to the market basket update factor to account for the increase in the minimum wage. The update factor is based on the Global Insight, Inc. (GII) second quarter 2007 (2007q2) forecast with historical data through the first quarter of 2007 (2007q1) for this final rule. GII is a nationally recognized economic and financial forecasting firm that contracts with CMS to forecast the components of CMS's market baskets. Accordingly, the SNF market basket forecast already reflects inflationary pressures, including those associated with increases in the minimum wage.

Use of the Skilled Nursing Facility Market Basket Percentage

Section 1888(e)(5)(B) of the Act defines the SNF market basket percentage as the percentage change in the SNF market basket index, as described in the previous section, from the average of the prior fiscal year to the average of the current fiscal year. For the Federal rates established in this final rule, we use the percentage increase in the SNF market basket index to compute the update factor for FY 2008. We use the Global Insight, Inc. (GII, formerly DRI–WEFA), 1st quarter 2007 (2007q2) forecasted percentage increase in the FY 2004-based SNF market basket index for routine, ancillary, and capital-related expenses, described in the previous section, to compute the update factor. Finally, as discussed previously in section I.A. of this final rule, we no longer compute update factors to adjust a facility-specific portion of the SNF PPS rates, because the initial three-phase transition period from facility-specific to full Federal rates that started with cost reporting periods beginning in July 1998 has expired.

2. Market Basket Forecast Error Adjustment

As discussed in the June 10, 2003, supplemental proposed rule (68 FR 34768) and finalized in the August 4, 2003, final rule (68 FR 46067), the regulations at 42 CFR 413.337(d)(2) currently provide for an adjustment to account for market basket forecast error. The initial adjustment applied to the update of the FY 2003 rate for FY 2004, and took into account the cumulative forecast error for the period from FY 2000 through FY 2002. Subsequent adjustments in succeeding FYs take into account the forecast error from the most recently available fiscal year for which there is final data, and apply whenever the difference between the forecasted and actual change in the market basket exceeds a 0.25 percentage point threshold.

As discussed in section I.F.2. of the FY 2008 proposed rule (72 FR 25530), in order to help distinguish between the significant forecast errors that gave rise to this policy initially and the far more typical minor variances that have consistently occurred in each of the succeeding years (which we view as an inherent aspect of this type of statistical measurement), we proposed to raise the 0.25 percentage point threshold for forecast error adjustments under the SNF PPS to 0.5 percentage point, effective with FY 2008. We invited comments on various aspects of this issue, including the proposed effective date. As also discussed in that section, the proposed payment rates for FY 2008 did not include a forecast error adjustment, as the difference between the estimated and actual amounts of increase in the market basket index for FY 2006 (the most recently available fiscal year for which there is final data) does not exceed the proposed 0.5 percentage point threshold.

Comment: Several commenters expressed concern about the proposal to raise the forecast error threshold percentage from 0.25 percentage point to 0.5 percentage point. Some commenters suggested maintaining the 0.25 percentage point threshold. Some commenters stated that we should delay the implementation of a higher threshold. Other commenters maintained that every forecast error, however small, should be corrected, and that the effect of using any threshold would build over time, resulting in increasing inaccuracies in the rates. One commenter added that the existence of any minimum threshold for triggering the adjustment forces SNFs to face inflation with inadequate payment levels. Another commenter did not support making adjustments on an automatic basis—particularly when coupled with automatic market basket increases—but agreed that such adjustments, when made, should focus on correcting major errors.

Response: For FY 2004, CMS applied a one-time, cumulative forecast error correction of 3.26 percent (68 FR 46036). Since that time, the forecast errors have been relatively small and clustered near zero. We believe the forecast error correction should be applied only when the forecast error in any given year reflects a percentage such that the SNF PPS base payment rate does not adequately reflect the historical price changes faced by SNFs. We believe that a threshold of 0.5 percent represents an appropriate amount to draw a distinction between the kind of exceptional, unanticipated major increases in wages and benefits that initially gave rise to this policy, and the more typical minor variances that are inherent in statistical measurements. The 0.5 percentage point threshold for triggering a forecast error adjustment represents an amount that is sufficiently high to screen out these expected minor variances in a projected statistical methodology, while at the same time appropriately serving to trigger an adjustment in those instances where it is clear that the historical price changes are not being adequately reflected, as was the case with the initial, cumulative 3.26 percent adjustment. We believe the existing 0.25 percentage point threshold is too low for this purpose, as values that only slightly exceed it may still inappropriately capture the minor variations that are inherently associated with measuring statistics. Moreover, our experience suggests that the forecast errors are relatively small, and generally clustered around zero.

MedPAC analysis suggests that freestanding SNFs (which represent more than 80 percent of all SNFs) have received Medicare payments that exceed costs by 10.8 percent or more since 2001, and margins are projected to be 11 percent in 2007. In the March 2007 MedPAC report, MedPAC stated that SNF payments appear more than adequate.

We believe that raising the threshold from 0.25 percentage point to 0.5 percentage point effective for the FY 2008 SNF PPS and subsequent years furthers our overarching Medicare integrity objective of paying the appropriate amount at the right time. By delaying the implementation, we would continue to pay for minor variations which would further delay accurate payment.

Moreover, we continue to believe that the forecast error adjustment mechanism should appropriately be reserved for the type of major, unexpected change that initially gave rise to this policy, rather than the minor variances that are a routine and inherent aspect of this type of statistical measurement. We note that the objections to the proposed higher threshold primarily concerned its projected effect specifically on payment in the coming year rather than the appropriate role of a forecast error adjustment in general. However, we believe that delays in implementing changes are usually justified by establishing that immediate implementation would result in severe short-term hardship—for example, due to inadequate lead time to prepare for an administratively complex change. We note that we delayed the effective date of case-mix refinements from October 1, 2005, until January 1, 2006 for precisely that reason (see the FY 2006 final rule at 70 FR 45034, August 4, 2005); however, no such conditions apply with regard to the revised forecast error adjustment threshold. Further, we believe that the industry's continued strong profit margins (in the neighborhood of 10 percent) should help to dampen any potential short-term financial effects of immediate implementation. Therefore, we will use the 0.5 percentage point threshold to determine whether a forecast error adjustment is appropriate, effective for FY 2008 and subsequent years. We note, as we did in our original proposal of the forecast error adjustment methodology (68 FR 34769), that this threshold is applied uniformly: Not only in those instances where the forecasted percent change is lower than the actual percent change (as has been the case up to this point under the SNF PPS), but also in those instances where the forecasted percent change is higher than the actual percent change. We [further] note that the latter circumstance would result in SNFs receiving lower than expected payments.

3. Federal Rate Update Factor

Section 1888(e)(4)(E)(ii)(IV) of the Act requires that the update factor used to establish the FY 2008 Federal rates be at a level equal to the full market basket percentage change. Accordingly, to establish the update factor, we determined the total growth from the average market basket level for the period of October 1, 2006 through September 30, 2007 to the average market basket level for the period of October 1, 2007 through September 30, 2008. Using this process, the market basket update factor for FY 2008 SNF Federal rates is 3.3 percent. We use this update factor to compute the Federal portion of the SNF PPS rate shown in Tables 2 and 3.

D. Revising and Rebasing the Skilled Nursing Facility Market Basket Index

As discussed in greater detail in section IV. of the FY 2008 proposed rule (72 FR 25541–25555), we proposed to make a number of changes in connection with the SNF market basket. We proposed to update the base year from FY 1997 to FY 2004, and to update the market basket inputs as well. In addition, we proposed using Medicare-allowable total cost data to derive the market basket cost weights. This represented a change from the existing policy of using total facility cost data. We also proposed to create two new cost categories: Professional liability insurance and postage.

Comment: One commenter supported the rebasing and revising of the SNF market basket, but suggested that it should occur more frequently.

Response: Typically, we rebase and revise the market basket about every five years, as we have found that the cost weights do not change substantially between one year and the next. However, we will continue to monitor the appropriateness of the SNF market basket and rebase more frequently if necessary.

Comment: Several commenters suggested that we treat the market basket methodology in this year's final rule as an interim methodology. They asserted that a full 60 days to analyze the data and prepare comments was not available due to the CMS data set problems. Similarly, they argued that CMS would have only a short time to analyze and react to the comments. They added that viewing the proposed market basket methodology as an interim methodology would give CMS and other stakeholders the opportunity over the next year to further refine and improve the market basket component methodologies and the wage price proxies for the SNF setting without locking in the methodology for several years. Further, they proposed that the nursing home industry and CMS should agree to revisit the cost reports to improve their utility for a future revision of the market basket.

Response: We do not agree with the commenters who asserted that a full 60 days was not available to analyze the proposed market basket methodology and that, therefore, we should publish an interim final rule rather than a final rule. In fact, the FY 2008 proposed rule included a detailed discussion of our proposal, and the ''CMS data set problems'' that these commenters cite pertain solely to the SNF Medicare cost report (MCR) public use files that we posted on the CMS Web site. These public use files, in turn, are not an integral part of the proposal itself, but merely represent an additional package of customized technical information that we provide in an effort to accommodate the industry. We agree that we should continually review the market basket methodologies, including alternative methodologies proposed by the various stakeholders. However, we believe that it is necessary to rebase the market basket to reflect the changes in the average SNF's cost structure from 1997 to 2004, as well as to revise the market basket to reflect more appropriate, industry-specific price proxies (such as the blended compensation and chemical price proxies). We believe our current Medicare-allowable methodology, now adjusted to include an estimate of Medicaid drug expenses (as explained in more detail below), represents the best available technical methodology at this time. However, we will continue to work with the industry stakeholders and consider their suggestions for improvements to further refine and revise our market basket methodology, as appropriate. We also welcome suggestions from the SNF community on how the SNF Medicare cost report forms can be improved to better capture data needed for the market basket rebasing and revising process.

Comment: Several commenters stated that if CMS's ''total allowable cost'' methodology is utilized, either nursing labor costs for the entire facility should be included in the computation for the nursing labor weight, or labor costs for the support service departments should only include the portion allocated to the SNF unit and ancillary cost centers (after step-down).

Response: The labor costs for the support service departments (as reported in the general service cost centers, otherwise referred to as ''overhead cost centers'') did reflect only the portion allocated to the SNF unit and ancillary cost centers (i.e., Medicare-allowable cost centers). Specifically, we calculated overhead salaries attributable to the non-Medicare allowable departments by multiplying the ratio of total overhead salaries to total facility salaries by total non-Medicare allowable salaries. The Medicare-allowable wages and salary cost weight prior to excluding these non-Medicare allowable overhead salaries was one percentage point higher.

Comment: Several commenters requested that rather than using the proposed CMS total allowable Medicare cost methodology for the calculation of the pharmacy weight of the market basket, we should review, replicate, analyze, and adopt the commenter's alternative Medicare-specific reimbursable pharmacy cost methodology. They noted that the proposed pharmaceutical methodology assumes that total pharmaceutical costs for the facility are captured by the cost reports, and claimed this is not accurate, because the vast majority of nursing facility patients consists of dual-eligibles whose FY 2004 pharmaceutical costs were directly reimbursed by Medicaid. Nursing facilities did not submit Medicaid claims for these pharmaceuticals because such claims were submitted by the dispensing local pharmacies instead.

Response: We acknowledge the commenters' point that Medicaid drug expenses are not represented in the Medicare-allowable drug cost weight. Further, we note that with the exception of drug expenses, all of the other cost category weights reflect all payers, including Medicaid. This is because the MCR does not specifically break out Medicare expenses by cost category (i.e., salaries, benefits, contract labor), but rather, reports costs for all patients, regardless of payer. In view of this, we have adjusted drug expenses and total expenses to include an estimate of total Medicaid drug costs. (For purposes of recalculating the market basket weights, because we added Medicaid drug expenses—which are not reported in the MCR—into the drug costs, we then added those same Medicaid drug expenses into the market basket total costs.) We believe this is technically appropriate and achieves greater consistency, as all of the other cost weights already reflect Medicaid-related expenses. As a result of adjusting the market basket to include an estimate for Medicaid drug expenses, we have revised all of the cost weights in the proposed 2004-based SNF market basket.

Our estimate of Medicaid drug expenses is based on the average Medicaid drug expense per day times the number of Medicare-allowable Medicaid days (as reported on the MCR). We examined two primary data sources to derive the average Medicaid drug expense per beneficiary per day: The Medicare Analytic Extract (MAX) data and the Medicare Current Beneficiary Survey (MCBS) data. The MAX data is a set of person-level data files on Medicaid eligibility, service utilization, and payments extracted from the Medicaid Statistical Information System (MSIS). The MCBS is a survey of a representative sample of the Medicare population that CMS conducts through a contract with Westat, Inc.

To calculate the institutionalized Medicaid drug costs per beneficiary per day from the MAX data, we used a nationally-representative sample of records of Medicaid drug costs for nursing home residents for 2003 during their institutionalizations. We summed the records and then divided by the number of resident days to produce a cost per day estimate. We then extrapolated this result by the PPI for prescription drugs to obtain a 2004 institutionalized Medicaid drug cost per beneficiary per day estimate of $13.65.

