

the State requested an effective date of July 1, 2001, CMS was unable to approve the requested amendment.

I am scheduling a hearing on your request for reconsideration to be held on August 30, 2002, at 10 a.m., at the JFK Federal Building, Room 2250, Boston, Massachusetts 02203-0003, to reconsider our decision to disapprove Connecticut SPA 01-011B.

If this date is not acceptable, we would be glad to set another date that is mutually agreeable to the parties. The hearing will be governed by the procedures prescribed at 42 CFR part 430.

I am designating Ms. Kathleen Scully-Hayes as the presiding officer. If these arrangements present any problems, please contact the presiding officer. In order to facilitate any communication which may be necessary between the parties to the hearing, please notify the 2 presiding officer to indicate acceptability of the hearing date that has been scheduled and provide names of the individuals who will represent the State at the hearing. The presiding officer may be reached at (410) 786-2055.

Sincerely,
Thomas A. Scully.

(Sec. 1116 of the Social Security Act (42 U.S.C. sec. 1316); 42 CFR 430.18)

(Catalog of Federal Domestic Assistance Program No. 13.714, Medicaid Assistance Program)

Dated: July 3, 2002.

Thomas A. Scully,

Administrator, Centers for Medicare & Medicaid Services.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS-1205-N]

RIN 0938-AL22

Medicare Program; Inpatient Rehabilitation Facility Prospective Payment System for FY 2003

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

ACTION: Notice.

SUMMARY: This notice updates prospective payment rates for inpatient rehabilitation facilities for Federal fiscal year (FY) 2003 as authorized under section 1886(j)(3)(C) of the Social Security Act (the Act). Section 1886(j)(5) of the Act requires the Secretary to publish in the **Federal Register** on or before August 1 before each fiscal year, the classifications and weighting factors for the inpatient rehabilitation facility (IRF) case-mix groups and a description of the methodology and data used in

computing the prospective payment rates for that fiscal year.

DATES: Effective Date: The updated IRF prospective payment rates are effective for discharges occurring on or after October 1, 2002 and on or before September 30, 2003 (FY 2003).

FOR FURTHER INFORMATION CONTACT: Robert Kuhl, (410) 786-4597, Nora Hoban, (410) 786-0675.

SUPPLEMENTARY INFORMATION:

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I. Background

A. Requirements of the Statute for Updating the Prospective Payment System (PPS) for Inpatient Rehabilitation Facilities (IRFs)

On August 7, 2001, we published a final rule entitled "Medicare Program; Prospective Payment System for Inpatient Rehabilitation Facilities (CMS-1069-F)" in the **Federal Register** (66 FR 41316), that established a prospective payment system (PPS) for inpatient rehabilitation facilities (IRFs) as authorized under section 1886(j) of the Social Security Act (the Act) and codified at subpart P of part 412 of the Medicare regulations. In the August 7, 2001 final rule, we set forth per discharge Federal rates for FY 2002 that provided payment for inpatient operating and capital costs of furnishing covered rehabilitation services (that is, routine, ancillary, and capital costs) but not costs of approved educational activities, bad debts, and other services or items that are outside the scope of the IRF PPS.

Covered rehabilitation services include services for which benefits are provided under the fee-for-service Part A (Hospital Insurance Program) of the Medicare program. Annual updates to the IRF PPS rates are required by section 1886(j)(3)(C) of the Act.

In this notice, we set forth the prospective payment rates applicable for IRFs for discharges occurring during FY 2003 as mandated by the Act. In establishing these payment rates, we update the IRF per discharge payment rates that were published in the August 7, 2001 final rule.

Section 1886(j)(5) of the Act requires the Secretary to publish in the **Federal Register**, on or before August 1 of the preceding fiscal year, the classifications and weighting factors for the IRF case-mix groups (CMGs) and a description of the methodology and data used in computing the prospective payment rates for the upcoming fiscal year. In this notice, we are using the same classifications and weighting factors for the IRF CMGs that were set forth in the August 7, 2001 final rule. Although the statute permits the Secretary to adjust the classification and weighting factors for IRF CMGs from time to time, we are not making any adjustments at this time because the data are not available as discussed in section I.C of this notice. Further, the case and facility level adjustments described in the August 7,

2001 final rule will apply to the FY 2003 IRF PPS payment rates described in this notice.

Accordingly, the CMGs, comorbidity tiers, and the corresponding relative weights presented in the August 7, 2001 final rule will be used as the basis for developing the FY 2003 IRF PPS rates set forth in this notice.

Specifically, we multiply an increase factor, described in section I.D of this notice, by the FY 2002 IRF standardized payment amount (also referred to as the budget neutral conversion factor in the August 7, 2001 final rule (66 FR 41364 through 41367) to develop the FY 2003 standardized payment amount. Then we multiply the FY 2003 budget neutral conversion factor by the relative weights presented in the August 7, 2001 final rule and in Table 1 of this notice to develop the FY 2003 Federal unadjusted IRF PPS payment rates.

B. IRF Prospective Payment—General Overview

Section 4421 of the Balanced Budget Act of 1997 (BBA) (Pub. L. 105–33), as amended by section 125 of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA) (Pub. L. 106–113), and by section 305 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) (Pub. L. 106–554), provides for the implementation of a per discharge PPS, through new section 1886(j) of the Act, for IRFs—inpatient rehabilitation hospitals and rehabilitation units. Although a complete discussion of the IRF PPS provisions appears in the August 7, 2001 final rule (66 FR 41316), we provide below a general description of the IRF PPS.

The IRF PPS uses information from a patient assessment instrument, the Inpatient Rehabilitation—Patient Assessment Instrument (IRF-PAI), to classify patients into distinct case-mix groups (CMGs) based on clinical characteristics and expected resource needs. The CMGs were constructed using rehabilitation impairment categories, functional status (both motor and cognitive), age, comorbidities, and other factors that we deemed

appropriate to improve the explanatory power of the groups.

Payment for services furnished to a Medicare patient consists of a predetermined, per-discharge amount for each CMG with applicable case and facility level adjustments. Payments under the IRF PPS encompass inpatient operating and capital costs of furnishing covered rehabilitation services, (that is, routine, ancillary and capital costs) but not costs of approved educational activities, bad debts, and other services or items outside the scope of the IRF PPS.

The IRF PPS uses Federal prospective payment rates across 100 distinct CMGs. In addition, the existence of a specific comorbidity may affect the calculation of the Federal prospective payment rate. In general, however, the FY 2002 Federal prospective payment rates were established using a standardized payment amount. A set of relative payment weights (which account for the relative difference in resource use across CMGs) are applied to the budget neutral conversion factor, and finally, a number of facility level and case level adjustments may apply. The facility level adjustments include those that account for geographic variations in wages (wage index), the percentage of low-income patients (LIPs), and location in a rural area. Case level adjustments include those that apply for transfers, short-stays, interrupted stays, outliers and cases in which the beneficiary expires.

For cost reporting periods beginning on or after January 1, 2002 and before October 1, 2002, section 1886(j)(1) of the Act and § 412.626 of the regulations provide that IRFs transition into the PPS receiving a “blended payment.” For cost reporting periods beginning on or after January 1, 2002 and before October 1, 2002, these blended payments consist of 66⅔ percent of the Federal IRF PPS rate and 33⅓ percent of the payment the IRF would have been paid had the IRF PPS not been implemented. However, during the transition period, an IRF with a cost reporting period beginning on or after January 1, 2002 and before October 1, 2002 may elect to bypass this blended payment and be paid 100 percent of the

Federal IRF PPS rate. For cost reporting periods beginning on or after October 1, 2002 (FY 2003), however, payments for all IRFs will consist of 100 percent of the Federal IRF PPS rate.

C. Classification System for the IRF PPS

As previously stated, in this notice we are using the same case-mix classification system that was set forth in the August 7, 2001 final rule. It is our intention to pursue the development of refinements to the case-mix classification system that will improve the ability of the PPS to more accurately pay IRFs. We have awarded a contract to the Rand Corporation (RAND) to conduct additional research that will, in the initial(1), P. 9 of the signature package version, stages, provide us with the data necessary to address the feasibility of developing and implementing refinements. When the study has been completed, we plan to review various approaches so that we can propose an appropriate methodology to develop and apply refinements. Any specific refinement proposal resulting from this research will be published in the **Federal Register** for public review and comment.

Table 1, Relative Weights for Case-Mix Groups (CMGs), presents the CMGs, comorbidity tiers, and the corresponding Federal relative weights. We also present the average length of stay for each CMG. As we discussed in the August 7, 2001 final rule, the average length of stay for each CMG is used to determine when an IRF discharge meets the definition of a transfer, which results in a per diem case level adjustment. Because these data elements are not changing as a result of this notice, Table 1 shown below is identical to Table 1 that was published in the August 7, 2001 final rule (66 FR 41394 through 41396). The relative weights reflect the inclusion of cases with an interruption of stay (patient returns on day of discharge or either of the next 2 days). The methodology we used to construct the data elements in Table 1 are described in detail in the August 7, 2001 final rule (66 FR 41350 through 41353).