We also calculated a community-based Medicaid drug cost per beneficiary per day estimate from the

MCBS data. First, we took a community-based Medicaid drug cost per capita estimate from 2002 (adjusted for under-reporting as described in the Health Care Financing Review article ''Reporting of Drug Expenditures in the MCBS,'' Volume 25, page 23) and converted it to a cost per day measure. We then adjusted the cost per day figure to add Medicaid drug rebates back into the estimate. Finally, we extrapolated this result by the PPI for prescription drugs to produce a 2004 community-based Medicaid drug cost per beneficiary per day estimate of $9.41. As the MCBS does not capture drug expenditures for beneficiaries while they are institutionalized, we used the drug cost per beneficiary per day estimate generated from the MCBS ($9.41) as a consistency check for the estimate that we derived from the MAX data.

The adjusted pharmaceutical cost weight, representing drug expenditures for all patients (Medicare, Medicaid, and private payer), is 7.894 percent. This is more than twice as large as the proposed pharmaceutical cost weight of 3.209 percent. The inclusion of Medicaid drugs into the 2004 market basket total costs has an impact on all of the cost weights and, therefore, the 2004-based cost weights presented in Table 12 reflect all of the revised cost weights. We did not make any methodological changes to any of the individual cost category weights, except those made to the drug cost weight described above.

As additional drug data becomes available (such as Medicare Part D drug data), we will analyze how this data may affect our estimates of Medicare and Medicaid drug costs for institutionalized dually-eligible Medicare and Medicaid beneficiaries and how these estimates may affect the weights for the SNF market basket.

Comment: Several commenters requested that we adopt a Medicare-specific market basket methodology. This methodology relies on the ratio of Medicare to total days and cost-to-charge ratios to derive the Medicare-specific cost weights.

Response: Ideally, we would prefer to construct a market basket that is specific to the treatment of Medicare beneficiaries. We are uncertain whether the use of cost-to-charge ratios to develop Medicare-specific cost category weights is a technically-viable option at this time. We will continue to research and examine the feasibility and appropriateness of using cost-to-charge ratios to develop a Medicare-specific market basket. We believe our proposed Medicare-allowable methodology reflects the cost structures of SNFs serving Medicare beneficiaries.

Comment: Several commenters recommended that we reexamine and reconsider the alternative CMS cost-to-charge ratio-based methodology for the calculation of the pharmacy component of the market basket. We had cited the inconsistencies between the cost-to-charge ratios of freestanding and hospital-based SNFs as the reason for not adopting this alternative method. The commenters contended that the primary reason for this difference is related to the allocation of overhead.

Response: As stated in the proposed rule, we explored alternative methods for calculating the SNF market basket drug cost weight. Specifically, we researched the viability of calculating a Medicare-specific drug cost weight based on Medicare drug costs as a percent of Medicare total costs. In the proposed rule, we inadvertently misstated the explanation of the methodology used to calculate Medicare drugs. The non-salary, non-overhead costs from the Drugs Charged to Patients cost center was not multiplied by the cost-to-charge ratio as stated in the proposed rule. Rather, these latter costs were multiplied by the ratio of Medicare charges to total charges. Following publication of the proposed regulation, we published the detailed formula on the CMS Web site, at *http://www.cms.hhs.gov/SNFPPS/Downloads/IndustryData.zip.* We continue to believe our proposed Medicare-allowable methodology adjusted to include an estimate of Medicaid drugs is the best available technical methodology to develop the pharmaceutical cost weight. As stated above, we are reluctant to rely on cost-to-charge ratios to develop cost weights. This is especially true for the pharmaceutical cost weight, given the difference between the freestanding and hospital-based facilities' overhead cost-to-charge ratios for the Drugs Charged to Patient Cost center. It is possible that the difference between the hospital-based and freestanding SNF cost-to-charge ratios is the result of overhead allocation and, therefore, we plan to continue to examine this area.

Comment: Several commenters suggested that we continue efforts to identify and develop more appropriate and accurate price indexes for tracking price changes in the SNF setting, particularly as they relate to SNF wages and salaries, benefits, professional liability insurance, and capital.

Response: We agree with the commenters' suggestion and plan to continually monitor the appropriateness of the price proxies used in all of the CMS market baskets, including the one for SNFs.

Comment: One commenter recommended that we revise our approach to the capital weight.

Response: Although the commenter was not specific about which capital cost-weight methodology we should revise, we assume based on other comments from the industry that the commenter was referring to the interest cost weight methodology and the use of Worksheet A, line 53 of the SNF Medicare cost report (MCR). The MCR instructions do not specify which interest expenses are reported in that cost center. Although some of these interest expenses could represent non-capital-related expenses, we believe that the majority of the interest expenses reported in this line are capital-related. We are unable to find any alternative data sources for capital-related interest expenses.

We did research the feasibility of developing a capital-related interest cost weight based on the depreciation cost weight (which comes directly from the MCR). To develop the alternative interest cost weight, we first determined separate interest schedules (that is, the interest expenses for each year over the useful life of an asset) for fixed and movable equipment. We constructed these interest schedules (which included both not-for-profit and for-profit debt) by multiplying the weighted averages of the average yield for Moody's AAA Corporate Bonds and the average yield for Municipal Bonds from the Bond Buyer Index by a fixed asset amount. We then calculated separate accumulated depreciation schedules for fixed and movable equipment. The accumulated depreciation schedules reflected the different useful lives of fixed versus movable equipment (22 and 9 years) and a double-declining balance method, a generally accepted depreciation practice. For each year, for both fixed equipment and moveable equipment, we calculated an interest-to-depreciation expense ratio. We then averaged these ratios over the useful life period. Next, we weighted the average interest-to-depreciation ratios for fixed and movable equipment by the fixed and movable equipment split (derived from the MCR), to create a final weighted ratio. We then multiplied this ratio by the depreciation cost weight to produce an interest cost weight. The result was a capital-related interest cost weight of 2.88, less than 0.3 percentage points different from our proposed methodology of 2.59. We note that the capital-related interest cost weight presented in Table 13 of the FY 2008 SNF proposed rule (72 FR 25544)

reflected interest expenses with allocated leasing expenses.

We also determined an average interest-to-depreciation expense ratio using depreciation expenses based on a straight-line depreciation method, also a generally accepted depreciation practice. This resulted in an interest cost weight of 3.51, which is almost one percentage point higher than our proposed interest cost weight of 2.59.

Given that our current methodology uses the MCR, our lack of other data sources, and the variability of our alternative methodology results, we believe our current methodology is the most technically appropriate methodology for calculating the capital-related interest cost weight. Therefore, we are adopting our proposed methodology to derive the capital-related interest cost weight.

As stated in the proposed rule, we researched the feasibility and appropriateness of using the ratio of total ancillary costs (that is, therapy and non-therapy ancillary costs) to routine costs to develop the movable equipment vintage weights (72 FR 25546). We found that incorporating therapy costs was somewhat problematic because of the dramatic decrease in therapy expenses between 1998 and 1999. Therapy ancillary costs decreased approximately 40 percent from 1998 to 1999—a likely impact of implementation of the SNF PPS. However, we still believe that the vintage weights should reflect therapy equipment purchases and, therefore, we are going to adopt the use of this ratio of total ancillary costs to total routine costs as the proxy for changes in intensity of SNF services that would cause SNFs to purchase movable equipment. We believe the drop in therapy expenses from 1998 to 1999 does not necessarily indicate a drop in movable equipment purchases, but rather, reflects other behavioral changes as a result of the then-new Medicare policies enacted in the BBA. As a result, we are going to begin incorporating the data on a best percent change-basis beginning with 2000 data. (The best percent change-basis method involves several steps. First, we apply the percent change of the ratio of total ancillary to routine costs for 2000 to the ratio of non-therapy ancillary to routine costs for 1999. Then, we apply the 2001 percent change of the ratio of total ancillary costs to routine costs to the 2000 ratio produced in Step 1. We then repeat this latter step for the 2002 through 2004 time period.) Again, we believe it is necessary to incorporate therapy costs into the vintage weight methodology in order to reflect therapy equipment purchases. The revision to the movable equipment vintage weights in the nine-year useful life period due to the incorporation of therapy costs does not exceed one-hundredth of a percentage point. Below is a table presenting the vintage weights for 2004-based SNF PPS capital-related price proxies, including the revised moveable-equipment vintage weights.

TABLE 11.—VINTAGE WEIGHTS FOR 2004-BASED SNF PPS CAPITAL-RELATED PRICE PROXIES

Year	Building and fixed equipment	Movable equipment	Interest
1	0.078	0.136	0.039
2	0.073	0.155	0.039
3	0.071	0.134	0.04
4	0.066	0.080	0.04
5	0.06	0.077	0.042
6	0.05	0.092	0.043
7	0.046	0.102	0.045
8	0.042	0.105	0.047
9	0.037	0.120	0.049
10	0.034	.....	0.052
11	0.035	.....	0.055
12	0.037	.....	0.057
13	0.037	.....	0.058
14	0.036	.....	0.057
15	0.035	.....	0.054
16	0.035	.....	0.054
17	0.035	.....	0.055
18	0.036	.....	0.056
19	0.037	.....	0.057
20	0.039	.....	0.059
21	0.04	.....	.....
22	0.042	.....	.....
Total	*1.000	*1.000	*1.000

Sources: 2004 SNF Medicare Cost Reports; CMS.

*Note: Totals may not sum to 1.000 due to rounding.

Comment: One commenter suggested that we reconsider our policy of using only data from freestanding SNFs to calculate the SNF market basket. The commenter recommended that we apply a percentage, proportionate to hospital-based SNFs' percentage of total cost, of the actual costs experienced by hospital-based SNFs.

Response: While the commenter was not more specific in what was being sought, we believe the commenter is suggesting that CMS develop separate cost weights for hospital-based and freestanding SNFs, and then combine them together (based upon hospital-based SNFs' and freestanding SNFs' share of total SNF costs) to create a unified set of SNF cost weights.

As stated in the proposed rule (72 FR 25542, May 4, 2007), we maintain our policy of using data from freestanding SNFs because freestanding SNF data reflect the actual cost structure faced by the SNF itself. In contrast, expense data for a hospital-based SNF reflect the allocation of overhead over the entire institution. Due to this method of allocation, total expenses will be correct, but the individual components' expenses may be skewed. If data from hospital-based SNFs were included, the resultant cost structure might be unrepresentative of the costs that we believe a typical SNF experiences.

Table 12 presents the final 2004-based SNF Market Basket Index.

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Table 12
Price Proxies for the
FY 2004-based SNF Market Basket

Cost Category	Weight	Price Proxy
Compensation	62.7546	
Wages and Salaries	51.3368	Blended proxy of 50 percent ECI for Wages and Salaries for Private Nursing and Residential care facilities and 50 percent for Wages and Salaries for Civilian Hospital Workers
Employee benefits	11.4178	Blended proxy of 50 percent ECI for Benefits for Private Nursing and Residential care facilities and 50 percent for Benefits for Civilian Hospital Workers
Nonmedical professional fees	1.3219	ECI for Compensation for Private Professional, Technical and Specialty workers
Professional Liability Insurance	1.7166	CMS Hospital Professional Liability Index.
Utilities	1.5513	
Electricity	0.9194	PPI for Commercial Electric Power
Fuels, nonhighway	0.4526	PPI for Commercial Natural Gas
Water and sewerage	0.1792	CPI-U for Water and Sewerage
All Other	25.4482	
Other Products	19.0300	
Pharmaceuticals	7.8943	PPI for Prescription Drugs
Food, wholesale purchase	2.9064	PPI for Processed Foods
Food, retail purchase	3.1509	CPI-U for Food Away From Home
Chemicals	0.5893	Blended PPI for Chemicals
Rubber and plastics	1.5131	PPI for Rubber and Plastic Products
Paper products	1.3942	PPI for Converted Paper and Paperboard
Miscellaneous products	1.5817	PPI for Finished Goods less Food and Energy
Other Services	6.4182	
Telephone Services	0.4344	CPI-U for Telephone Services
Postage	0.4543	CPI - Postage
Labor-intensive Services	3.5214	ECI for Compensation for Private Service Occupations
Non labor-intensive services	2.0081	CPI-U for All Items
Capital-related Expenses	7.2074	
Total Depreciation	2.8578	
Building & Fixed Equipment	2.4371	Boeckh Institutional Construction Index (vintage-weighted over 22 years)
Movable Equipment	0.4207	PPI for Machinery & Equipment (vintage-weighted over 9 years)
Total Interest	3.0371	
For-Profit SNFs	1.1972	Average Yield Moody's AAA Bonds (vintage-weighted over 20 years)
Government & Nonprofit SNFs	1.8399	Average Yield Municipal Bonds (Bond Buyer Index-20 bonds) (vintage-weighted over 20 years)
Other Capital-related Expenses	1.3124	CPI-U for Residential Rent
Total	100.000*	

*NOTE: Total may not sum to 100.000 due to rounding.

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Each year, we calculate a revised labor-related share based on the relative importance of labor-related cost categories in the input price index. Table 13 summarizes the updated labor-related share for FY 2008, which is based on the final rebased and revised SNF market basket.