TABLE 1.—RELATIVE WEIGHTS FOR CASE-MIX GROUPS (CMGs)

CMG	CMG description (M = motor, C = cognitive, A = age)	Relative weights				Average length of stay			
		Tier 1	Tier 2	Tier 3	None	Tier 1	Tier 2	Tier 3	None
0101	Stroke M=69–84 and C=23–35	0.4778	0.4279	0.4078	0.3859	10	9	6	8
0102	Stroke M=59–68 and C=23–35	0.6506	0.5827	0.5553	0.5255	11	12	10	10
0103	Stroke M=59–84 and C=5–22	0.8296	0.7430	0.7080	0.6700	14	12	12	12
0104	Stroke M=53–58	0.9007	0.8067	0.7687	0.7275	17	13	12	13
0105	Stroke M=47–52	1.1339	1.0155	0.9677	0.9158	16	17	15	15

TABLE 1.—RELATIVE WEIGHTS FOR CASE-MIX GROUPS (CMGs)—Continued

CMG	CMG description (M = motor, C = cognitive, A = age)	Relative weights				Average length of stay			
		Tier 1	Tier 2	Tier 3	None	Tier 1	Tier 2	Tier 3	None
0106	Stroke M=42–46	1.3951	1.2494	1.1905	1.1267	18	18	18	18
0107	Stroke M=39–41	1.6159	1.4472	1.3790	1.3050	17	20	21	21
0108	Stroke M=34–38 and A>=83	1.7477	1.5653	1.4915	1.4115	25	27	22	23
0109	Stroke M=34–38 and A<=82	1.8901	1.6928	1.6130	1.5265	24	24	22	24
0110	Stroke M=12–33 and A>=89	2.0275	1.8159	1.7303	1.6375	29	25	27	26
0111	Stroke M=27–33 and A=82–88	2.0889	1.8709	1.7827	1.6871	29	26	24	27
0112	Stroke M=12–26 and A=82–88	2.4782	2.2195	2.1149	2.0015	40	33	30	31
0113	Stroke M=27–33 and A<=81	2.2375	2.0040	1.9095	1.8071	30	27	27	28
0114	Stroke M=12–26 and A<=81	2.7302	2.4452	2.3300	2.2050	37	34	32	33
0201	Traumatic brain injury M=52–84 and C=24–35	0.7689	0.7276	0.6724	0.6170	13	14	14	11
0202	Traumatic brain injury M=40–51 and C=24–35	1.1181	1.0581	0.9778	0.8973	18	16	17	16
0203	Traumatic brain injury M=40–84 and C=5–23	1.3077	1.2375	1.1436	1.0495	19	20	19	18
0204	Traumatic brain injury M=30–39	1.6534	1.5646	1.4459	1.3269	24	23	22	22
0205	Traumatic brain injury M=12–29	2.5100	2.3752	2.1949	2.0143	44	36	35	31
0301	Non-traumatic brain injury M=51–84	0.9655	0.8239	0.7895	0.7195	14	14	12	13
0302	Non-traumatic brain injury M=41–50	1.3678	1.1672	1.1184	1.0194	19	17	17	16
0303	Non-traumatic brain injury M=25–40	1.8752	1.6002	1.5334	1.3976	23	23	22	22
0304	Non-traumatic brain injury M=12–24	2.7911	2.3817	2.2824	2.0801	44	32	34	31
0401	Traumatic spinal cord injury M=50–84	0.9282	0.8716	0.8222	0.6908	15	15	16	14
0402	Traumatic spinal cord injury M=36–49	1.4211	1.3344	1.2588	1.0576	21	18	22	19
0403	Traumatic spinal cord injury M=19–35	2.3485	2.2052	2.0802	1.7478	32	32	31	30
0404	Traumatic spinal cord injury M=12–18	3.5227	3.3078	3.1203	2.6216	46	43	62	40
0501	Non-traumatic spinal cord injury M=51–84 and C=30–35.	0.7590	0.6975	0.6230	0.5363	12	13	10	10
0502	Non-traumatic spinal cord injury M=51–84 and C=5–29.	0.9458	0.8691	0.7763	0.6683	15	17	10	12
0503	Non-traumatic spinal cord injury M=41–50	1.1613	1.0672	0.9533	0.8206	17	17	15	14
0504	Non-traumatic spinal cord injury M=34–40	1.6759	1.5400	1.3757	1.1842	23	21	21	19
0505	Non-traumatic spinal cord injury M=12–33	2.5314	2.3261	2.0778	1.7887	31	31	29	28
0601	Neurological M=56–84	0.8794	0.6750	0.6609	0.5949	14	13	12	12
0602	Neurological M=47–55	1.1979	0.9195	0.9003	0.8105	15	15	14	15
0603	Neurological M=36–46	1.5368	1.1796	1.1550	1.0397	21	18	18	18
0604	Neurological M=12–35	2.0045	1.5386	1.5065	1.3561	31	24	25	23
0701	Fracture of lower extremity M=52–84	0.7015	0.7006	0.6710	0.5960	13	13	12	11
0702	Fracture of lower extremity M=46–51	0.9264	0.9251	0.8861	0.7870	15	15	16	14
0703	Fracture of lower extremity M=42–45	1.0977	1.0962	1.0500	0.9326	18	17	17	16
0704	Fracture of lower extremity M=38–41	1.2488	1.2471	1.1945	1.0609	14	20	19	18
0705	Fracture of lower extremity M=12–37	1.4760	1.4740	1.4119	1.2540	20	22	22	21
0801	Replacement of lower extremity joint M=58–84	0.4909	0.4696	0.4518	0.3890	9	9	8	8
0802	Replacement of lower extremity joint M=55–57	0.5667	0.5421	0.5216	0.4490	10	10	9	9
0803	Replacement of lower extremity joint M=47–54	0.6956	0.6654	0.6402	0.5511	9	11	11	10
0804	Replacement of lower extremity joint M=12–46 and C=32–35.	0.9284	0.8881	0.8545	0.7356	15	14	14	12
0805	Replacement of lower extremity joint M=40–46 and C=5–31.	1.0027	0.9593	0.9229	0.7945	16	16	14	14
0806	Replacement of lower extremity joint M=12–39 and C=5–31.	1.3681	1.3088	1.2592	1.0840	21	20	19	18
0901	Other orthopedic M=54–84	0.6988	0.6390	0.6025	0.5213	12	11	11	11
0902	Other orthopedic M=47–53	0.9496	0.8684	0.8187	0.7084	15	15	14	13
0903	Other orthopedic M=38–46	1.1987	1.0961	1.0334	0.8942	18	18	17	16
0904	Other orthopedic M=12–37	1.6272	1.4880	1.4029	1.2138	23	23	23	21
1001	Amputation, lower extremity M=61–84	0.7821	0.7821	0.7153	0.6523	13	13	12	13
1002	Amputation, lower extremity M=52–60	0.9998	0.9998	0.9144	0.8339	15	15	14	15
1003	Amputation, lower extremity M=46–51	1.2229	1.2229	1.1185	1.0200	18	17	17	18
1004	Amputation, lower extremity M=39–45	1.4264	1.4264	1.3046	1.1897	20	20	19	19
1005	Amputation, lower extremity M=12–38	1.7588	1.7588	1.6086	1.4670	21	25	23	23
1101	Amputation, non-lower extremity M=52–84	1.2621	0.7683	0.7149	0.6631	18	11	13	12
1102	Amputation, non-lower extremity M=38–51	1.9534	1.1892	1.1064	1.0263	25	18	17	18
1103	Amputation, non-lower extremity M=12–37	2.6543	1.6159	1.5034	1.3945	33	23	22	25
1201	Osteoarthritis M=55–84 and C=34–35	0.7219	0.5429	0.5103	0.4596	13	10	11	9
1202	Osteoarthritis M=55–84 and C=5–33	0.9284	0.6983	0.6563	0.5911	16	11	13	13
1203	Osteoarthritis M=48–54	1.0771	0.8101	0.7614	0.6858	18	15	14	13
1204	Osteoarthritis M=39–47	1.3950	1.0492	0.9861	0.8882	22	19	16	17
1205	Osteoarthritis M=12–38	1.7874	1.3443	1.2634	1.1380	27	21	21	20
1301	Rheumatoid, other arthritis M=54–84	0.7719	0.6522	0.6434	0.5566	13	14	13	11
1302	Rheumatoid, other arthritis M=47–53	0.9882	0.8349	0.8237	0.7126	16	14	14	14
1303	Rheumatoid, other arthritis M=36–46	1.3132	1.1095	1.0945	0.9469	20	18	16	17
1304	Rheumatoid, other arthritis M=12–35	1.8662	1.5768	1.5555	1.3457	25	25	29	22
1401	Cardiac M=56–84	0.7190	0.6433	0.5722	0.5156	15	12	11	11
1402	Cardiac M=48–55	0.9902	0.8858	0.7880	0.7101	13	15	13	13