Table 13
Labor-related Relative Importance, FY 2007 and FY 2008

	Relative importance, labor-related, FY 2007 (1997-based index) 06:2 forecast	Relative importance, labor-related, FY 2008 (2004-based index) 07:2 forecast
Wages and salaries	54.231	51.148
Employee benefits	11.903	11.704
Nonmedical professional fees	2.721	1.331
Labor-intensive services	4.035	3.451
Capital-related (.391)	2.949	2.518
Total	75.839	70.152

Source: Global Insight, Inc., formerly DRI-WEFA.

Note: In Table 17 of the proposed rule (72 FR 25549), the cost weights for the for-profit and not-for-profit interest were inadvertently mislabeled. The for-profit interest cost weight was displayed as the not-for-profit cost weight. We have corrected this in the final rule, and the 2004-based SNF market basket update factor reflects this revision.

E. Consolidated Billing

As established by section 4432(b) of the BBA, the consolidated billing requirement places with the SNF the Medicare billing responsibility for virtually all of the services that the SNF's residents receive, except for a small number of services that the statute specifically identifies as being excluded from this provision. Section 103 of the BBRA amended this provision by further excluding a number of high-cost, low probability services (identified by Healthcare Common Procedure Coding System (HCPCS) codes) within several broader categories that otherwise remained subject to the provision. Section 313 of the BIPA further amended this provision by repealing its Part B aspect, that is, its applicability to services furnished to a resident during a SNF stay that Medicare does not cover. (However, physical and occupational therapy, and speech-language pathology services remain subject to consolidated billing, regardless of whether the resident who receives these services is in a covered Part A stay.) In addition, section 313 of the BIPA specified that consolidated billing applies only to services furnished to those individuals residing in an institution (or portion of an institution) that is actually certified by Medicare as a SNF. Further, as noted in section I.E. of this final rule, section 410 of the MMA revised the SNF consolidated billing requirement as it relates to certain services furnished on or after January 1, 2005, by rural health clinics (RHCs) and Federally qualified health centers (FQHCs).

To date, the Congress has enacted no further legislation affecting the consolidated billing provision. However, as we noted in the April 10, 2000 proposed rule (65 FR 19232), section 1888(e)(2)(A)(iii) of the Act, as added by section 103 of the BBRA, not only identified for exclusion from this provision a number of particular service codes within four specified categories (that is, chemotherapy items, chemotherapy administration services, radioisotope services, and customized prosthetic devices), but " * * * also gives the Secretary the authority to designate additional, individual services for exclusion within each of the specified service categories." In the FY 2001 proposed rule, we also noted that the BBRA Conference Report (H.R. Conf. Rep. No. 106–479 at 854) characterizes the individual services that this legislation targets for exclusion as "* * * high-cost, low probability events that could have devastating financial impacts because their costs far exceed the payment [SNFs] receive under the prospective payment system * * *." According to the conferees, section 103(a) "is an attempt to exclude from the PPS certain services and costly items that are provided infrequently in SNFs * * *." By contrast, we noted that the Congress declined to designate for exclusion any of the remaining services within those four categories (thus leaving all of those services subject to SNF consolidated billing), because they are relatively inexpensive and are furnished routinely in SNFs.

As we further explained in the July 31, 2000 final rule (65 FR 46790), any additional service codes that we might designate for exclusion under our discretionary authority must meet the same criteria that the Congress used in identifying the original codes excluded from consolidated billing under section 103(a) of the BBRA: They must fall within one of the four service categories specified in the BBRA, and they also must meet the same standards of high cost and low probability in the SNF setting. Accordingly, we characterized this statutory authority to identify additional service codes for exclusion "* * * as essentially affording the flexibility to revise the list of excluded codes in response to changes of major significance that may occur over time (for example, the development of new medical technologies or other advances in the state of medical practice)" (65 FR 46791). In view of the amount of time that has elapsed since we last invited comments on this issue, we invited public comments in the FY 2008 SNF PPS proposed rule on codes in any of these four service categories which represent recent medical advances that might meet the BBRA criteria for exclusion from SNF consolidated billing (72 FR 25556).

Comment: In response to our invitation in the proposed rule, some

commenters submitted lists of additional chemotherapy codes that they recommended for exclusion from consolidated billing.

Response: We note that the law (at section 1888(e)(2)(A)(iii)(II) of the Act) describes the chemotherapy code ranges that the BBRA identified for exclusion in terms of the version of the HCPCS codes that was in existence ''as of July 1, 1999.'' In the SNF PPS final rule for FY 2006 (70 FR 45048, August 4, 2005), we reiterated our belief that the authority granted by the BBRA to identify additional codes for exclusion within this category was ''* * * essentially affording the flexibility to revise the list of excluded codes in response to changes of major significance *that may occur over time* (for example, the development of new medical technologies or other advances in the state of medical practice)'' (emphasis added). Accordingly, we view this discretionary authority as applying *only* to codes that were created subsequent to that point, and not to those codes that were in existence as of July 1, 1999. A review of the particular chemotherapy codes that commenters submitted in response to the proposed rule's invitation revealed that one of the codes, J9180 (Epirubicin hydrochloride (HCL), 50 mg), has been discontinued as of December 31, 2003 (we note that J9178 (Epirubicin HCL, 2 mg), a currently-existing code for the same medication in a different quantity, is in fact excluded). Another code that commenters submitted, J9219 (Leuprolide acetate implant, 65 mg), is a hormonal agent which is clinically analogous to other existing codes that have not been designated for exclusion; moreover, as this drug is used in treating the commonly-occurring condition of prostate cancer, we believe that it is unlikely to meet the criterion of ''low probability'' specified in the BBRA. Moreover, the rest of the codes that commenters submitted were themselves already in existence as of July 1, 1999, but did not fall within the specific code ranges statutorily designated for exclusion in the BBRA. As the statute does not specifically exclude these already-existing codes, we are not adding them to the exclusion list.

Comment: Although the FY 2008 SNF PPS proposed rule specifically invited comments on possible exclusions *within* the particular service categories identified in the BBRA legislation, a number of commenters took this opportunity to reiterate concerns about other aspects of consolidated billing. For example, some commenters reiterated past suggestions that we unbundle additional service categories, such as specialized wound care procedures (including hyperbaric oxygen therapy) and ambulance services.

Response: As we have consistently stated (see, for example, the SNF PPS final rule for FY 2006, at 70 FR 45049 (August 4, 2005)), the BBRA authorizes us to identify additional services for exclusion *only within* those particular service categories—chemotherapy and its administration; radioisotope services; and, customized prosthetic devices—that it has designated for this purpose, and does not give us the authority to create additional categories of excluded services beyond those specified in the law. Accordingly, as the particular services that these commenters recommended for exclusion do not fall within one of the specific service categories designated for this purpose in the statute itself, these services remain subject to consolidated billing.

Comment: Other commenters took this opportunity to revisit the existing set of administrative exclusions for certain high-intensity outpatient hospital services under the regulations in 42 CFR 411.15(p)(3)(iii), and once again expressed the view that these exclusions should not be limited to only those services that actually occur in the hospital setting, but rather, should also encompass services performed in other, non-hospital settings as well. As examples, they cited services such as magnetic resonance imaging (MRIs) and computerized axial tomography (CT) scans furnished in freestanding imaging centers, and radiation therapy furnished in physicians' clinics or ambulatory care centers, all of which may be less expensive and more accessible in certain particular localities (such as rural areas) than those furnished by hospitals. A few commenters additionally described certain instances in which MRIs and CT scans failed to qualify for exclusion even when they actually did occur in the hospital setting, because the hospital chose to have them performed under contract with an independent supplier that submitted the Medicare bill.

Response: We believe the comments that reflect previous suggestions for expanding this administrative exclusion to encompass services furnished in non-hospital settings indicate a continued misunderstanding of the underlying purpose of this provision. As we have consistently noted in response to comments on this issue in previous years (most recently, in the SNF PPS final rule for FY 2006 at 70 FR 45049 (August 4, 2005)), and as also explained in Medicare Learning Network (MLN) Matters article SE0432 (available online at *http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0432.pdf*), the rationale for establishing this exclusion was to address those types of services that are so far beyond the normal scope of SNF care *that they require the intensity of the hospital setting* in order to be furnished safely and effectively. Moreover, we note that in the legislative history accompanying the MMA, the Conferees characterized these exclusions as specifically limited to ''* * * certain outpatient services *from a Medicare-participating hospital or critical access hospital* * * *'' (emphasis added). (See the House Ways and Means Committee Report (H. Rep. No. 108–178, Part 2 at 209), and the Conference Report (H. Conf. Rep. No. 108–391 at 641).) Therefore, these services are excluded from SNF consolidated billing *only* when furnished in the outpatient hospital or CAH setting, and not when furnished in other, freestanding (non-hospital or non-CAH) settings.

Further, this underlying concept of service intensity also affects the manner in which a hospital can involve another entity in the actual performance of an excluded outpatient hospital service. Sections 1832(a)(2)(B) and 1861(s)(2)(C) of the Act authorize a hospital to furnish outpatient diagnostic procedures under arrangements with another entity; moreover, MRIs or CT scans that are furnished in this manner are excluded from SNF consolidated billing, and would be separately billable *by the hospital* under Part B. However, in order for the hospital's ''arrangement'' with the other entity to be a valid one, the hospital cannot act merely as a billing conduit, but must actually exercise professional responsibility and control over the arranged-for service, as specified in the guidelines on arrangements that appear in the CMS Internet-Only Manual, Pub. 100–1, Chapter 5, section 10.3, available online at *http://www.cms.hhs.gov/Manuals/IOM/list.asp*. Therefore, in a situation where the other, non-hospital entity assumes the Medicare billing role, a valid arrangement between the hospital and that entity would no longer exist, so that the hospital effectively relinquishes its professional responsibility and control over the service to the other entity. In this situation, because the service is no longer being furnished by the hospital itself—either directly, or under a valid arrangement with another entity—it would not qualify for the administrative exclusion from consolidated billing as a high-intensity outpatient *hospital* service, and the

billing responsibility for the service would remain with the SNF.

Comment: Some other commenters reiterated previous suggestions on expanding the existing chemotherapy exclusion to encompass related drugs that are commonly administered in conjunction with chemotherapy in order to treat the side effects of the chemotherapy drugs. The commenters cited examples such as anti-emetics (anti-nausea drugs) and erythropoietin (EPO).

Response: As we have noted previously in this final rule and in response to comments on this issue in the past (most recently, in the SNF PPS final rule for FY 2006 at 70 FR 45049 (August 4, 2005)), the BBRA authorizes us to identify additional services for exclusion *only within* those particular service categories—chemotherapy and its administration; radioisotope services; and, customized prosthetic devices—that it has designated for this purpose, and does not give us the authority to exclude other services which, though they may be related, fall outside of the specified service categories themselves. Thus, while anti-emetics, for example, are commonly administered in conjunction with chemotherapy, they are not themselves inherently chemotherapeutic in nature and, consequently, do not fall within the excluded chemotherapy category designated in the BBRA. With regard to EPO, we additionally note that among the service categories that section 1888(e)(2)(A)(ii) of the Act already specifies as being excluded from SNF consolidated billing are items and services described in section 1861(s)(2)(O) of the Act—that is, those items and services that meet the requirements for coverage under the separate Part B EPO benefit. This means that the scope of coverage under the Part B EPO benefit effectively serves as well to determine the scope of the EPO exclusion under the consolidated billing provision. However, section 1861(s)(2)(O) of the Act, in turn, specifically limits coverage under this benefit to EPO that is furnished to dialysis patients, and does not provide for coverage in any other, non-dialysis situations such as chemotherapy.

Comment: Another commenter indicated that we should make it ''financially feasible'' for patients to receive dialysis that is performed at bedside in the SNF, either by a dialysis facility or by the SNF itself—presumably, by expanding the consolidated billing provision's existing dialysis exclusion to encompass such services.

Response: As with the EPO services discussed above, the Part B dialysis services described in section 1861(s)(2)(F) of the Act are included among the service categories that section 1888(e)(2)(A)(ii) of the Act specifies as being excluded from SNF consolidated billing. Once again, this means that the scope of coverage under the Part B dialysis benefit effectively serves as well to determine the scope of the dialysis exclusion under the consolidated billing provision. Thus, the commenter's suggestion regarding the further unbundling of dialysis services actually represents a request to expand existing coverage under the Part B dialysis benefit, an issue that is beyond the scope of this final rule.

Comment: An additional commenter recommended that we exclude Reclast, a new osteoporosis drug that is administered via a once-yearly infusion. The commenter noted that several of the criteria (such as high cost, infrequent use, and inelastic demand) that historically have served to identify certain exceptionally intensive outpatient hospital services for exclusion would apply to Reclast as well, but also indicated that while the Food and Drug Administration (FDA) approved Reclast for the treatment of Paget's disease in April 2007, it has not yet announced its determination regarding the use of this drug in treating osteoporosis.

Response: We note that even if the FDA were to grant Reclast approval for this additional application, excluding such osteoporosis drugs from consolidated billing cannot be accomplished administratively under our existing authority. As we have noted previously, the BBRA's existing authority for excluding certain ''high-cost, low probability'' services from SNF consolidated billing applies *solely* to the types of services specified in the legislation itself (see, for example, the discussion in the SNF PPS final rule for FY 2006 (70 FR 45048, August 4, 2005)). With regard to drugs, this authority would encompass only the categories of chemotherapy and radioisotope services. As osteoporosis drugs such as Reclast do not fall within either of those two categories, we cannot administratively exclude them under this authority as it is currently constituted. Moreover, we again note that the outpatient hospital exclusion that the commenter cited applies exclusively to those types of services that are so far beyond the normal scope of SNF care plans as to require the intensity of the hospital setting in order to be furnished safely and effectively; by contrast, it would be medically feasible to administer drugs such as Reclast in the SNF itself.

Further, in contrast to the SNF PPS, we note that in the context of Medicare's home health benefit, the statute specifically addresses the treatment of osteoporosis drugs under a PPS. For purposes of the home health PPS, section 1861(kk) of the Act provides Part B coverage for injectable osteoporosis drugs, and section 4603(c)(2) of the BBA specifically amended section 1833(a)(2) of the Act to make such drugs separately payable outside the home health PPS's bundled payment for an episode of care. Accordingly, we believe that in terms of the SNF PPS, excluding drugs such as Reclast from the bundled per diem payment would require a similar statutory framework—first, to establish Part B coverage specifically for those osteoporosis drugs that are administered through infusion rather than injection, and additionally, to exclude such drugs from the SNF PPS's bundled per diem payment.

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

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

Accordingly, all non-CAH swing-bed rural hospitals have come under the SNF PPS as of June 30, 2003. Therefore, all rates and wage indexes outlined in this final rule for the SNF PPS also apply to all non-CAH swing-bed rural hospitals. A complete discussion of assessment schedules, the MDS and the transmission software (Raven-SB for Swing Beds) appears in the final rule for FY 2002 (66 FR 39562, July 31, 2001). The latest changes in the MDS for non-CAH swing-bed rural hospitals appear on our SNF PPS Web site, *http://www.cms.hhs.gov/snfpps.* We received no comments on this aspect of the proposed rule.

IV. Provisions of the Final Rule

In this final rule, we are adopting the provisions as set forth in the May 4, 2007 proposed rule, with one change. We are changing our approach to the calculation of the market basket's pharmaceutical cost weight by including an adjustment for Medicaid drug expenditures, as discussed in section III.D of this final rule.

In addition, as noted previously in section I.A of this final rule, we are taking this opportunity to make a technical correction in the regulations text. The correction involves § 409.30(a)(2), which originally stipulated that in order for a hospital stay to qualify a beneficiary for coverage of posthospital SNF care, discharge from the hospital stay must occur in or after the month that the beneficiary becomes eligible for ''hospital insurance benefits''—the statutory term for Medicare Part A. However, on May 26, 1993 (58 FR 30666), we made a global revision of the word ''hospital'' in this provision and elsewhere in the regulations by adding a reference to rural primary care hospitals (RPCHs), and in the process, we inadvertently revised the term ''hospital insurance benefits'' in this section so that it incorrectly read ''hospital or RPCH insurance benefits.'' When RPCHs subsequently became known as critical access hospitals (CAHs), we once again made a global revision in order to revise ''RPCH'' to read ''CAH'' wherever it appeared (62 FR 46037, August 29, 1997), so that this term now incorrectly reads ''hospital or CAH insurance benefits.'' In this final rule, we are revising the regulations text at § 409.30(a)(2) in order to restore the original, correct wording of this term, which is ''hospital insurance benefits.''

V. Waiver of Proposed Rulemaking

Regarding the technical correction to Part 409 of the regulations that we discuss in the preceding section, we note that we would ordinarily publish a notice of proposed rulemaking in the **Federal Register** to provide a period for public comment before a revision in the regulations text would take effect; however, we can waive this procedure if we find good cause that a notice and comment procedure is impracticable, unnecessary, or contrary to the public interest and incorporate a statement of the finding and its reasons in the notice issued. We find it unnecessary to undertake notice and comment rulemaking in connection with this particular revision, as it merely provides a technical correction to the regulations, without making any substantive changes. Therefore, for good cause, we waive notice and comment procedures for the revision that we are making to the regulations text in Part 409.

VI. Collection of Information Requirements

This document does not impose any information collection and recordkeeping requirements. Consequently, it need not be reviewed by the Office of Management and Budget under the authority of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501).

VII. Regulatory Impact Analysis

A. Overall Impact

We have examined the impacts of this final rule as required by Executive Order 12866 (September 1993, Regulatory Planning and Review), the Regulatory Flexibility Act (RFA, Pub. L. 96–354, September 16, 1980), section 1102(b) of the Social Security Act (the Act), the Unfunded Mandates Reform Act of 1995 (UMRA, Pub. L. 104–4), and Executive Order 13132.

Executive Order 12866 (as amended by Executive Order 13258, which only reassigns responsibility of duties) directs agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). A regulatory impact analysis (RIA) must be prepared for major rules with economically significant effects ($100 million or more in any one year). This final rule is major, as defined in Title 5, United States Code, section 804(2), because we estimate the impact of the standard update will be to increase payments to SNFs by approximately $690 million.

The update set forth in this final rule would apply to payments in FY 2008. Accordingly, the analysis that follows describes the impact of this one year only. In accordance with the requirements of the Act, we will publish a notice for each subsequent FY that will provide for an update to the payment rates and include an associated impact analysis.

The RFA requires agencies to analyze options for regulatory relief of small businesses. For purposes of the RFA, small entities include small businesses, nonprofit organizations, and government agencies. Most SNFs and most other providers and suppliers are small entities, either by their nonprofit status or by having revenues of $11.5 million or less in any one year. For purposes of the RFA, approximately 53 percent of SNFs are considered small businesses according to the Small Business Administration's latest size standards, with total revenues of $11.5 million or less in any one year (for further information, see 65 FR 69432, November 17, 2000). Individuals and States are not included in the definition of a small entity. In addition, approximately 29 percent of SNFs are nonprofit organizations.

This final rule updates the SNF PPS rates published in the update notice for FY 2007 (71 FR 43158, July 31, 2006) and the associated correction notice (71 FR 57519, September 29, 2006), thereby increasing aggregate payments by an estimated $690 million. As indicated in Table 14 of this final rule, the effect on facilities will be an aggregate positive impact of 3.3 percent. We note that some individual providers may experience larger increases in payments than others due to the distributional impact of the FY 2008 wage indexes and the degree of Medicare utilization. While this final rule is considered major, its overall impact is extremely small; that is, less than 3 percent of total SNF revenues from all payor sources.

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the provisions of section 603 of the RFA. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside of a Metropolitan Statistical Area and has fewer than 100 beds. Because the increase in SNF payment rates set forth in this final rule also applies to rural non-CAH hospital swing-bed services, we believe that this final rule would have a positive fiscal impact on non-CAH swing-bed rural hospitals.

Section 202 of the Unfunded Mandates Reform Act of 1995 also requires that agencies assess anticipated costs and benefits before issuing any rule whose mandates require spending in any 1 year of $100 million in 1995 dollars, updated annually for inflation. That threshold level is currently approximately $120 million. This final rule would not have a substantial effect on State, local, or tribal governments, or on private sector costs.

Executive Order 13132 establishes certain requirements that an agency must meet when it issues regulations that impose substantial direct requirement costs on State and local governments, preempts State law, or otherwise has Federalism implications.

As stated above, this final rule would have no substantial effect on State and local governments.

B. Anticipated Effects

This final rule sets forth updates of the SNF PPS rates contained in the update notice for FY 2007 (71 FR 43158, July 31, 2006) and the associated correction notice (71 FR 57519, September 29, 2006). Based on the above, we estimate the FY 2008 impact will be a net increase of $690 million in payments to SNF providers. The impact analysis of this final rule represents the projected effects of the changes in the SNF PPS from FY 2007 to FY 2008. We estimate the effects by estimating payments while holding all other payment variables constant. We use the best data available, but we do not attempt to predict behavioral responses to these changes, and we do not make adjustments for future changes in such variables as days or case-mix.

We note that certain events may combine to limit the scope or accuracy of our impact analysis, because such an analysis is future-oriented and, thus, very susceptible to forecasting errors due to other changes in the forecasted impact time period. Some examples of such possible events include new legislation requiring funding changes to the Medicare program, or legislative changes that specifically affect SNFs. In addition, changes to the Medicare program may continue to be made as a result of the BBA, the BBRA, the BIPA, the MMA, or new statutory provisions. Although these changes may not be specific to the SNF PPS, the nature of the Medicare program is such that the changes may interact, and the complexity of the interaction of these changes could make it difficult to predict accurately the full scope of the impact upon SNFs.

In accordance with section 1888(e)(4)(E) of the Act, we update the payment rates for FY 2008 by a factor equal to the full market basket index percentage increase to determine the payment rates for FY 2008. The special AIDS add-on established by section 511 of the MMA remains in effect until ''* * * such date as the Secretary certifies that there is an appropriate adjustment in the case mix * * *.'' We have not provided a separate impact analysis for the MMA provision. As noted previously in section I.E of this final rule, FY 2006 data indicate that there are less than 2,600 SNF residents overall with a principal or secondary diagnosis of 042 (HIV Infection). The impact to Medicare is included in the ''total'' column of Table 14. In updating the rates for FY 2008, we made a number of standard annual revisions and clarifications mentioned elsewhere in this final rule (for example, the update to the wage and market basket indexes used for adjusting the Federal rates). These revisions increase payments to SNFs by approximately $690 million.

The impacts are shown in Table 14. The breakdown of the various categories of data in the table follows.

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

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

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

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

The fourth column shows the effect of all of the changes on the FY 2008 payments. The market basket increase of 3.3 percentage points is constant for all providers and, though not shown individually, is included in the total column. It is projected that aggregate payments will increase by 3.3 percent in total, assuming facilities do not change their care delivery and billing practices in response. As can be seen from this table, the combined effects of all of the changes vary by specific types of providers and by location. For example, though facilities in the rural Outlying region receive no change in payment, some providers (such as those in the urban Outlying region) show a significant increase of 9.6 percent. Payment increases for facilities in the urban Outlying area of the country are the highest for any provider category. However, we note that as there are only a small number of providers in both the rural and urban Outlying areas, changes to just a few providers can have a large impact on the region as a whole.

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Table 14
Projected Impact to the SNF PPS for FY 2008

	Number of facilities	Update wage data	Total FY 2008 change
Total	**15,325**	0.0%	3.3%
Urban	10,476	-0.2%	3.1%
Rural	4,849	1.0%	4.3%
Hospital based urban	1,450	0.0%	3.3%
Freestanding urban	9,026	-0.2%	3.1%
Hospital based rural	1,130	1.2%	4.5%
Freestanding rural	3,719	1.0%	4.3%
Urban by region			
New England	865	-0.3%	3.0%
Middle Atlantic	1,482	-0.9%	2.4%
South Atlantic	1,735	0.0%	3.3%
East North Central	2,004	-0.2%	3.1%
East South Central	524	0.0%	3.3%
West North Central	823	0.4%	3.7%
West South Central	1,146	0.2%	3.5%
Mountain	470	0.1%	3.4%
Pacific	1,419	-0.2%	3.1%
Outlying[1]	8	6.1%	9.6%
Rural by region			
New England	130	-0.2%	3.5%
Middle Atlantic	260	1.5%	4.8%
South Atlantic	608	0.9%	4.2%
East North Central	927	0.9%	4.2%
East South Central	556	1.1%	4.4%
West North Central	1,134	0.9%	4.2%
West South Central	818	1.3%	4.6%
Mountain	262	1.3%	4.6%
Pacific	152	1.3%	4.6%
Outlying[1]	2	-3.2%	0.0%
Ownership			
Government	675	0.1%	3.4%
Proprietary	11,178	0.0%	3.3%
Voluntary	3,472	-0.1%	3.2%

[1] The Outlying region includes the following, noncontiguous jurisdictions referenced as States in §§1861(x) and 210(h) of the Social Security Act: Puerto Rico, the Virgin Islands, American Samoa, and Guam.

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C. Accounting Statement

As required by OMB Circular A–4 (available at *http://www.whitehouse.gov/omb/circulars/a004/a-4.pdf*), in Table 15 below, we have prepared an accounting statement showing the classification of the expenditures associated with the provisions of this final rule. This table provides our best estimate of the change in Medicare payments under the SNF PPS as a result of the policies in this final rule based on the data for 15,271 SNFs in our database. All expenditures are classified as transfers to Medicare providers (that is, SNFs).

TABLE 15.—ACCOUNTING STATEMENT: CLASSIFICATION OF ESTIMATED EXPENDITURES, FROM THE 2007 SNF PPS RATE YEAR TO THE 2008 SNF PPS RATE YEAR (IN MILLIONS)

Category	Transfers
Annualized Monetized Transfers	$690
From Whom To Whom?	Federal Government to SNF Medicare Providers.