TABLE 1.—RELATIVE WEIGHTS FOR CASE-MIX GROUPS (CMGs)—Continued

CMG	CMG description (M = motor, C = cognitive, A = age)	Relative weights				Average length of stay			
		Tier 1	Tier 2	Tier 3	None	Tier 1	Tier 2	Tier 3	None
1403	Cardiac M=38–47	1.2975	1.1608	1.0325	0.9305	21	19	16	16
1404	Cardiac M=12–37	1.8013	1.6115	1.4335	1.2918	30	24	21	20
1501	Pulmonary M=61–84	0.8032	0.7633	0.6926	0.6615	15	13	13	13
1502	Pulmonary M=48–60	1.0268	0.9758	0.8855	0.8457	17	17	14	15
1503	Pulmonary M=36–47	1.3242	1.2584	1.1419	1.0906	21	20	18	18
1504	Pulmonary M=12–35	2.0598	1.9575	1.7763	1.6965	30	28	30	26
1601	Pain syndrome M=45–84	0.8707	0.8327	0.7886	0.6603	15	14	13	13
1602	Pain syndrome M=12–44	1.3320	1.2739	1.2066	1.0103	21	20	20	18
1701	Major multiple trauma without brain or spinal cord injury M=46–84.	0.9996	0.9022	0.8138	0.7205	16	14	11	13
1702	Major multiple trauma without brain or spinal cord injury M=33–45.	1.4755	1.3317	1.2011	1.0634	21	21	20	18
1703	Major multiple trauma without brain or spinal cord injury M=12–32.	2.1370	1.9288	1.7396	1.5402	33	28	27	24
1801	Major multiple trauma with brain or spinal cord injury M=45–84 and C=33–35.	0.7445	0.7445	0.6862	0.6282	12	12	12	10
1802	Major multiple trauma with brain or spinal cord injury M=45–84 and C=5–32.	1.0674	1.0674	0.9838	0.9007	16	16	16	16
1803	Major multiple trauma with brain or spinal cord injury M=26–44.	1.6350	1.6350	1.5069	1.3797	22	25	20	22
1804	Major multiple trauma with brain or spinal cord injury M=12–25.	2.9140	2.9140	2.6858	2.4589	41	29	40	40
1901	Guillian Barre M=47–84	1.1585	1.0002	0.9781	0.8876	15	15	16	15
1902	Guillian Barre M=31–46	2.1542	1.8598	1.8188	1.6505	27	27	27	24
1903	Guillian Barre M=12–30	3.1339	2.7056	2.6459	2.4011	41	35	30	40
2001	Miscellaneous M=54–84	0.8371	0.7195	0.6705	0.6029	12	13	11	12
2002	Miscellaneous M=45–53	1.1056	0.9502	0.8855	0.7962	15	15	14	14
2003	Miscellaneous M=33–44	1.4639	1.2581	1.1725	1.0543	20	18	18	18
2004	Miscellaneous M=12–32 and A>=82	1.7472	1.5017	1.3994	1.2583	30	22	21	22
2005	Miscellaneous M=12–32 and A<=81	2.0799	1.7876	1.6659	1.4979	33	25	24	24
2101	Burns M=46–84	1.0357	0.9425	0.8387	0.8387	18	18	15	16
2102	Burns M=12–45	2.2508	2.0482	1.8226	1.8226	31	26	26	29
5001	Short-stay cases, length of stay is 3 days or fewer				0.1651				3
5101	Expired, orthopedic, length of stay is 13 days or fewer.				0.4279				8
5102	Expired, orthopedic, length of stay is 14 days or more.				1.2390				23
5103	Expired, not orthopedic, length of stay is 15 days or fewer.				0.5436				9
5104	Expired, not orthopedic, length of stay is 16 days or more.				1.7100				28

D. IRF Market Basket Index

Section 1886(j)(3)(C) of the Act requires the Secretary to establish an increase factor that reflects changes over time in the prices of an appropriate mix of goods and services included in the covered IRF services, which is referred to as a market basket index. Accordingly, in updating the FY 2003 payment rates set forth in this notice, we apply an appropriate increase factor to the FY 2002 IRF PPS payment rates that is equal to the IRF market basket.

In constructing the IRF market basket, we use the methodology set forth in Appendix D of the August 7, 2001 final rule. For this notice, the projected FY 2003 IRF market basket increase factor is 3 percent.

E. Update of Payment Rates Under the PPS for IRFs for FY 2003

Once we calculate the increase factor, we can determine the updated Federal prospective payments for FY 2003. In accordance with § 412.624(c)(3)(ii), we apply the increase factor (3 percent) to

the budget neutral conversion factor for FY 2002 (\$11,838). This results in an updated standardized payment amount for FY 2003 of \$12,193. The FY 2003 standardized payment amount is applied to each CMG weight shown in Table 1 to compute the unadjusted IRF prospective payment rates for FY 2003.

Table 2, Federal Prospective Payments for Case-Mix Groups (CMGs) for FY 2003, displays the CMGs, the comorbidity tiers, and the corresponding unadjusted IRF prospective payment rates for FY 2003.

TABLE 2.—FEDERAL PROSPECTIVE PAYMENTS FOR CASE-MIX GROUPS (CMGs) FOR FY 2003

CMG	Payment rate tier 1	Payment rate tier 2	Payment rate tier 3	Payment rate no comorbidities
0101	5825.82	5217.38	4972.31	4705.28
0102	7932.77	7104.86	6770.77	6407.42
0103	10115.31	9059.40	8632.64	8169.31
0104	10982.24	9836.09	9372.76	8870.41

TABLE 2.—FEDERAL PROSPECTIVE PAYMENTS FOR CASE-MIX GROUPS (CMGs) FOR FY 2003—Continued

CMG	Payment rate tier 1	Payment rate tier 2	Payment rate tier 3	Payment rate no comorbidities
0105	13825.64	12381.99	11799.17	11166.35
0106	17010.45	15233.93	14515.77	13737.85
0107	19702.67	17645.71	16814.15	15911.87
0108	21309.71	19085.70	18185.86	17210.42
0109	23045.99	20640.31	19667.31	18612.61
0110	24721.31	22141.27	21097.55	19966.04
0111	25469.96	22811.88	21736.46	20570.81
0112	30216.69	27062.36	25786.98	24404.29
0113	27281.84	24434.77	23282.53	22033.97
0114	33289.33	29814.32	28409.69	26885.57
0201	9375.20	8871.63	8198.57	7523.08
0202	13632.99	12901.41	11922.32	10940.78
0203	15944.79	15088.84	13943.91	12796.55
0204	20159.91	19077.17	17629.86	16178.89
0205	30604.43	28960.81	26762.42	24560.36
0301	11772.34	10045.81	9626.37	8772.86
0302	16677.59	14231.67	13636.65	12429.54
0303	22864.31	19511.24	18696.75	17040.94
0304	34031.88	29040.07	27829.30	25362.66
0401	11317.54	10627.42	10025.08	8422.92
0402	17327.47	16270.34	15348.55	12895.32
0403	28635.26	26888.00	25363.88	21310.93
0404	42952.28	40332.01	38045.82	31965.17
0501	9254.49	8504.62	7596.24	6539.11
0502	11532.14	10596.94	9465.43	8148.58
0503	14159.73	13012.37	11623.59	10005.58
0504	20434.25	18777.22	16773.91	14438.95
0505	30865.36	28362.14	25334.62	21809.62
0601	10722.52	8230.28	8058.35	7253.62
0602	14605.99	11211.46	10977.36	9882.43
0603	18738.20	14382.86	14082.92	12677.06
0604	24440.87	18760.15	18368.75	16534.93
0701	8553.39	8542.42	8181.50	7267.03
0702	11295.60	11279.74	10804.22	9595.89
0703	13384.26	13365.97	12802.65	11371.19
0704	15226.62	15205.89	14564.54	12935.55
0705	17996.87	17972.48	17215.30	15290.02
0801	5985.54	5725.83	5508.80	4743.08
0802	6909.77	6609.83	6359.87	5474.66
0803	8481.45	8113.22	7805.96	6719.56
0804	11319.98	10828.60	10418.92	8969.17
0805	12225.92	11696.74	11252.92	9687.34
0806	16681.24	15958.20	15353.43	13217.21
0901	8520.47	7791.33	7346.28	6356.21
0902	11578.47	10588.40	9982.41	8637.52
0903	14615.75	13364.75	12600.25	10902.98
0904	19840.45	18143.18	17105.56	14799.86
1001	9536.15	9536.15	8721.65	7953.49
1002	12190.56	12190.56	11149.28	10167.74
1003	14910.82	14910.82	13637.87	12436.86
1004	17392.10	17392.10	15906.99	14506.01
1005	21445.05	21445.05	19613.66	17887.13
1101	15388.79	9367.88	8716.78	8085.18
1102	23817.81	14499.92	13490.34	12513.68
1103	32363.88	19702.67	18330.96	17003.14
1201	8802.13	6619.58	6222.09	5603.90
1202	11319.98	8514.37	8002.27	7207.28
1203	13133.08	9877.55	9283.75	8361.96
1204	17009.24	12792.90	12023.52	10829.82
1205	21793.77	16391.05	15404.64	13875.63
1301	9411.78	7952.27	7844.98	6786.62
1302	12049.12	10179.94	10043.37	8688.73
1303	16011.85	13528.13	13345.24	11545.55
1304	22754.58	19225.92	18966.21	16408.12
1401	8766.77	7843.76	6976.83	6286.71
1402	12073.51	10800.56	9608.08	8658.25
1403	15820.42	14153.63	12589.27	11345.59
1404	21963.25	19649.02	17478.67	15750.92
1501	9793.42	9306.92	8444.87	8065.67
1502	12519.77	11897.93	10796.90	10311.62
1503	16145.97	15343.67	13923.19	13297.69