D. Alternatives Considered

Section 1888(e) of the Act establishes the SNF PPS for the payment of Medicare SNF services for cost reporting periods beginning on or after July 1, 1998. This section of the statute prescribes a detailed formula for calculating payment rates under the SNF PPS, and does not provide for the use of any alternative methodology. It specifies that the base year cost data to be used for computing the SNF PPS payment rates must be from FY 1995 (October 1, 1994, through September 30, 1995.) In accordance with the statute, we also incorporated a number of elements into the SNF PPS, such as case-mix classification methodology, the MDS assessment schedule, a market basket index, a wage index, and the urban and rural distinction used in the development or adjustment of the Federal rates. Further, section 1888(e)(4)(H) of the Act specifically requires us to disseminate the payment rates for each new fiscal year through the **Federal Register**, and to do so before the August 1 that precedes the start of the new fiscal year. Accordingly, we are not pursuing alternatives with respect to the payment methodology as discussed above.

Because we have determined that this final rule will have a significant impact on SNFs, we will discuss the alternatives we considered. We reviewed the options considered in the proposed rule and took into consideration comments received during the public comment period as discussed in the preamble.

The final rule raises the threshold for triggering a forecast error adjustment under the SNF PPS from the current 0.25 percentage point to 0.5 percentage point, effective for FY 2008 and subsequent years. However, as discussed in sections I.F.2 and III.B of the FY 2008 proposed rule, we also considered a higher threshold for the forecast error adjustment (up to 1.0 percentage point), as well as delaying implementation of this change until FY 2009. Recalibrating the specified threshold for a forecast error adjustment from 0.25 percentage point to 0.5 percentage point should help to distinguish between the major forecast errors that gave rise to this policy initially and the far more typical minor variances that occur in a projected statistical measurement. We believe that raising the threshold from 0.25 percentage point to 0.5 percentage point for FY 2008 and subsequent years furthers our overarching Medicare integrity objective of paying the appropriate amount at the right time.

This final rule also revises and rebases the SNF Market Basket. As an alternative, we could have considered delaying rebasing and/or revising the market basket. However, we believe that it is necessary to rebase the market basket to reflect the changes in the average SNF's cost structure from 1997 to 2004, as well as to revise the market basket to reflect more appropriate, industry-specific price proxies (such as the blended compensation and chemical price proxies). We believe our current Medicare-allowable methodology, adjusted to include an estimate of Medicaid drug expenses, represents the best available technical methodology at this time.

E. Conclusion

Overall, estimated payments for SNFs in FY 2008 are projected to increase by 3.3 percent compared with those in FY 2007. We estimate that SNFs in urban areas would experience a 3.1 percent increase in estimated payments compared with FY 2007. We estimate that SNFs in rural areas would experience a 4.3 percent increase in estimated payments compared with FY 2007. Facilities in the rural Outlying region are the only providers that do not experience a payment increase, payments for these facilities remain the same. This is due to the changes in the wage index compared to FY 2007. Facilities in the urban Outlying region show the largest payment increase, 9.6 percent. We did not receive public comments on the impact analysis methodology.

Finally, in accordance with the provisions of Executive Order 12866, this regulation was reviewed by the Office of Management and Budget.

List of Subjects in 42 CFR Part 409

Health facilities, Medicare.

■ For the reasons set forth in the preamble, the Centers for Medicare & Medicaid Services amends 42 CFR chapter IV as follows:

PART 409—HOSPITAL INSURANCE BENEFITS

■ 1. The authority citation for part 409 continues to read as follows:

Authority: Secs. 1102 and 1871 of the Social Security Act (42 U.S.C. 1302 and 1395hh).

Subpart D—Requirements for Coverage of Posthospital SNF Care

§ 409.30 [Amended]

■ 2. In § 409.30(a)(2), the term ''hospital or CAH insurance benefits'' is revised to read ''hospital insurance benefits''.

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

Dated: July 18, 2007.

Leslie V. Norwalk,

Acting Administrator, Centers for Medicare & Medicaid Services.

Dated: July 24, 2007.

Michael O. Leavitt,

Secretary.

Note: The following addendum will not appear in the Code of Federal Regulations.

BILLING CODE 4120–01–P

Addendum - FY 2008 CBSA Wage Index Tables

In this addendum, we provide the wage index tables referred to in the preamble to this final rule. Tables 8 and 9 display the CBSA-based wage index values for urban and rural providers.

Table 8 FY 2008 Wage Index For Urban Areas Based On CBSA Labor Market Areas

CBSA Code	Urban Area (Constituent Counties)	Wage Index
10180	Abilene, TX Callahan County, TX Jones County, TX Taylor County, TX	0.7957
10380	Aguadilla-Isabela-San Sebastián, PR Aguada Municipio, PR Aguadilla Municipio, PR Añasco Municipio, PR Isabela Municipio, PR Lares Municipio, PR Moca Municipio, PR Rincón Municipio, PR San Sebastián Municipio, PR	0.3448
10420	Akron, OH Portage County, OH Summit County, OH	0.8794
10500	Albany, GA Baker County, GA Dougherty County, GA Lee County, GA Terrell County, GA Worth County, GA	0.8514

CBSA Code	Urban Area (Constituent Counties)	Wage Index
10580	Albany-Schenectady-Troy, NY Albany County, NY Rensselaer County, NY Saratoga County, NY Schenectady County, NY Schoharie County, NY	0.8588
10740	Albuquerque, NM Bernalillo County, NM Sandoval County, NM Torrance County, NM Valencia County, NM	0.9554
10780	Alexandria, LA Grant Parish, LA Rapides Parish, LA	0.7979
10900	Allentown-Bethlehem-Easton, PA-NJ Warren County, NJ Carbon County, PA Lehigh County, PA Northampton County, PA	0.9865
11020	Altoona, PA Blair County, PA	0.8618
11100	Amarillo, TX Armstrong County, TX Carson County, TX Potter County, TX Randall County, TX	0.9116
11180	Ames, IA Story County, IA	1.0046
11260	Anchorage, AK Anchorage Municipality, AK Matanuska-Susitna Borough, AK	1.1913
11300	Anderson, IN Madison County, IN	0.8827

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
11340	Anderson, SC Anderson County, SC	0.9086
11460	Ann Arbor, MI Washtenaw County, MI	1.0539
11500	Anniston-Oxford, AL Calhoun County, AL	0.7926
11540	Appleton, WI Calumet County, WI Outagamie County, WI	0.9598
11700	Asheville, NC Buncombe County, NC Haywood County, NC Henderson County, NC Madison County, NC	0.9185
12020	Athens-Clarke County, GA Clarke County, GA Madison County, GA Oconee County, GA Oglethorpe County, GA	1.0517

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
12060	Atlanta-Sandy Springs-Marietta, GA Barrow County, GA Bartow County, GA Butts County, GA Carroll County, GA Cherokee County, GA Clayton County, GA Cobb County, GA Coweta County, GA Dawson County, GA DeKalb County, GA Douglas County, GA Fayette County, GA Forsyth County, GA Fulton County, GA Gwinnett County, GA Haralson County, GA Heard County, GA Henry County, GA Jasper County, GA Lamar County, GA Meriwether County, GA Newton County, GA Paulding County, GA Pickens County, GA Pike County, GA Rockdale County, GA Spalding County, GA Walton County, GA	0.9828
12100	Atlantic City, NJ Atlantic County, NJ	1.2198
12220	Auburn-Opelika, AL Lee County, AL	0.8090

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
12260	Augusta-Richmond County, GA-SC Burke County, GA Columbia County, GA McDuffie County, GA Richmond County, GA Aiken County, SC Edgefield County, SC	0.9645
12420	Austin-Round Rock, TX Bastrop County, TX Caldwell County, TX Hays County, TX Travis County, TX Williamson County, TX	0.9544
12540	Bakersfield, CA Kern County, CA	1.1051
12580	Baltimore-Towson, MD Anne Arundel County, MD Baltimore County, MD Carroll County, MD Harford County, MD Howard County, MD Queen Anne's County, MD Baltimore City, MD	1.0134
12620	Bangor, ME Penobscot County, ME	0.9978
12700	Barnstable Town, MA Barnstable County, MA	1.2603

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
12940	Baton Rouge, LA Ascension Parish, LA East Baton Rouge Parish, LA East Feliciana Parish, LA Iberville Parish, LA Livingston Parish, LA Pointe Coupee Parish, LA St. Helena Parish, LA West Baton Rouge Parish, LA West Feliciana Parish, LA	0.8034
12980	Battle Creek, MI Calhoun County, MI	1.0179
13020	Bay City, MI Bay County, MI	0.8897
13140	Beaumont-Port Arthur, TX Hardin County, TX Jefferson County, TX Orange County, TX	0.8531
13380	Bellingham, WA Whatcom County, WA	1.1474
13460	Bend, OR Deschutes County, OR	1.0942
13644	Bethesda-Frederick-Gaithersburg, MD Frederick County, MD Montgomery County, MD	1.0511
13740	Billings, MT Carbon County, MT Yellowstone County, MT	0.8666
13780	Binghamton, NY Broome County, NY Tioga County, NY	0.8949

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
13820	Birmingham-Hoover, AL Bibb County, AL Blount County, AL Chilton County, AL Jefferson County, AL St. Clair County, AL Shelby County, AL Walker County, AL	0.8898
13900	Bismarck, ND Burleigh County, ND Morton County, ND	0.7225
13980	Blacksburg-Christiansburg-Radford, VA Giles County, VA Montgomery County, VA Pulaski County, VA Radford City, VA	0.8192
14020	Bloomington, IN Greene County, IN Monroe County, IN Owen County, IN	0.8915
14060	Bloomington-Normal, IL McLean County, IL	0.9325
14260	Boise City-Nampa, ID Ada County, ID Boise County, ID Canyon County, ID Gem County, ID Owyhee County, ID	0.9465
14484	Boston-Quincy, MA Norfolk County, MA Plymouth County, MA Suffolk County, MA	1.1639

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
14500	Boulder, CO Boulder County, CO	1.0426
14540	Bowling Green, KY Edmonson County, KY Warren County, KY	0.8159
14740	Bremerton-Silverdale, WA Kitsap County, WA	1.0904
14860	Bridgeport-Stamford-Norwalk, CT Fairfield County, CT	1.2735
15180	Brownsville-Harlingen, TX Cameron County, TX	0.8914
15260	Brunswick, GA Brantley County, GA Glynn County, GA McIntosh County, GA	0.9475
15380	Buffalo-Niagara Falls, NY Erie County, NY Niagara County, NY	0.9568
15500	Burlington, NC Alamance County, NC	0.8747
15540	Burlington-South Burlington, VT Chittenden County, VT Franklin County, VT Grand Isle County, VT	0.9660
15764	Cambridge-Newton-Framingham, MA Middlesex County, MA	1.1215
15804	Camden, NJ Burlington County, NJ Camden County, NJ Gloucester County, NJ	1.0411
15940	Canton-Massillon, OH Carroll County, OH Stark County, OH	0.8935

CBSA Code	Urban Area (Constituent Counties)	Wage Index
15980	Cape Coral-Fort Myers, FL Lee County, FL	0.9396
16180	Carson City, NV Carson City, NV	0.9353
16220	Casper, WY Natrona County, WY	0.9385
16300	Cedar Rapids, IA Benton County, IA Jones County, IA Linn County, IA	0.8852
16580	Champaign-Urbana, IL Champaign County, IL Ford County, IL Piatt County, IL	0.9392
16620	Charleston, WV Boone County, WV Clay County, WV Kanawha County, WV Lincoln County, WV Putnam County, WV	0.8289
16700	Charleston-North Charleston, SC Berkeley County, SC Charleston County, SC Dorchester County, SC	0.9124
16740	Charlotte-Gastonia-Concord, NC-SC Anson County, NC Cabarrus County, NC Gaston County, NC Mecklenburg County, NC Union County, NC York County, SC	0.9520

CBSA Code	Urban Area (Constituent Counties)	Wage Index
16820	Charlottesville, VA Albemarle County, VA Fluvanna County, VA Greene County, VA Nelson County, VA Charlottesville City, VA	0.9277
16860	Chattanooga, TN-GA Catoosa County, GA Dade County, GA Walker County, GA Hamilton County, TN Marion County, TN Sequatchie County, TN	0.8994
16940	Cheyenne, WY Laramie County, WY	0.9308
16974	Chicago-Naperville-Joliet, IL Cook County, IL DeKalb County, IL DuPage County, IL Grundy County, IL Kane County, IL Kendall County, IL McHenry County, IL Will County, IL	1.0735
17020	Chico, CA Butte County, CA	1.1290

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
17140	Cincinnati-Middletown, OH-KY-IN Dearborn County, IN Franklin County, IN Ohio County, IN Boone County, KY Bracken County, KY Campbell County, KY Gallatin County, KY Grant County, KY Kenton County, KY Pendleton County, KY Brown County, OH Butler County, OH Clermont County, OH Hamilton County, OH Warren County, OH	0.9784
17300	Clarksville, TN-KY Christian County, KY Trigg County, KY Montgomery County, TN Stewart County, TN	0.8251
17420	Cleveland, TN Bradley County, TN Polk County, TN	0.8052
17460	Cleveland-Elyria-Mentor, OH Cuyahoga County, OH Geauga County, OH Lake County, OH Lorain County, OH Medina County, OH	0.9339
17660	Coeur d'Alene, ID Kootenai County, ID	0.9532