TABLE 2.—FEDERAL PROSPECTIVE PAYMENTS FOR CASE-MIX GROUPS (CMGs) FOR FY 2003—Continued

CMG	Payment rate tier 1	Payment rate tier 2	Payment rate tier 3	Payment rate no comorbidities
1504	25115.14	23867.80	21658.43	20685.42
1601	10616.45	10153.11	9615.40	8051.04
1602	16241.08	15532.66	14712.07	12318.59
1701	12188.12	11000.52	9922.66	8785.06
1702	17990.77	16237.42	14645.01	12966.04
1703	26056.44	23517.86	21210.94	18779.66
1801	9077.69	9077.69	8366.84	7659.64
1802	13014.81	13014.81	11995.47	10982.24
1803	19935.56	19935.56	18373.63	16822.68
1804	35530.40	35530.40	32747.96	29981.37
1901	14125.59	12195.44	11925.97	10822.51
1902	26266.16	22676.54	22176.63	20124.55
1903	38211.64	32989.38	32261.46	29276.61
2001	10206.76	8772.86	8175.41	7351.16
2002	13480.58	11585.79	10796.90	9708.07
2003	17849.33	15340.01	14296.29	12855.08
2004	21303.61	18310.23	17062.88	15342.45
2005	25360.22	21796.21	20312.32	18263.89
2101	12628.29	11491.90	10226.27	10226.27
2102	27444.00	24973.70	22222.96	22222.96
5001				2013.06
5101				5217.38
5102				15107.13
5103				6628.11
5104				20850.03

F. Area Wage Adjustment

Section 1886(j)(6) of the Act requires the Secretary to adjust the proportion (as estimated by the Secretary from time to time) of rehabilitation facilities' costs that are attributable to wages and wage-related costs for area differences in wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the rehabilitation facility compared to the national average wage level for such facilities. Not later than October 1, 2001 and at least every 36 months thereafter, the Secretary is required to update the factor under the preceding sentence on the basis of information available to the Secretary (and updated as appropriate) of the wages and wage-related costs incurred in furnishing rehabilitation services. Any adjustments or updates made under section 1886(j)(6) of the Act shall be made in a budget neutral manner.

For the FY 2003 IRF PPS payment rates set forth in this notice, we are applying the same wage adjustment as used for the FY 2002 IRF PPS rates. This includes both the labor-related share and wage indices as specified in the August 7, 2001 final rule. In the August 7, 2001 final rule, we established a wage index based on FY 1997 acute care hospital wages to adjust the FY 2002 IRF payment rates. Although the statute permits the Secretary to adjust the labor-related share and wage index from time to time, we are not adjusting these

figures at this time. It is our intention to update the annual wage index and the labor-related share as soon as feasible. However, we must first develop a methodology to incorporate a budget neutrality adjustment for calculating these figures in order to be consistent with the statute. Once we have developed a proposed methodology, we plan to discuss it in a future proposed rule allowing the public an opportunity to comment on its design and application. We believe that continuing to apply the wage index and labor-related share used in FY 2002, provides an appropriate adjustment to account for geographic variation in wage levels, consistent with the statute.

To calculate the wage-adjusted facility payments for the payment rates set forth in this notice, the Federal prospective payment is multiplied by the labor-related percentage (72.395) to determine the labor-related portion of the Federal prospective payments. This labor-related portion is then multiplied by the applicable IRF wage index shown in Table 3A for urban areas and Table 3B for rural areas. These tables shown below are identical to Table 3A and 3B that were published in the August 7, 2001 final rule (66 FR 41397 through 41404).

TABLE 3A.—WAGE INDEX FOR URBAN AREAS

MSA and urban area (constituent counties or county equivalents)	Wage index
0040 Abilene, TX	0.8240
Taylor, TX	
0060 Aguadilla, PR	0.4391
Aguada, PR	
Aguadilla, PR	
Moca, PR	
0080 Akron, OH	0.9541
Portage, OH	
Summit, OH	
0120 Albany, GA	0.9893
Dougherty, GA	
Lee, GA	
0160 Albany-Schenectady-Troy, NY	0.8480
Albany, NY	
Montgomery, NY	
Rensselaer, NY	
Saratoga, NY	
Schenectady, NY	
Schoharie, NY	
0200 Albuquerque, NM	0.9146
Bernalillo, NM	
Sandoval, NM	
Valencia, NM	
0220 Alexandria, LA	0.8121
Rapides, LA	
0240 Allentown-Bethlehem-Easton, PA	0.9839
Carbon, PA	
Lehigh, PA	
Northampton, PA	
0280 Altoona, PA	0.9317
Blair, PA	
0320 Amarillo, TX	0.8673
Potter, TX	
Randall, TX	
0380 Anchorage, AK	1.2775

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Anchorage, AK	
0440 Ann Arbor, MI	1.1093
Lenawee, MI	
Livingston, MI	
Washtenaw, MI	
0450 Anniston, AL	0.8284
Calhoun, AL	
0460 Appleton-Oshkosh-Neenah, WI	0.9052
Calumet, WI	
Outagamie, WI	
Winnebago, WI	
0470 Arecibo, PR	0.4525
Arecibo, PR	
Camuy, PR	
Hatillo, PR	
0480 Asheville, NC	0.9479
Buncombe, NC	
Madison, NC	
0500 Athens, GA	0.9739
Clarke, GA	
Madison, GA	
Oconee, GA	
0520 Atlanta, GA	1.0097
Barrow, GA	
Bartow, GA	
Carroll, GA	
Cherokee, GA	
Clayton, GA	
Cobb, GA	
Coweta, GA	
De Kalb, GA	
Douglas, GA	
Fayette, GA	
Forsyth, GA	
Fulton, GA	
Gwinnett, GA	
Henry, GA	
Newton, GA	
Paulding, GA	
Pickens, GA	
Rockdale, GA	
Spalding, GA	
Walton, GA	
0560 Atlantic City-Cape May, NJ ...	1.1167
Atlantic City, NJ	
Cape May, NJ	
0580 Auburn-Opelika, AL	0.8079
Lee, AL	
0600 Augusta-Aiken, GA—SC	0.9127
Columbia, GA	
McDuffie, GA	
Richmond, GA	
Aiken, SC	
Edgefield, SC	
0640 Austin-San Marcos, TX	0.9540
Bastrop, TX	
Caldwell, TX	
Hays, TX	
Travis, TX	
Williamson, TX	
0680 Bakersfield, CA	0.9684
Kern, CA	
0720 Baltimore, MD	0.9223
Anne Arundel, MD	
Baltimore, MD	
Baltimore City, MD	
Carroll, MD	
Harford, MD	
Howard, MD	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Queen Annes, MD	
0733 Bangor, ME	0.9550
Penobscot, ME	
0743 Barnstable-Yarmouth, MA	1.3801
Barnstable, MA	
0760 Baton Rouge, LA	0.8796
Ascension, LA	
East Baton Rouge	
Livingston, LA	
West Baton Rouge, LA	
0840 Beaumont-Port Arthur, TX	0.8734
Hardin, TX	
Jefferson, TX	
Orange, TX	
0860 Bellingham, WA	1.1439
Whatcom, WA	
0870 Benton Harbor, MI	0.8671
Berrien, MI	
0875 Bergen-Passaic, NJ	1.1818
Bergen, NJ	
Passaic, NJ	
0880 Billings, MT	0.9604
Yellowstone, MT	
0920 Biloxi-Gulfport-Pascagoula, MS	0.8236
Hancock, MS	
Harrison, MS	
Jackson, MS	
0960 Binghamton, NY	0.8600
Broome, NY	
Tioga, NY	
1000 Birmingham, AL	0.8360
Blount, AL	
Jefferson, AL	
St. Clair, AL	
Shelby, AL	
1010 Bismarck, ND	0.7625
Burleigh, ND	
Morton, ND	
1020 Bloomington, IN	0.8733
Monroe, IN	
1040 Bloomington-Normal, IL	0.9095
McLean, IL	
1080 Boise City, ID	0.9006
Ada, ID	
Canyon, ID	
1123 Boston-Worcester-Lawrence-Lowell-Brockton, MA—NH	1.1086
Bristol, MA	
Essex, MA	
Middlesex, MA	
Norfolk, MA	
Plymouth, MA	
Suffolk, MA	
Worcester, MA	
Hillsborough, NH	
Merrimack, NH	
Rockingham, NH	
Strafford, NH	
1125 Boulder-Longmont, CO	0.9731
Boulder, CO	
1145 Brazoria, TX	0.8658
Brazoria, TX	
1150 Bremerton, WA	1.0975
Kitsap, WA	
1240 Brownsville-Harlingen-San Benito, TX	0.8714
Cameron, TX	
1260 Bryan-College Station, TX	0.8237
Brazos, TX	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
1280 Buffalo-Niagara Falls, NY	0.9455
Erie, NY	
Niagara, NY	
1303 Burlington, VT	1.0840
Chittenden, VT	
Franklin, VT	
Grand Isle, VT	
1310 Caguas, PR	0.4548
Caguas, PR	
Cayey, PR	
Cidra, PR	
Gurabo, PR	
San Lorenzo, PR	
1320 Canton-Massillon, OH	0.8480
Carroll, OH	
Stark, OH	
1350 Casper, WY	0.8724
Natrona, WY	
1360 Cedar Rapids, IA	0.8716
Linn, IA	
1400 Champaign-Urbana, IL	0.9189
Champaign, IL	
1440 Charleston-North Charleston, SC	0.9029
Berkeley, SC	
Charleston, SC	
Dorchester, SC	
1480 Charleston, WV	0.9235
Kanawha, WV	
Putnam, WV	
1520 Charlotte-Gastonia-Rock Hill, NC—SC	0.9321
Cabarrus, NC	
Gaston, NC	
Lincoln, NC	
Mecklenburg, NC	
Rowan, NC	
Stanly, NC	
Union, NC	
York, SC	
1540 Charlottesville, VA	1.0581
Albemarle, VA	
Charlottesville City, VA	
Fluvanna, VA	
Greene, VA	
1560 Chattanooga, TN—GA	0.9790
Catoosa, GA	
Dade, GA	
Walker, GA	
Hamilton, TN	
Marion, TN	
1580 Cheyenne, WY	0.8308
Laramie, WY	
1600 Chicago, IL	1.1092
Cook, IL	
De Kalb, IL	
Du Page, IL	
Grundy, IL	
Kane, IL	
Kendall, IL	
Lake, IL	
McHenry, IL	
Will, IL	
1620 Chico-Paradise, CA	0.9918
Butte, CA	
1640 Cincinnati, OH—KY—IN	0.9349
Dearborn, IN	
Ohio, IN	
Boone, KY	
Campbell, KY	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Gallatin, KY	
Grant, KY	
Kenton, KY	
Pendleton, KY	
Brown, OH	
Clermont, OH	
Hamilton, OH	
Warren, OH	
1660 Clarksville-Hopkinsville, TN-KY	0.8173
Christian, KY	
Montgomery, TN	
1680 Cleveland-Lorain-Elyria, OH	0.9528
Ashtabula, OH	
Geauga, OH	
Cuyahoga, OH	
Lake, OH	
Lorain, OH	
Medina, OH	
1720 Colorado Springs, CO	0.9698
El Paso, CO	
1740 Columbia MO	0.8920
Boone, MO	
1760 Columbia, SC	0.9557
Lexington, SC	
Richland, SC	
1800 Columbus, GA-AL	0.8531
Russell, AL	
Chattanooga, GA	
Harris, GA	
Muscogee, GA	
1840 Columbus, OH	0.9573
Delaware, OH	
Fairfield, OH	
Franklin, OH	
Licking, OH	
Madison, OH	
Pickaway, OH	
1880 Corpus Christi, TX	0.8746
Nueces, TX	
San Patricio, TX	
1890 Corvallis, OR	1.1326
Benton, OR	
1900 Cumberland, MD-WV	0.8369
Allegany MD	
Mineral WV	
1920 Dallas, TX	0.9792
Collin, TX	
Dallas, TX	
Denton, TX	
Ellis, TX	
Henderson, TX	
Hunt, TX	
Kaufman, TX	
Rockwall, TX	
1950 Danville, VA	0.8589
Danville City, VA	
Pittsylvania, VA	
1960 Davenport-Moline-Rock Island, IA-IL	0.8897
Scott, IA	
Henry, IL	
Rock Island, IL	
2000 Dayton-Springfield, OH	0.9384
Clark, OH	
Greene, OH	
Miami, OH	
Montgomery, OH	
2020 Daytona Beach, FL	0.9165

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Flagler, FL	
Volusia, FL	
2030 Decatur, AL	0.8534
Lawrence, AL	
Morgan, AL	
2040 Decatur, IL	0.8095
Macon, IL	
2080 Denver, CO	1.0120
Adams, CO	
Arapahoe, CO	
Denver, CO	
Douglas, CO	
Jefferson, CO	
2120 Des Moines, IA	0.9073
Dallas, IA	
Polk, IA	
Warren, IA	
2160 Detroit, MI	1.0364
Lapeer, MI	
Macomb, MI	
Monroe, MI	
Oakland, MI	
St. Clair, MI	
Wayne, MI	
2180 Dothan, AL	0.7943
Dale, AL	
Houston, AL	
2190 Dover, DE	1.0078
Kent, DE	
2200 Dubuque, IA	0.8746
Dubuque, IA	
2240 Duluth-Superior, MN-WI	1.0032
St. Louis, MN	
Douglas, WI	
2281 Dutchess County, NY	1.0187
Dutchess, NY	
2290 Eau Claire, WI	0.8761
Chippewa, WI	
Eau Claire, WI	
2320 El Paso, TX	0.9332
El Paso, TX	
2330 Elkhart-Goshen, IN	0.9145
Elkhart, IN	
2335 Elmira, NY	0.8546
Chemung, NY	
2340 Enid, OK	0.8610
Garfield, OK	
2360 Erie, PA	0.8892
Erie, PA	
2400 Eugene-Springfield, OR	1.0960
Lane, OR	
2440 Evansville-Henderson, IN-KY	0.8137
Posey, IN	
Vanderburgh, IN	
Warrick, IN	
Henderson, KY	
2520 Fargo-Moorhead, ND-MN	0.8750
Clay, MN	
Cass, ND	
2560 Fayetteville, NC	0.8655
Cumberland, NC	
2580 Fayetteville-Springdale-Rogers, AR	0.7910
Benton, AR	
Washington, AR	
2620 Flagstaff, AZ-UT	1.0681
Coconino, AZ	
Kane, UT	
2640 Flint, MI	1.1153