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
17780	College Station-Bryan, TX Brazos County, TX Burleson County, TX Robertson County, TX	0.9358
17820	Colorado Springs, CO El Paso County, CO Teller County, CO	0.9719
17860	Columbia, MO Boone County, MO Howard County, MO	0.8658
17900	Columbia, SC Calhoun County, SC Fairfield County, SC Kershaw County, SC Lexington County, SC Richland County, SC Saluda County, SC	0.8800
17980	Columbus, GA-AL Russell County, AL Chattahoochee County, GA Harris County, GA Marion County, GA Muscogee County, GA	0.8729
18020	Columbus, IN Bartholomew County, IN	0.9537

CBSA Code	Urban Area (Constituent Counties)	Wage Index
18140	Columbus, OH Delaware County, OH Fairfield County, OH Franklin County, OH Licking County, OH Madison County, OH Morrow County, OH Pickaway County, OH Union County, OH	1.0085
18580	Corpus Christi, TX Aransas County, TX Nueces County, TX San Patricio County, TX	0.8588
18700	Corvallis, OR Benton County, OR	1.0959
19060	Cumberland, MD-WV Allegany County, MD Mineral County, WV	0.8294
19124	Dallas-Plano-Irving, TX Collin County, TX Dallas County, TX Delta County, TX Denton County, TX Ellis County, TX Hunt County, TX Kaufman County, TX Rockwall County, TX	0.9915
19140	Dalton, GA Murray County, GA Whitfield County, GA	0.8760
19180	Danville, IL Vermilion County, IL	0.8957

CBSA Code	Urban Area (Constituent Counties)	Wage Index
19260	Danville, VA Pittsylvania County, VA Danville City, VA	0.8240
19340	Davenport-Moline-Rock Island, IA-IL Henry County, IL Mercer County, IL Rock Island County, IL Scott County, IA	0.8830
19380	Dayton, OH Greene County, OH Miami County, OH Montgomery County, OH Preble County, OH	0.9190
19460	Decatur, AL Lawrence County, AL Morgan County, AL	0.7885
19500	Decatur, IL Macon County, IL	0.8074
19660	Deltona-Daytona Beach-Ormond Beach, FL Volusia County, FL	0.9031
19740	Denver-Aurora, CO Adams County, CO Arapahoe County, CO Broomfield County, CO Clear Creek County, CO Denver County, CO Douglas County, CO Elbert County, CO Gilpin County, CO Jefferson County, CO Park County, CO	1.0718

CBSA Code	Urban Area (Constituent Counties)	Wage Index
19780	Des Moines-West Des Moines, IA Dallas County, IA Guthrie County, IA Madison County, IA Polk County, IA Warren County, IA	0.9226
19804	Detroit-Livonia-Dearborn, MI Wayne County, MI	0.9999
20020	Dothan, AL Geneva County, AL Henry County, AL Houston County, AL	0.7270
20100	Dover, DE Kent County, DE	1.0099
20220	Dubuque, IA Dubuque County, IA	0.9058
20260	Duluth, MN-WI Carlton County, MN St. Louis County, MN Douglas County, WI	0.9975
20500	Durham, NC Chatham County, NC Durham County, NC Orange County, NC Person County, NC	0.9816
20740	Eau Claire, WI Chippewa County, WI Eau Claire County, WI	0.9475
20764	Edison, NJ Middlesex County, NJ Monmouth County, NJ Ocean County, NJ Somerset County, NJ	1.1181

CBSA Code	Urban Area (Constituent Counties)	Wage Index
20940	El Centro, CA Imperial County, CA	0.8914
21060	Elizabethtown, KY Hardin County, KY Larue County, KY	0.8711
21140	Elkhart-Goshen, IN Elkhart County, IN	0.9611
21300	Elmira, NY Chemung County, NY	0.8264
21340	El Paso, TX El Paso County, TX	0.8989
21500	Erie, PA Erie County, PA	0.8495
21660	Eugene-Springfield, OR Lane County, OR	1.0932
21780	Evansville, IN-KY Gibson County, IN Posey County, IN Vanderburgh County, IN Warrick County, IN Henderson County, KY Webster County, KY	0.8662
21820	Fairbanks, AK Fairbanks North Star Borough, AK	1.1050
21940	Fajardo, PR Ceiba Municipio, PR Fajardo Municipio, PR Luquillo Municipio, PR	0.4375
22020	Fargo, ND-MN Cass County, ND Clay County, MN	0.8042
22140	Farmington, NM San Juan County, NM	0.9587

CBSA Code	Urban Area (Constituent Counties)	Wage Index
22180	Fayetteville, NC Cumberland County, NC Hoke County, NC	0.9368
22220	Fayetteville-Springdale-Rogers, AR-MO Benton County, AR Madison County, AR Washington County, AR McDonald County, MO	0.8742
22380	Flagstaff, AZ Coconino County, AZ	1.1687
22420	Flint, MI Genesee County, MI	1.1220
22500	Florence, SC Darlington County, SC Florence County, SC	0.8249
22520	Florence-Muscle Shoals, AL Colbert County, AL Lauderdale County, AL	0.7680
22540	Fond du Lac, WI Fond du Lac County, WI	0.9667
22660	Fort Collins-Loveland, CO Larimer County, CO	0.9897
22744	Fort Lauderdale-Pompano Beach-Deerfield Beach, FL Broward County, FL	1.0229
22900	Fort Smith, AR-OK Crawford County, AR Franklin County, AR Sebastian County, AR Le Flore County, OK Sequoyah County, OK	0.7933
23020	Fort Walton Beach-Crestview-Destin, FL Okaloosa County, FL	0.8743

CBSA Code	Urban Area (Constituent Counties)	Wage Index
23060	Fort Wayne, IN Allen County, IN Wells County, IN Whitley County, IN	0.9284
23104	Fort Worth-Arlington, TX Johnson County, TX Parker County, TX Tarrant County, TX Wise County, TX	0.9693
23420	Fresno, CA Fresno County, CA	1.0993
23460	Gadsden, AL Etowah County, AL	0.8159
23540	Gainesville, FL Alachua County, FL Gilchrist County, FL	0.9196
23580	Gainesville, GA Hall County, GA	0.9216
23844	Gary, IN Jasper County, IN Lake County, IN Newton County, IN Porter County, IN	0.9224
24020	Glens Falls, NY Warren County, NY Washington County, NY	0.8256
24140	Goldsboro, NC Wayne County, NC	0.9288
24220	Grand Forks, ND-MN Polk County, MN Grand Forks County, ND	0.7881
24300	Grand Junction, CO Mesa County, CO	0.9864

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
24340	Grand Rapids-Wyoming, MI Barry County, MI Ionia County, MI Kent County, MI Newaygo County, MI	0.9315
24500	Great Falls, MT Cascade County, MT	0.8675
24540	Greeley, CO Weld County, CO	0.9658
24580	Green Bay, WI Brown County, WI Kewaunee County, WI Oconto County, WI	0.9727
24660	Greensboro-High Point, NC Guilford County, NC Randolph County, NC Rockingham County, NC	0.9010
24780	Greenville, NC Greene County, NC Pitt County, NC	0.9402
24860	Greenville, SC Greenville County, SC Laurens County, SC Pickens County, SC	0.9860
25020	Guayama, PR Arroyo Municipio, PR Guayama Municipio, PR Patillas Municipio, PR	0.3064
25060	Gulfport-Biloxi, MS Hancock County, MS Harrison County, MS Stone County, MS	0.8773

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
25180	Hagerstown-Martinsburg, MD-WV Washington County, MD Berkeley County, WV Morgan County, WV	0.9013
25260	Hanford-Corcoran, CA Kings County, CA	1.0499
25420	Harrisburg-Carlisle, PA Cumberland County, PA Dauphin County, PA Perry County, PA	0.9280
25500	Harrisonburg, VA Rockingham County, VA Harrisonburg City, VA	0.8867
25540	Hartford-West Hartford-East Hartford, CT Hartford County, CT Litchfield County, CT Middlesex County, CT Tolland County, CT	1.0937
25620	Hattiesburg, MS Forrest County, MS Lamar County, MS Perry County, MS	0.7366
25860	Hickory-Lenoir-Morganton, NC Alexander County, NC Burke County, NC Caldwell County, NC Catawba County, NC	0.9028
25980	Hinesville-Fort Stewart, GA[1] Liberty County, GA Long County, GA	0.9187
26100	Holland-Grand Haven, MI Ottawa County, MI	0.9006

CBSA Code	Urban Area (Constituent Counties)	Wage Index
26180	Honolulu, HI Honolulu County, HI	1.1556
26300	Hot Springs, AR Garland County, AR	0.9109
26380	Houma-Bayou Cane-Thibodaux, LA Lafourche Parish, LA Terrebonne Parish, LA	0.7892
26420	Houston-Sugar Land-Baytown, TX Austin County, TX Brazoria County, TX Chambers County, TX Fort Bend County, TX Galveston County, TX Harris County, TX Liberty County, TX Montgomery County, TX San Jacinto County, TX Waller County, TX	0.9939
26580	Huntington-Ashland, WV-KY-OH Boyd County, KY Greenup County, KY Lawrence County, OH Cabell County, WV Wayne County, WV	0.9041
26620	Huntsville, AL Limestone County, AL Madison County, AL	0.9146
26820	Idaho Falls, ID Bonneville County, ID Jefferson County, ID	0.9264

CBSA Code	Urban Area (Constituent Counties)	Wage Index
26900	Indianapolis-Carmel, IN Boone County, IN Brown County, IN Hamilton County, IN Hancock County, IN Hendricks County, IN Johnson County, IN Marion County, IN Morgan County, IN Putnam County, IN Shelby County, IN	0.9844
26980	Iowa City, IA Johnson County, IA Washington County, IA	0.9568
27060	Ithaca, NY Tompkins County, NY	0.9630
27100	Jackson, MI Jackson County, MI	0.9329
27140	Jackson, MS Copiah County, MS Hinds County, MS Madison County, MS Rankin County, MS Simpson County, MS	0.8011
27180	Jackson, TN Chester County, TN Madison County, TN	0.8676
27260	Jacksonville, FL Baker County, FL Clay County, FL Duval County, FL Nassau County, FL St. Johns County, FL	0.9021

CBSA Code	Urban Area (Constituent Counties)	Wage Index
27340	Jacksonville, NC Onslow County, NC	0.8079
27500	Janesville, WI Rock County, WI	0.9702
27620	Jefferson City, MO Callaway County, MO Cole County, MO Moniteau County, MO Osage County, MO	0.8478
27740	Johnson City, TN Carter County, TN Unicoi County, TN Washington County, TN	0.7677
27780	Johnstown, PA Cambria County, PA	0.7543
27860	Jonesboro, AR Craighead County, AR Poinsett County, AR	0.7790
27900	Joplin, MO Jasper County, MO Newton County, MO	0.8951
28020	Kalamazoo-Portage, MI Kalamazoo County, MI Van Buren County, MI	1.0433
28100	Kankakee-Bradley, IL Kankakee County, IL	1.0238

CBSA Code	Urban Area (Constituent Counties)	Wage Index
28140	Kansas City, MO-KS Franklin County, KS Johnson County, KS Leavenworth County, KS Linn County, KS Miami County, KS Wyandotte County, KS Bates County, MO Caldwell County, MO Cass County, MO Clay County, MO Clinton County, MO Jackson County, MO Lafayette County, MO Platte County, MO Ray County, MO	0.9504
28420	Kennewick-Richland-Pasco, WA Benton County, WA Franklin County, WA	1.0075
28660	Killeen-Temple-Fort Hood, TX Bell County, TX Coryell County, TX Lampasas County, TX	0.8249
28700	Kingsport-Bristol-Bristol, TN-VA Hawkins County, TN Sullivan County, TN Bristol City, VA Scott County, VA Washington County, VA	0.7658
28740	Kingston, NY Ulster County, NY	0.9556

CBSA Code	Urban Area (Constituent Counties)	Wage Index
28940	Knoxville, TN Anderson County, TN Blount County, TN Knox County, TN Loudon County, TN Union County, TN	0.8036
29020	Kokomo, IN Howard County, IN Tipton County, IN	0.9591
29100	La Crosse, WI-MN Houston County, MN La Crosse County, WI	0.9685
29140	Lafayette, IN Benton County, IN Carroll County, IN Tippecanoe County, IN	0.8869
29180	Lafayette, LA Lafayette Parish, LA St. Martin Parish, LA	0.8247
29340	Lake Charles, LA Calcasieu Parish, LA Cameron Parish, LA	0.7777
29404	Lake County-Kenosha County, IL-WI Lake County, IL Kenosha County, WI	1.0315
29420	Lake Havasu City - Kingman, AZ Mohave County, AZ	0.9333
29460	Lakeland, FL Polk County, FL	0.8661
29540	Lancaster, PA Lancaster County, PA	0.9252