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Genesee, MI	
2650 Florence, AL	0.7616
Colbert, AL	
Lauderdale, AL	
2655 Florence, SC	0.8737
Florence, SC	
2670 Fort Collins-Loveland, CO	1.0620
Larimer, CO	
2680 Ft. Lauderdale, FL	1.0118
Broward, FL	
2700 Fort Myers-Cape Coral, FL	0.9247
Lee, FL	
2710 Fort Pierce-Port St. Lucie, FL	0.9538
Martin, FL	
St. Lucie, FL	
2720 Fort Smith, AR-OK	0.8052
Crawford, AR	
Sebastian, AR	
Sequoyah, OK	
2750 Fort Walton Beach, FL	0.9607
Okaloosa, FL	
2760 Fort Wayne, IN	0.8647
Adams, IN	
Allen, IN	
De Kalb, IN	
Huntington, IN	
Wells, IN	
Whitley, IN	
2800 Forth Worth-Arlington, TX	0.9392
Hood, TX	
Johnson, TX	
Parker, TX	
Tarrant, TX	
2840 Fresno, CA	1.0057
Fresno, CA	
Madera, CA	
2880 Gadsden, AL	0.8423
Etowah, AL	
2900 Gainesville, FL	0.9741
Alachua, FL	
2920 Galveston-Texas City, TX	0.9796
Galveston, TX	
2960 Gary, IN	0.9451
Lake, IN	
Porter, IN	
2975 Glens Falls, NY	0.8361
Warren, NY	
Washington, NY	
2980 Goldsboro, NC	0.8423
Wayne, NC	
2985 Grand Forks, ND-MN	0.8774
Polk, MN	
Grand Forks, ND	
2995 Grand Junction, CO	0.8947
Mesa, CO	
3000 Grand Rapids-Muskegon-Holland, MI	1.0070
Allegan, MI	
Kent, MI	
Muskegon, MI	
Ottawa, MI	
3040 Great Falls, MT	0.9065
Cascade, MT	
3060 Greeley, CO	0.9664
Weld, CO	
3080 Green Bay, WI	0.9207
Brown, WI	
3120 Greensboro-Winston-Salem-High Point, NC	0.9068
Alamance, NC	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index	MSA and urban area (constituent counties or county equivalents)	Wage index	MSA and urban area (constituent counties or county equivalents)	Wage index
Davidson, NC		Marion, IN		Blount, TN	
Davie, NC		Morgan, IN		Knox, TN	
Forsyth, NC		Shelby, IN		Loudon, TN	
Guilford, NC		3500 Iowa City, IA	0.9537	Sevier, TN	
Randolph, NC		Johnson, IA		Union, TN	
Stokes, NC		3520 Jackson, MI	0.9134	3850 Kokomo, IN	0.9518
Yadkin, NC		Jackson, MI		Howard, IN	
3150 Greenville, NC	0.9402	3560 Jackson, MS	0.8749	Tipton, IN	
Pitt, NC		Hinds, MS		3870 La Crosse, WI-MN	0.9197
3160 Greenville-Spartanburg-An-		Madison, MS		Houston, MN	
derson, SC	0.8894	Rankin, MS		La Crosse, WI	
Anderson, SC		3580 Jackson, TN	0.8796	3880 Lafayette, LA	0.8390
Cherokee, SC		Chester, TN		Acadia, LA	
Greenville, SC		Madison, TN		Lafayette, LA	
Pickens, SC		3600 Jacksonville, FL	0.9186	St. Landry, LA	
Spartanburg, SC		Clay, FL		St. Martin, LA	
3180 Hagerstown, MD	0.9409	Duval, FL		3920 Lafayette, IN	0.8834
Washington, MD		Nassau, FL		Clinton, IN	
3200 Hamilton-Middletown, OH	0.9061	St. Johns, FL		Tippecanoe, IN	
Butler, OH		3605 Jacksonville, NC	0.7777	3960 Lake Charles, LA	0.7399
3240 Harrisburg-Lebanon-Carlisle,		Onslow, NC		Calcasieu, LA	
PA	0.9338	3610 Jamestown, NY	0.7818	3980 Lakeland-Winter Haven, FL ..	0.9239
Cumberland, PA		Chautauqua, NY		Polk, FL	
Dauphin, PA		3620 Janesville-Beloit, WI	0.9587	4000 Lancaster, PA	0.9247
Lebanon, PA		Rock, WI		Lancaster, PA	
Perry, PA		3640 Jersey City, NJ	1.1440	4040 Lansing-East Lansing, MI	0.9880
3283 Hartford, CT	1.1236	Hudson, NJ		Clinton, MI	
Hartford, CT		3660 Johnson City-Kingsport-Bris-		Eaton, MI	
Litchfield, CT		tol, TN-VA	0.8272	Ingham, MI	
Middlesex, CT		Carter, TN		4080 Laredo, TX	0.8168
Tolland, CT		Hawkins, TN		Webb, TX	
3285 Hattiesburg, MS	0.7490	Sullivan, TN		4100 Las Cruces, NM	0.8639
Forrest, MS		Unicoi, TN		Dona Ana, NM	
Lamar, MS		Washington, TN		4120 Las Vegas, NV-AZ	1.0796
3290 Hickory-Morganton-Lenoir,		Bristol City, VA		Mohave, AZ	
NC	0.9008	Scott, VA		Clark, NV	
Alexander, NC		Washington, VA		Nye, NV	
Burke, NC		3680 Johnstown, PA	0.8767	4150 Lawrence, KS	0.8190
Caldwell, NC		Cambria, PA		Douglas, KS	
Catawba, NC		Somerset, PA		4200 Lawton, OK	0.8996
3320 Honolulu, HI	1.1865	3700 Jonesboro, AR	0.7831	Comanche, OK	
Honolulu, HI		Craighead, AR		4243 Lewiston-Auburn, ME	0.9003
3350 Houma, LA	0.8100	3710 Joplin, MO	0.8148	Androscoggin, ME	
Lafourche, LA		Jasper, MO		4280 Lexington, KY	0.8774
Terrebonne, LA		Newton, MO		Bourbon, KY	
3360 Houston, TX	0.9663	3720 Kalamazoo-Battlecreek, MI ...	1.0440	Clark, KY	
Chambers, TX		Calhoun, MI		Fayette, KY	
Fort Bend, TX		Kalamazoo, MI		Jessamine, KY	
Harris, TX		Van Buren, MI		Madison, KY	
Liberty, TX		3740 Kankakee, IL	0.9902	Scott, KY	
Montgomery, TX		Kankakee, IL		Woodford, KY	
Waller, TX		3760 Kansas City, KS-MO	0.9458	4320 Lima, OH	0.9320
3400 Huntington-Ashland, WV-		Johnson, KS		Allen, OH	
KY-OH	0.9876	Leavenworth, KS		Auglaize, OH	
Boyd, KY		Miami, KS		4360 Lincoln, NE	0.9619
Carter, KY		Wyandotte, KS		Lancaster, NE	
Greenup, KY		Cass, MO		4400 Little Rock-North Little, AR ...	0.8908
Lawrence, OH		Clay, MO		Faulkner, AR	
Cabell, WV		Clinton, MO		Lonoke, AR	
Wayne, WV		Jackson, MO		Pulaski, AR	
3440 Huntsville, AL	0.8932	Lafayette, MO		Saline, AR	
Limestone, AL		Platte, MO		4420 Longview-Marshall, TX	0.8922
Madison, AL		Ray, MO		Gregg, TX	
3480 Indianapolis, IN	0.9747	3800 Kenosha, WI	0.9611	Harrison, TX	
Boone, IN		Kenosha, WI		Upshur, TX	
Hamilton, IN		3810 Killeen-Temple, TX	1.0164	4480 Los Angeles-Long Beach, CA	1.1984
Hancock, IN		Bell, TX		Los Angeles, CA	
Hendricks, IN		Coryell, TX		4520 Louisville, KY-IN	0.9261
Johnson, IN		3840 Knoxville, TN	0.8221	Clark, IN	
Madison, IN		Anderson, TN		Floyd, IN	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Harrison, IN	
Scott, IN	
Bullitt, KY	
Jefferson, KY	
Oldham, KY	
4600 Lubbock, TX	0.8848
Lubbock, TX	
4640 Lynchburg, VA	0.8851
Amherst, VA	
Bedford City, VA	
Bedford, VA	
Campbell, VA	
Lynchburg City, VA	
4680 Macon, GA	0.8848
Bibb, GA	
Houston, GA	
Jones, GA	
Peach, GA	
Twiggs, GA	
4720 Madison, WI	1.0316
Dane, WI	
4800 Mansfield, OH	0.8690
Crawford, OH	
Richland, OH	
4840 Mayaguez, PR	0.4577
Anasco, PR	
Cabo Rojo, PR	
Hormigueros, PR	
Mayaguez, PR	
Sabana Grande, PR	
San German, PR	
4880 McAllen-Edinburg-Mission, TX	0.8566
Hidalgo, TX	
4890 Medford-Ashland, OR	1.0344
Jackson, OR	
4900 Melbourne-Titusville-Palm Bay, FL	0.9688
Brevard, FL	
4920 Memphis, TN-AR-MS	0.8688
Crittenden, AR	
De Soto, MS	
Fayette, TN	
Shelby, TN	
Tipton, TN	
4940 Merced, CA	0.9559
Merced, CA	
5000 Miami, FL	1.0110
Dade, FL	
5015 Middlesex-Somerset-Hunterdon, NJ	1.0987
Hunterdon, NJ	
Middlesex, NJ	
Somerset, NJ	
5080 Milwaukee-Waukesha, WI	0.9664
Milwaukee, WI	
Ozaukee, WI	
Washington, WI	
Waukesha, WI	
5120 Minneapolis-St. Paul, MN-WI	1.0971
Anoka, MN	
Carver, MN	
Chisago, MN	
Dakota, MN	
Hennepin, MN	
Isanti, MN	
Ramsey, MN	
Scott, MN	
Sherburne, MN	
Washington, MN	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Wright, MN	
Pierce, WI	
St. Croix, WI	
5140 Missoula, MT	0.9274
Missoula, MT	
5160 Mobile, AL	0.8006
Baldwin, AL	
Mobile, AL	
5170 Modesto, CA	1.0401
Stanislaus, CA	
5190 Monmouth-Ocean, NJ	1.1293
Monmouth, NJ	
Ocean, NJ	
5200 Monroe, LA	0.8316
Ouachita, LA	
5240 Montgomery, AL	0.7642
Autauga, AL	
Elmore, AL	
Montgomery, AL	
5280 Muncie, IN	1.0683
Delaware, IN	
5330 Myrtle Beach, SC	0.8440
Horry, SC	
5345 Naples, FL	0.9661
Collier, FL	
5360 Nashville, TN	0.9327
Cheatham, TN	
Davidson, TN	
Dickson, TN	
Robertson, TN	
Rutherford, TN	
Sumner, TN	
Williamson, TN	
Wilson, TN	
5380 Nassau-Suffolk, NY	1.3784
Nassau, NY	
Suffolk, NY	
5483 New Haven-Bridgeport-Stamford-Waterbury-Danbury, CT	1.2192
Fairfield, CT	
New Haven, CT	
5523 New London-Norwich, CT	1.2061
New London, CT	
5560 New Orleans, LA	0.9235
Jefferson, LA	
Orleans, LA	
Plaquemines, LA	
St. Bernard, LA	
St. Charles, LA	
St. James, LA	
St. John The Baptist, LA	
St. Tammany, LA	
5600 New York, NY	1.4483
Bronx, NY	
Kings, NY	
New York, NY	
Putnam, NY	
Queens, NY	
Richmond, NY	
Rockland, NY	
Westchester, NY	
5640 Newark, NJ	1.1828
Essex, NJ	
Morris, NJ	
Sussex, NJ	
Union, NJ	
Warren, NJ	
5660 Newburgh, NY-PA	1.0847
Orange, NY	
Pike, PA	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
5720 Norfolk-Virginia Beach-Newport News, VA-NC	0.8374
Currituck, NC	
Chesapeake City, VA	
Gloucester, VA	
Hampton City, VA	
Isle of Wight, VA	
James City, VA	
Mathews, VA	
Newport News City, VA	
Norfolk City, VA	
Poquoson City, VA	
Portsmouth City, VA	
Suffolk City, VA	
Virginia Beach City, VA	
Williamsburg City, VA	
York, VA	
5775 Oakland, CA	1.5029
Alameda, CA	
Contra Costa, CA	
5790 Ocala, FL	0.9243
Marion, FL	
5800 Odessa-Midland, TX	0.9206
Ector, TX	
Midland, TX	
5880 Oklahoma City, OK	0.8774
Canadian, OK	
Cleveland, OK	
Logan, OK	
McClain, OK	
Oklahoma, OK	
Pottawatomie, OK	
5910 Olympia, WA	1.0689
Thurston, WA	
5920 Omaha, NE-IA	0.9470
Pottawattamie, IA	
Cass, NE	
Douglas, NE	
Sarpy, NE	
Washington, NE	
5945 Orange County, CA	1.1453
Orange, CA	
5960 Orlando, FL	0.9550
Lake, FL	
Orange, FL	
Osceola, FL	
Seminole, FL	
5990 Owensboro, KY	0.8159
Daviess, KY	
6015 Panama City, FL	0.9010
Bay, FL	
6020 Parkersburg-Marietta, WV-OH	0.8258
Washington, OH	
Wood, WV	
6080 Pensacola, FL	0.8176
Escambia, FL	
Santa Rosa, FL	
6120 Peoria-Pekin, IL	0.8494
Peoria, IL	
Tazewell, IL	
Woodford, IL	
6160 Philadelphia, PA-NJ	1.0753
Burlington, NJ	
Camden, NJ	
Gloucester, NJ	
Salem, NJ	
Bucks, PA	
Chester, PA	
Delaware, PA	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Montgomery, PA Philadelphia, PA	
6200 Phoenix-Mesa, AZ	0.9628
Maricopa, AZ Pinal, AZ	
6240 Pine Bluff, AR	0.7771
Jefferson, AR	
6280 Pittsburgh, PA	0.9570
Allegheny, PA Beaver, PA Butler, PA Fayette, PA Washington, PA Westmoreland, PA	
6323 Pittsfield, MA	1.0130
Berkshire, MA	
6340 Pocatello, ID	0.9076
Bannock, ID	
6360 Ponce, PR	0.4993
Guayanilla, PR Juana Diaz, PR Penuelas, PR Ponce, PR Villalba, PR Yauco, PR	
6403 Portland, ME	0.9687
Cumberland, ME Sagadahoc, ME York, ME	
6440 Portland-Vancouver, OR—WA	1.0913
Clackamas, OR Columbia, OR Multnomah, OR Washington, OR Yamhill, OR Clark, WA	
6483 Providence-Warwick-Paw-tucket, RI	1.0771
Bristol, RI Kent, RI Newport, RI Providence, RI Washington, RI	
6520 Provo-Orem, UT	1.0014
Utah, UT	
6560 Pueblo, CO	0.8783
Pueblo, CO	
6580 Punta Gorda, FL	0.9602
Charlotte, FL	
6600 Racine, WI	0.9231
Racine, WI	
6640 Raleigh-Durham-Chapel Hill, NC	0.9583
Chatham, NC Durham, NC Franklin, NC Johnston, NC Orange, NC Wake, NC	
6660 Rapid City, SD	0.8779
Pennington, SD	
6680 Reading, PA	0.9105
Berks, PA	
6690 Redding, CA	1.1641
Shasta, CA	
6720 Reno, NV	1.0550
Washoe, NV	
6740 Richland-Kennewick-Pasco, WA	1.1460
Benton, WA	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Franklin, WA	
6760 Richmond-Petersburg, VA	0.9618
Charles City County, VA Chesterfield, VA Colonial Heights City, VA Dinwiddie, VA Goochland, VA Hanover, VA Henrico, VA Hopewell City, VA New Kent, VA Petersburg City, VA Powhatan, VA Prince George, VA Richmond City, VA	
6780 Riverside-San Bernardino, CA	1.1229
Riverside, CA San Bernardino, CA	
6800 Roanoke, VA	0.8663
Botetourt, VA Roanoke, VA Roanoke City, VA Salem City, VA	
6820 Rochester, MN	1.1334
Olmsted, MN	
6840 Rochester, NY	0.8991
Genesee, NY Livingston, NY Monroe, NY Ontario, NY Orleans, NY Wayne, NY	
6880 Rockford, IL	0.8819
Boone, IL Ogle, IL Winnebago, IL	
6895 Rocky Mount, NC	0.8849
Edgecombe, NC Nash, NC	
6920 Sacramento, CA	1.1932
El Dorado, CA Placer, CA Sacramento, CA	
6960 Saginaw-Bay City-Midland, MI	0.9557
Bay, MI Midland, MI Saginaw, MI	
6980 St. Cloud, MN	0.9994
Benton, MN Stearns, MN	
7000 St. Joseph, MO	0.9071
Andrews, MO Buchanan, MO	
7040 St. Louis, MO—IL	0.8947
Clinton, IL Jersey, IL Madison, IL Monroe, IL St. Clair, IL Franklin, MO Jefferson, MO Lincoln, MO St. Charles, MO St. Louis, MO St. Louis City, MO Warren, MO Sullivan City, MO	
7080 Salem, OR	1.0189

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Marion, OR	
Polk, OR	
7120 Salinas, CA	1.4518
Monterey, CA	
7160 Salt Lake City-Ogden, UT	0.9782
Davis, UT Salt Lake, UT Weber, UT	
7200 San Angelo, TX	0.8083
Tom Green, TX	
7240 San Antonio, TX	0.8540
Bexar, TX Comal, TX Guadalupe, TX Wilson, TX	
7320 San Diego, CA	1.1784
San Diego, CA	
7360 San Francisco, CA	1.4250
Marin, CA San Francisco, CA San Mateo, CA	
7400 San Jose, CA	1.3759
Santa Clara, CA	
7440 San Juan-Bayamon, PR	0.4651
Aguas Buenas, PR Barceloneta, PR Bayamon, PR Canovanas, PR Carolina, PR Catano, PR Ceiba, PR Comerio, PR Corozal, PR Dorado, PR Fajardo, PR Florida, PR Guaynabo, PR Humacao, PR Juncos, PR Los Piedras, PR Loiza, PR Luguillo, PR Manati, PR Morovis, PR Naguabo, PR Naranjito, PR Rio Grande, PR San Juan, PR Toa Alta, PR Toa Baja, PR Trujillo Alto, PR Vega Alta, PR Vega Baja, PR Yabucoa, PR	
7460 San Luis Obispo-Atascadero-Paso Robles, CA	1.0673
San Luis Obispo, CA	
7480 Santa Barbara-Santa Maria-Lompoc, CA	1.0580
Santa Barbara, CA	
7485 Santa Cruz-Watsonville, CA	1.4040
Santa Cruz, CA	
7490 Santa Fe, NM	1.0538
Los Alamos, NM Santa Fe, NM	
7500 Santa Rosa, CA	1.2649
Sonoma, CA	
7510 Sarasota-Bradenton, FL	0.9809

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Manatee, FL	
Sarasota, FL	
7520 Savannah, GA	0.9601
Bryan, GA	
Chatham, GA	
Effingham, GA	
7560 Scranton-Wilkes-Barre-Hazleton, PA	0.8401
Columbia, PA	
Lackawanna, PA	
Luzerne, PA	
Wyoming, PA	
7600 Seattle-Bellevue-Everett, WA	1.0985
Island, WA	
King, WA	
Snohomish, WA	
7610 Sharon, PA	0.7900
Mercer, PA	
7620 Sheboygan, WI	0.8379
Sheboygan, WI	
7640 Sherman-Denison, TX	0.8694
Grayson, TX	
7680 Shreveport-Bossier City, LA	0.8705
Bossier, LA	
Caddo, LA	
Webster, LA	
7720 Sioux City, IA—NE	0.8471
Woodbury, IA	
Dakota, NE	
7760 Sioux Falls, SD	0.8790
Lincoln, SD	
Minnehaha, SD	
7800 South Bend, IN	0.9848
St. Joseph, IN	
7840 Spokane, WA	1.0496
Spokane, WA	
7880 Springfield, IL	0.8656
Menard, IL	
Sangamon, IL	
7920 Springfield, MO	0.8484
Christian, MO	
Greene, MO	
Webster, MO	
8003 Springfield, MA	1.0485
Hampden, MA	
Hampshire, MA	
8050 State College, PA	0.9022
Centre, PA	
8080 Steubenville-Weirton, OH—WV	0.8548
Jefferson, OH	
Brooke, WV	
Hancock, WV	
8120 Stockton-Lodi, CA	1.0606
San Joaquin, CA	
8140 Sumter, SC	0.8271
Sumter, SC	
8160 Syracuse, NY	0.9378
Cayuga, NY	
Madison, NY	
Onondaga, NY	
Oswego, NY	
8200 Tacoma, WA	1.1553
Pierce, WA	
8240 Tallahassee, FL	0.8482
Gadsden, FL	
Leon, FL	
8280 Tampa-St. Petersburg-Clearwater, FL	0.8960
Hernando, FL	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Hillsborough, FL	
Pasco, FL	
Pinellas, FL	
8320 Terre Haute, IN	0.8268
Clay, IN	
Vermillion, IN	
Vigo, IN	
8360 Texarkana, AR—Texarkana, TX	0.8341
Miller, AR	
Bowie, TX	
8400 Toledo, OH	0.9742
Fulton, OH	
Lucas, OH	
Wood, OH	
8440 Topeka, KS	0.9051
Shawnee, KS	
8480 Trenton, NJ	1.0113
Mercer, NJ	
8520 Tucson, AZ	0.8785
Pima, AZ	
8560 Tulsa, OK	0.8480
Creek, OK	
Osage, OK	
Rogers, OK	
Tulsa, OK	
Wagoner, OK	
8600 Tuscaloosa, AL	0.8064
Tuscaloosa, AL	
8640 Tyler, TX	0.9340
Smith, TX	
8680 Utica-Rome, NY	0.8547
Herkimer, NY	
Oneida, NY	
8720 Vallejo-Fairfield-Napa, CA	1.2849
Napa, CA	
Solano, CA	
8735 Ventura, CA	1.1040
Ventura, CA	
8750 Victoria, TX	0.8154
Victoria, TX	
8760 Vineland-Millville-Bridgeton, NJ	1.0501
Cumberland, NJ	
8780 Visalia-Tulare-Porterville, CA	0.9551
Tulare, CA	
8800 Waco, TX	0.8253
McLennan, TX	
8840 Washington, DC—MD—VA—WV	1.0711
District of Columbia, DC	
Calvert, MD	
Charles, MD	
Frederick, MD	
Montgomery, MD	
Prince Georges, MD	
Alexandria City, VA	
Arlington, VA	
Clarke, VA	
Culpepper, VA	
Fairfax, VA	
Fairfax City, VA	
Falls Church City, VA	
Fauquier, VA	
Fredericksburg City, VA	
King George, VA	
Loudoun, VA	
Manassas City, VA	
Manassas Park City, VA	
Prince William, VA	