CBSA Code	Urban Area (Constituent Counties)	Wage Index
29620	Lansing-East Lansing, MI Clinton County, MI Eaton County, MI Ingham County, MI	1.0119
29700	Laredo, TX Webb County, TX	0.8093
29740	Las Cruces, NM Dona Ana County, NM	0.8676
29820	Las Vegas-Paradise, NV Clark County, NV	1.1799
29940	Lawrence, KS Douglas County, KS	0.8227
30020	Lawton, OK Comanche County, OK	0.8025
30140	Lebanon, PA Lebanon County, PA	0.8192
30300	Lewiston, ID-WA Nez Perce County, ID Asotin County, WA	0.9454
30340	Lewiston-Auburn, ME Androscoggin County, ME	0.9193
30460	Lexington-Fayette, KY Bourbon County, KY Clark County, KY Fayette County, KY Jessamine County, KY Scott County, KY Woodford County, KY	0.9191
30620	Lima, OH Allen County, OH	0.9424
30700	Lincoln, NE Lancaster County, NE Seward County, NE	1.0051

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
30780	Little Rock-North Little Rock, AR Faulkner County, AR Grant County, AR Lonoke County, AR Perry County, AR Pulaski County, AR Saline County, AR	0.8863
30860	Logan, UT-ID Franklin County, ID Cache County, UT	0.9183
30980	Longview, TX Gregg County, TX Rusk County, TX Upshur County, TX	0.8717
31020	Longview, WA Cowlitz County, WA	1.0827
31084	Los Angeles-Long Beach-Glendale, CA Los Angeles County, CA	1.1771
31140	Louisville, KY-IN Clark County, IN Floyd County, IN Harrison County, IN Washington County, IN Bullitt County, KY Henry County, KY Jefferson County, KY Meade County, KY Nelson County, KY Oldham County, KY Shelby County, KY Spencer County, KY Trimble County, KY	0.9065

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
31180	Lubbock, TX Crosby County, TX Lubbock County, TX	0.8680
31340	Lynchburg, VA Amherst County, VA Appomattox County, VA Bedford County, VA Campbell County, VA Bedford City, VA Lynchburg City, VA	0.8732
31420	Macon, GA Bibb County, GA Crawford County, GA Jones County, GA Monroe County, GA Twiggs County, GA	0.9541
31460	Madera, CA Madera County, CA	0.8069
31540	Madison, WI Columbia County, WI Dane County, WI Iowa County, WI	1.0935
31700	Manchester-Nashua, NH Hillsborough County, NH Merrimack County, NH	1.0063
31900	Mansfield, OH[1] Richland County, OH	0.9271
32420	Mayagüez, PR Hormigueros Municipio, PR Mayagüez Municipio, PR	0.3711
32580	McAllen-Edinburg-Pharr, TX Hidalgo County, TX	0.9123

CBSA Code	Urban Area (Constituent Counties)	Wage Index
32780	Medford, OR Jackson County, OR	1.0318
32820	Memphis, TN-MS-AR Crittenden County, AR DeSoto County, MS Marshall County, MS Tate County, MS Tunica County, MS Fayette County, TN Shelby County, TN Tipton County, TN	0.9250
32900	Merced, CA Merced County, CA	1.2120
33124	Miami-Miami Beach-Kendall, FL Miami-Dade County, FL	1.0002
33140	Michigan City-La Porte, IN LaPorte County, IN	0.8914
33260	Midland, TX Midland County, TX	1.0017
33340	Milwaukee-Waukesha-West Allis, WI Milwaukee County, WI Ozaukee County, WI Washington County, WI Waukesha County, WI	1.0214

CBSA Code	Urban Area (Constituent Counties)	Wage Index
33460	Minneapolis-St. Paul-Bloomington, MN-WI Anoka County, MN Carver County, MN Chisago County, MN Dakota County, MN Hennepin County, MN Isanti County, MN Ramsey County, MN Scott County, MN Sherburne County, MN Washington County, MN Wright County, MN Pierce County, WI St. Croix County, WI	1.1093
33540	Missoula, MT Missoula County, MT	0.8953
33660	Mobile, AL Mobile County, AL	0.8033
33700	Modesto, CA Stanislaus County, CA	1.1962
33740	Monroe, LA Ouachita Parish, LA Union Parish, LA	0.7832
33780	Monroe, MI Monroe County, MI	0.9414
33860	Montgomery, AL Autauga County, AL Elmore County, AL Lowndes County, AL Montgomery County, AL	0.8088
34060	Morgantown, WV Monongalia County, WV Preston County, WV	0.8321

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
34100	Morristown, TN Grainger County, TN Hamblen County, TN Jefferson County, TN	0.7388
34580	Mount Vernon-Anacortes, WA Skagit County, WA	1.0529
34620	Muncie, IN Delaware County, IN	0.8214
34740	Muskegon-Norton Shores, MI Muskegon County, MI	0.9836
34820	Myrtle Beach-Conway-North Myrtle Beach, SC Horry County, SC	0.8634
34900	Napa, CA Napa County, CA	1.4476
34940	Naples-Marco Island, FL Collier County, FL	0.9487
34980	Nashville-Davidson--Murfreesboro, TN Cannon County, TN Cheatham County, TN Davidson County, TN Dickson County, TN Hickman County, TN Macon County, TN Robertson County, TN Rutherford County, TN Smith County, TN Sumner County, TN Trousdale County, TN Williamson County, TN Wilson County, TN	0.9689
35004	Nassau-Suffolk, NY Nassau County, NY Suffolk County, NY	1.2640

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
35084	Newark-Union, NJ-PA Essex County, NJ Hunterdon County, NJ Morris County, NJ Sussex County, NJ Union County, NJ Pike County, PA	1.1862
35300	New Haven-Milford, CT New Haven County, CT	1.1871
35380	New Orleans-Metairie-Kenner, LA Jefferson Parish, LA Orleans Parish, LA Plaquemines Parish, LA St. Bernard Parish, LA St. Charles Parish, LA St. John the Baptist Parish, LA St. Tammany Parish, LA	0.8897
35644	New York-Wayne-White Plains, NY-NJ Bergen County, NJ Hudson County, NJ Passaic County, NJ Bronx County, NY Kings County, NY New York County, NY Putnam County, NY Queens County, NY Richmond County, NY Rockland County, NY Westchester County, NY	1.3115
35660	Niles-Benton Harbor, MI Berrien County, MI	0.9141
35980	Norwich-New London, CT New London County, CT	1.1432

CBSA Code	Urban Area (Constituent Counties)	Wage Index
36084	Oakland-Fremont-Hayward, CA Alameda County, CA Contra Costa County, CA	1.5685
36100	Ocala, FL Marion County, FL	0.8627
36140	Ocean City, NJ Cape May County, NJ	1.0988
36220	Odessa, TX Ector County, TX	1.0042
36260	Ogden-Clearfield, UT Davis County, UT Morgan County, UT Weber County, UT	0.9000
36420	Oklahoma City, OK Canadian County, OK Cleveland County, OK Grady County, OK Lincoln County, OK Logan County, OK McClain County, OK Oklahoma County, OK	0.8815
36500	Olympia, WA Thurston County, WA	1.1512
36540	Omaha-Council Bluffs, NE-IA Harrison County, IA Mills County, IA Pottawattamie County, IA Cass County, NE Douglas County, NE Sarpy County, NE Saunders County, NE Washington County, NE	0.9561

CBSA Code	Urban Area (Constituent Counties)	Wage Index
36740	Orlando, FL Lake County, FL Orange County, FL Osceola County, FL Seminole County, FL	0.9226
36780	Oshkosh-Neenah, WI Winnebago County, WI	0.9551
36980	Owensboro, KY Daviess County, KY Hancock County, KY McLean County, KY	0.8652
37100	Oxnard-Thousand Oaks-Ventura, CA Ventura County, CA	1.1852
37340	Palm Bay-Melbourne-Titusville, FL Brevard County, FL	0.9325
37380	Palm Coast, FL Flagler County, FL	0.8945
37460	Panama City-Lynn Haven, FL Bay County, FL	0.8313
37620	Parkersburg-Marietta, WV-OH Washington County, OH Pleasants County, WV Wirt County, WV Wood County, WV	0.8105
37700	Pascagoula, MS George County, MS Jackson County, MS	0.8647
37764	Peabody, MA Essex County, MA	1.0650
37860	Pensacola-Ferry Pass-Brent, FL Escambia County, FL Santa Rosa County, FL	0.8281

CBSA Code	Urban Area (Constituent Counties)	Wage Index
37900	Peoria, IL Marshall County, IL Peoria County, IL Stark County, IL Tazewell County, IL Woodford County, IL	0.9299
37964	Philadelphia, PA Bucks County, PA Chester County, PA Delaware County, PA Montgomery County, PA Philadelphia County, PA	1.0925
38060	Phoenix-Mesa-Scottsdale, AZ Maricopa County, AZ Pinal County, AZ	1.0264
38220	Pine Bluff, AR Cleveland County, AR Jefferson County, AR Lincoln County, AR	0.7839
38300	Pittsburgh, PA Allegheny County, PA Armstrong County, PA Beaver County, PA Butler County, PA Fayette County, PA Washington County, PA Westmoreland County, PA	0.8525
38340	Pittsfield, MA Berkshire County, MA	1.0091
38540	Pocatello, ID Bannock County, ID Power County, ID	0.9465

CBSA Code	Urban Area (Constituent Counties)	Wage Index
38660	Ponce, PR Juana Díaz Municipio, PR Ponce Municipio, PR Villalba Municipio, PR	0.4450
38860	Portland-South Portland-Biddeford, ME Cumberland County, ME Sagadahoc County, ME York County, ME	1.0042
38900	Portland-Vancouver-Beaverton, OR-WA Clackamas County, OR Columbia County, OR Multnomah County, OR Washington County, OR Yamhill County, OR Clark County, WA Skamania County, WA	1.1498
38940	Port St. Lucie-Fort Pierce, FL Martin County, FL St. Lucie County, FL	1.0016
39100	Poughkeepsie-Newburgh-Middletown, NY Dutchess County, NY Orange County, NY	1.0982
39140	Prescott, AZ Yavapai County, AZ	1.0020
39300	Providence-New Bedford-Fall River, RI-MA Bristol County, MA Bristol County, RI Kent County, RI Newport County, RI Providence County, RI Washington County, RI	1.0685

CBSA Code	Urban Area (Constituent Counties)	Wage Index
39340	Provo-Orem, UT Juab County, UT Utah County, UT	0.9557
39380	Pueblo, CO Pueblo County, CO	0.8851
39460	Punta Gorda, FL Charlotte County, FL	0.9254
39540	Racine, WI Racine County, WI	0.9498
39580	Raleigh-Cary, NC Franklin County, NC Johnston County, NC Wake County, NC	0.9839
39660	Rapid City, SD Meade County, SD Pennington County, SD	0.8811
39740	Reading, PA Berks County, PA	0.9356
39820	Redding, CA Shasta County, CA	1.3541
39900	Reno-Sparks, NV Storey County, NV Washoe County, NV	1.0959

CBSA Code	Urban Area (Constituent Counties)	Wage Index
40060	Richmond, VA Amelia County, VA Caroline County, VA Charles City County, VA Chesterfield County, VA Cumberland County, VA Dinwiddie County, VA Goochland County, VA Hanover County, VA Henrico County, VA King and Queen County, VA King William County, VA Louisa County, VA New Kent County, VA Powhatan County, VA Prince George County, VA Sussex County, VA Colonial Heights City, VA Hopewell City, VA Petersburg City, VA Richmond City, VA	0.9425
40140	Riverside-San Bernardino-Ontario, CA Riverside County, CA San Bernardino County, CA	1.1100
40220	Roanoke, VA Botetourt County, VA Craig County, VA Franklin County, VA Roanoke County, VA Roanoke City, VA Salem City, VA	0.8691

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
40340	Rochester, MN Dodge County, MN Olmsted County, MN Wabasha County, MN	1.0755
40380	Rochester, NY Livingston County, NY Monroe County, NY Ontario County, NY Orleans County, NY Wayne County, NY	0.8858
40420	Rockford, IL Boone County, IL Winnebago County, IL	0.9814
40484	Rockingham County-Strafford County, NH Rockingham County, NH Strafford County, NH	1.0111
40580	Rocky Mount, NC Edgecombe County, NC Nash County, NC	0.9001
40660	Rome, GA Floyd County, GA	0.9042
40900	Sacramento--Arden-Arcade--Roseville, CA El Dorado County, CA Placer County, CA Sacramento County, CA Yolo County, CA	1.3505
40980	Saginaw-Saginaw Township North, MI Saginaw County, MI	0.8812
41060	St. Cloud, MN Benton County, MN Stearns County, MN	1.0549
41100	St. George, UT Washington County, UT	0.9358

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
41140	St. Joseph, MO-KS Doniphan County, KS Andrew County, MO Buchanan County, MO DeKalb County, MO	0.8762
41180	St. Louis, MO-IL Bond County, IL Calhoun County, IL Clinton County, IL Jersey County, IL Macoupin County, IL Madison County, IL Monroe County, IL St. Clair County, IL Crawford County, MO Franklin County, MO Jefferson County, MO Lincoln County, MO St. Charles County, MO St. Louis County, MO Warren County, MO Washington County, MO St. Louis City, MO	0.9024
41420	Salem, OR Marion County, OR Polk County, OR	1.0572
41500	Salinas, CA Monterey County, CA	1.4775
41540	Salisbury, MD Somerset County, MD Wicomico County, MD	0.8994

CBSA Code	Urban Area (Constituent Counties)	Wage Index
41620	Salt Lake City, UT Salt Lake County, UT Summit County, UT Tooele County, UT	0.9399
41660	San Angelo, TX Irion County, TX Tom Green County, TX	0.8579
41700	San Antonio, TX Atascosa County, TX Bandera County, TX Bexar County, TX Comal County, TX Guadalupe County, TX Kendall County, TX Medina County, TX Wilson County, TX	0.8834
41740	San Diego-Carlsbad-San Marcos, CA San Diego County, CA	1.1492
41780	Sandusky, OH Erie County, OH	0.8822
41884	San Francisco-San Mateo-Redwood City, CA Marin County, CA San Francisco County, CA San Mateo County, CA	1.5195
41900	San Germán-Cabo Rojo, PR Cabo Rojo Municipio, PR Lajas Municipio, PR Sabana Grande Municipio, PR San Germán Municipio, PR	0.4729
41940	San Jose-Sunnyvale-Santa Clara, CA San Benito County, CA Santa Clara County, CA	1.5735

CBSA Code	Urban Area (Constituent Counties)	Wage Index
41980	San Juan-Caguas-Guaynabo, PR Aguas Buenas Municipio, PR Aibonito Municipio, PR Arecibo Municipio, PR Barceloneta Municipio, PR Barranquitas Municipio, PR Bayamón Municipio, PR Caguas Municipio, PR Camuy Municipio, PR Canóvanas Municipio, PR Carolina Municipio, PR Cataño Municipio, PR Cayey Municipio, PR Ciales Municipio, PR Cidra Municipio, PR Comerío Municipio, PR Corozal Municipio, PR Dorado Municipio, PR Florida Municipio, PR Guaynabo Municipio, PR Gurabo Municipio, PR Hatillo Municipio, PR Humacao Municipio, PR Juncos Municipio, PR Las Piedras Municipio, PR Loíza Municipio, PR Manatí Municipio, PR Maunabo Municipio, PR Morovis Municipio, PR Naguabo Municipio, PR Naranjito Municipio, PR Orocovis Municipio, PR Quebradillas Municipio, PR Río Grande Municipio, PR San Juan Municipio, PR San Lorenzo Municipio, PR Toa Alta Municipio, PR Toa Baja Municipio, PR Trujillo Alto Municipio, PR Vega Alta Municipio, PR Vega Baja Municipio, PR Yabucoa Municipio, PR	0.4528

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
42020	San Luis Obispo-Paso Robles, CA San Luis Obispo County, CA	1.2488
42044	Santa Ana-Anaheim-Irvine, CA Orange County, CA	1.1766
42060	Santa Barbara-Santa Maria-Goleta, CA Santa Barbara County, CA	1.1714
42100	Santa Cruz-Watsonville, CA Santa Cruz County, CA	1.6122
42140	Santa Fe, NM Santa Fe County, NM	1.0734
42220	Santa Rosa-Petaluma, CA Sonoma County, CA	1.4696
42260	Sarasota-Bradenton-Venice, FL Manatee County, FL Sarasota County, FL	0.9933
42340	Savannah, GA Bryan County, GA Chatham County, GA Effingham County, GA	0.9131
42540	Scranton--Wilkes-Barre, PA Lackawanna County, PA Luzerne County, PA Wyoming County, PA	0.8457
42644	Seattle-Bellevue-Everett, WA King County, WA Snohomish County, WA	1.1572
42680	Sebastian-Vero Beach, FL Indian River County, FL	0.9412
43100	Sheboygan, WI Sheboygan County, WI	0.8975
43300	Sherman-Denison, TX Grayson County, TX	0.8320

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
43340	Shreveport-Bossier City, LA Bossier Parish, LA Caddo Parish, LA De Soto Parish, LA	0.8476
43580	Sioux City, IA-NE-SD Woodbury County, IA Dakota County, NE Dixon County, NE Union County, SD	0.9251
43620	Sioux Falls, SD Lincoln County, SD McCook County, SD Minnehaha County, SD Turner County, SD	0.9563
43780	South Bend-Mishawaka, IN-MI St. Joseph County, IN Cass County, MI	0.9617
43900	Spartanburg, SC Spartanburg County, SC	0.9422
44060	Spokane, WA Spokane County, WA	1.0455
44100	Springfield, IL Menard County, IL Sangamon County, IL	0.8944
44140	Springfield, MA Franklin County, MA Hampden County, MA Hampshire County, MA	1.0366

CBSA Code	Urban Area (Constituent Counties)	Wage Index
44180	Springfield, MO Christian County, MO Dallas County, MO Greene County, MO Polk County, MO Webster County, MO	0.8695
44220	Springfield, OH Clark County, OH	0.8694
44300	State College, PA Centre County, PA	0.8768
44700	Stockton, CA San Joaquin County, CA	1.1855
44940	Sumter, SC Sumter County, SC	0.8599
45060	Syracuse, NY Madison County, NY Onondaga County, NY Oswego County, NY	0.9910
45104	Tacoma, WA Pierce County, WA	1.1055
45220	Tallahassee, FL Gadsden County, FL Jefferson County, FL Leon County, FL Wakulla County, FL	0.9025
45300	Tampa-St. Petersburg-Clearwater, FL Hernando County, FL Hillsborough County, FL Pasco County, FL Pinellas County, FL	0.9020

CBSA Code	Urban Area (Constituent Counties)	Wage Index
45460	Terre Haute, IN Clay County, IN Sullivan County, IN Vermillion County, IN Vigo County, IN	0.8805
45500	Texarkana, TX-Texarkana, AR Miller County, AR Bowie County, TX	0.7770
45780	Toledo, OH Fulton County, OH Lucas County, OH Ottawa County, OH Wood County, OH	0.9431
45820	Topeka, KS Jackson County, KS Jefferson County, KS Osage County, KS Shawnee County, KS Wabaunsee County, KS	0.8538
45940	Trenton-Ewing, NJ Mercer County, NJ	1.0699
46060	Tucson, AZ Pima County, AZ	0.9245
46140	Tulsa, OK Creek County, OK Okmulgee County, OK Osage County, OK Pawnee County, OK Rogers County, OK Tulsa County, OK Wagoner County, OK	0.8340

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
46220	Tuscaloosa, AL Greene County, AL Hale County, AL Tuscaloosa County, AL	0.8303
46340	Tyler, TX Smith County, TX	0.9114
46540	Utica-Rome, NY Herkimer County, NY Oneida County, NY	0.8486
46660	Valdosta, GA Brooks County, GA Echols County, GA Lanier County, GA Lowndes County, GA	0.8098
46700	Vallejo-Fairfield, CA Solano County, CA	1.4666
47020	Victoria, TX Calhoun County, TX Goliad County, TX Victoria County, TX	0.8302
47220	Vineland-Millville-Bridgeton, NJ Cumberland County, NJ	1.0133

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CBSA Code	Urban Area (Constituent Counties)	Wage Index
47260	Virginia Beach-Norfolk-Newport News, VA-NC Currituck County, NC Gloucester County, VA Isle of Wight County, VA James City County, VA Mathews County, VA Surry County, VA York County, VA Chesapeake City, VA Hampton City, VA Newport News City, VA Norfolk City, VA Poquoson City, VA Portsmouth City, VA Suffolk City, VA Virginia Beach City, VA Williamsburg City, VA	0.8818
47300	Visalia-Porterville, CA Tulare County, CA	1.0091
47380	Waco, TX McLennan County, TX	0.8518
47580	Warner Robins, GA Houston County, GA	0.9128
47644	Warren-Troy-Farmington Hills, MI Lapeer County, MI Livingston County, MI Macomb County, MI Oakland County, MI St. Clair County, MI	1.0001

CBSA Code	Urban Area (Constituent Counties)	Wage Index
47894	Washington-Arlington-Alexandria, DC-VA-MD-WV District of Columbia, DC Calvert County, MD Charles County, MD Prince George's County, MD Arlington County, VA Clarke County, VA Fairfax County, VA Fauquier County, VA Loudoun County, VA Prince William County, VA Spotsylvania County, VA Stafford County, VA Warren County, VA Alexandria City, VA Fairfax City, VA Falls Church City, VA Fredericksburg City, VA Manassas City, VA Manassas Park City, VA Jefferson County, WV	1.0855
47940	Waterloo-Cedar Falls, IA Black Hawk County, IA Bremer County, IA Grundy County, IA	0.8519
48140	Wausau, WI Marathon County, WI	0.9679
48260	Weirton-Steubenville, WV-OH Jefferson County, OH Brooke County, WV Hancock County, WV	0.7924

CBSA Code	Urban Area (Constituent Counties)	Wage Index
48300	Wenatchee, WA Chelan County, WA Douglas County, WA	1.1469
48424	West Palm Beach-Boca Raton-Boynton Beach, FL Palm Beach County, FL	0.9728
48540	Wheeling, WV-OH Belmont County, OH Marshall County, WV Ohio County, WV	0.6961
48620	Wichita, KS Butler County, KS Harvey County, KS Sedgwick County, KS Sumner County, KS	0.9062
48660	Wichita Falls, TX Archer County, TX Clay County, TX Wichita County, TX	0.7920
48700	Williamsport, PA Lycoming County, PA	0.8043
48864	Wilmington, DE-MD-NJ New Castle County, DE Cecil County, MD Salem County, NJ	1.0824
48900	Wilmington, NC Brunswick County, NC New Hanover County, NC Pender County, NC	0.9410
49020	Winchester, VA-WV Frederick County, VA Winchester City, VA Hampshire County, WV	0.9913

CBSA Code	Urban Area (Constituent Counties)	Wage Index
49180	Winston-Salem, NC Davie County, NC Forsyth County, NC Stokes County, NC Yadkin County, NC	0.9118
49340	Worcester, MA Worcester County, MA	1.1287
49420	Yakima, WA Yakima County, WA	1.0267
49500	Yauco, PR Guánica Municipio, PR Guayanilla Municipio, PR Peñuelas Municipio, PR Yauco Municipio, PR	0.3284
49620	York-Hanover, PA York County, PA	0.9359
49660	Youngstown-Warren-Boardman, OH-PA Mahoning County, OH Trumbull County, OH Mercer County, PA	0.9002
49700	Yuba City, CA Sutter County, CA Yuba County, CA	1.0756
49740	Yuma, AZ Yuma County, AZ	0.9488

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

Table 9 FY 2008 WAGE INDEX BASED ON CBSA LABOR MARKET AREAS FOR RURAL AREAS

CBSA Code	Nonurban Area	Wage Index
1	Alabama	0.7533
2	Alaska	1.2109
3	Arizona	0.8479
4	Arkansas	0.7371
5	California	1.2023
6	Colorado	0.9704
7	Connecticut	1.1283
8	Delaware	0.9727
10	Florida	0.8465
11	Georgia	0.7659
12	Hawaii	1.0612
13	Idaho	0.7920
14	Illinois	0.8335
15	Indiana	0.8576
16	Iowa	0.8566
17	Kansas	0.7981
18	Kentucky	0.7793
19	Louisiana	0.7373
20	Maine	0.8476
21	Maryland	0.9034
22	Massachusetts[1]	1.1644
23	Michigan	0.8953
24	Minnesota	0.9079
25	Mississippi	0.7700
26	Missouri	0.7930
27	Montana	0.8379
28	Nebraska	0.8849
29	Nevada	0.9272
30	New Hampshire	1.0863
31	New Jersey[1]	------

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CBSA Code	Nonurban Area	Wage Index
32	New Mexico	0.8940
33	New York	0.8268
34	North Carolina	0.8603
35	North Dakota	0.7182
36	Ohio	0.8714
37	Oklahoma	0.7492
38	Oregon	0.9906
39	Pennsylvania	0.8385
40	Puerto Rico[1]	0.4047
41	Rhode Island[1]	------
42	South Carolina	0.8656
43	South Dakota	0.8549
44	Tennessee	0.7723
45	Texas	0.7968
46	Utah	0.8116
47	Vermont	0.9919
48	Virgin Islands	0.6830
49	Virginia	0.7896
50	Washington	1.0259
51	West Virginia	0.7454
52	Wisconsin	0.9667
53	Wyoming	0.9287
65	Guam	0.9611

[1] All counties within the State are classified as urban, with the exception of Massachusetts and Puerto Rico. Massachusetts and Puerto Rico have areas designated as rural; however, no short-term, acute care hospitals are located in the area(s) for FY 2008. The rural Massachusetts wage index is calculated as the average of all contiguous CBSAs. The Puerto Rico wage index is the same as FY 2007.

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