TABLE 3A.—WAGE INDEX FOR URBAN AREAS—Continued

MSA and urban area (constituent counties or county equivalents)	Wage index
Spotsylvania, VA	
Stafford, VA	
Warren, VA	
Berkeley, WV	
Jefferson, WV	
8920 Waterloo-Cedar Falls, IA	0.8404
Black Hawk, IA	
8940 Wausau, WI	0.9418
Marathon, WI	
8960 West Palm Beach-Boca Raton, FL	0.9699
Palm Beach, FL	
9000 Wheeling, OH—WV	0.7665
Belmont, OH	
Marshall, WV	
Ohio, WV	
9040 Wichita, KS	0.9502
Butler, KS	
Harvey, KS	
Sedgwick, KS	
9080 Wichita Falls, TX	0.7647
Archer, TX	
Wichita, TX	
9140 Williamsport, PA	0.8332
Lycoming, PA	
9160 Wilmington-Newark, DE—MD	1.0826
New Castle, DE	
Cecil, MD	
9200 Wilmington, NC	0.9394
New Hanover, NC	
Brunswick, NC	
9260 Yakima, WA	0.9876
Yakima, WA	
9270 Yolo, CA	1.0199
Yolo, CA	
9280 York, PA	0.9196
York, PA	
9320 Youngstown-Warren, OH	0.9477
Columbiana, OH	
Mahoning, OH	
Trumbull, OH	
9340 Yuba City, CA	1.0706
Sutter, CA	
Yuba, CA	
9360 Yuma, AZ	0.9529
Yuma, AZ	

TABLE 3B.—WAGE INDEX FOR RURAL AREAS

Nonurban area	Wage index
Alabama	0.7483
Alaska	1.2380
Arizona	0.8309
Arkansas	0.7444
California	0.9857
Colorado	0.8967
Connecticut	1.1715
Delaware	0.9058
Florida	0.8918
Georgia	0.8326
Guam	
Hawaii	1.1053
Idaho	0.8650
Illinois	0.8152
Indiana	0.8602
Iowa	0.8000

TABLE 3B.—WAGE INDEX FOR RURAL AREAS—Continued

Nonurban area	Wage index
Kansas	0.7574
Kentucky	0.7921
Louisiana	0.7655
Maine	0.8736
Maryland	0.8651
Massachusetts	1.1205
Michigan	0.8969
Minnesota	0.8864
Mississippi	0.7481
Missouri	0.7693
Montana	0.8679
Nebraska	0.8055
Nevada	0.9228
New Hampshire	0.9741
New Jersey ¹
New Mexico	0.8495
New York	0.8472
North Carolina	0.8437
North Dakota	0.7676
Ohio	0.8663
Oklahoma	0.7484
Oregon	1.0124
Pennsylvania	0.8535
Puerto Rico	0.4264
Rhode Island ¹
South Carolina	0.8369
South Dakota	0.7550
Tennessee	0.7836
Texas	0.7490
Utah	0.9029
Vermont	0.9266
Virginia	0.8181
Virgin Islands
Washington	1.0422
West Virginia	0.8206
Wisconsin	0.8865

TABLE 3B.—WAGE INDEX FOR RURAL AREAS—Continued

Nonurban area	Wage index
Wyoming	0.8805

¹ All counties within the State are classified urban.

The resulting wage-adjusted labor-related portion is added to the nonlabor-related portion, resulting in a wage-adjusted payment. The following example illustrates how a Medicare fiscal intermediary would calculate the wage-adjusted Federal prospective payment for IRF services with a hypothetical Federal prospective payment of \$10,000 for services provided in the rehabilitation facility located in Heartland, USA. The IRF wage index value for facilities located in Heartland, USA is 1.0234. The labor-related portion (72.395 percent) of the Federal prospective payment is \$7,239.50 = (\$10,000*72.395 percent), and the nonlabor related portion (27.605 percent) of the Federal prospective payment is \$2,760.50 = (\$10,000*27.605 percent). Therefore, the wage-adjusted payment calculation is as follows: \$10,169.40 = (\$7,239.50*1.0234) + \$2,760.50.

G. Examples of Computing the Total Adjusted IRF Prospective Payments

We will adjust the Federal prospective payments, described above,

to account for geographic wage variation, low-income patients and, if applicable, facilities located in rural areas.

To illustrate the methodology that we will use for adjusting the Federal prospective payments, we provide the following example. One beneficiary is in rehabilitation facility A and another beneficiary is in rehabilitation facility B.

Rehabilitation facility A's disproportionate share hospital (DSH) adjustment is 5 percent, with a low-income patient (LIP) adjustment of 1.0239 and a wage index of 0.987, and the facility is located in a rural area.

Rehabilitation facility B's DSH is 15 percent, with a LIP adjustment of 1.0700 and a wage index of 1.234, and the facility is located in an urban area. Both Medicare beneficiaries are classified to CMG 0111 (without comorbidities). This CMG represents a stroke with motor scores in the 27 to 33 range and the patient is between 82 and 88 years old. To calculate each IRF's total adjusted Federal prospective payment, we compute the wage-adjusted Federal prospective payment and multiply the result by the appropriate DSH adjustment and the rural adjustment (if applicable). The following table illustrates the components of the adjusted payment calculation.

TABLE 4.—EXAMPLES OF COMPUTING AN IRF'S FEDERAL PROSPECTIVE PAYMENT

	Facility A	Facility B
Federal Prospective Payment	\$20,570.81	\$20,570.81
Labor Share	× .72395	× .72395
Labor Portion of Federal Payment	= \$14,892.24	= \$14,892.24
Wage Index	× 0.987	× 1.234
Wage-Adjusted Amount	= \$14,698.64	= \$18,377.02
Non-Labor Amount	+ \$5,678.57	+ \$5,678.57
Wage-Adjusted Federal Payment	\$20,377.21	\$24,055.59
Rural Adjustment	× 1.1914	× 1.0000
Subtotal	= \$24,277.41	= \$24,055.59
DSH Adjustment	× 1.0239	× 1.0700
Total Adjusted Federal Prospective Payment	= \$24,857.64	= \$25,739.48

Thus, the adjusted payment for facility A will be \$24,857.64, and the adjusted payment for facility B will be \$25,739.48.

Computing Total Payments Under the IRF PPS for the Transition Period

Section 1886(j)(1) of the Act and § 412.626 describe how to compute a facility's payment during a transition period. Under the transition period, the prospective payment amount consists of

a portion of the amount the facility would have been paid if the PPS had not been implemented (the facility-specific payment) and a portion of the adjusted Federal prospective payment. Under § 412.626, for cost reporting periods beginning on or after January 1,

2002 and before October 1, 2002, payment would consist of 33⅓ percent of the amount of the facility-specific payment and 66⅔ percent of the IRF adjusted Federal prospective payment. For cost reporting periods beginning on or after October 1, 2002, payment would be 100 percent of the adjusted Federal prospective payment.

Section 305(b)(1)(C) of the BIPA added section 1886(j)(1)(F) to the Act, which allows an IRF to elect to be paid 100 percent of the adjusted Federal prospective payment for each cost reporting period to which the blended payment methodology would otherwise apply. This provision of the BIPA is effective as though it were included upon enactment of the BBA.

The FY 2003 IRF PPS rates set forth in this notice will apply to all discharges on or after October 1, 2002 and before October 1, 2003. Payment for IRFs with cost reporting periods under the transition methodology will consist of 66⅔ percent of the FY 2003 Federal prospective payment and 33⅓ percent of the facility-specific payment. Payment for IRFs that elected not to be paid under the transition methodology will consist of 100 percent of the FY 2003 Federal prospective payment. Payment for IRFs with cost reporting periods beginning on or after October 1, 2002 and before October 1, 2003 will consist of 100 percent of the FY 2003 Federal prospective payment.

Based on the information used to develop the impact analysis for the August 7, 2001 final rule, we estimate that 48 percent of the IRFs have elected not to be paid under the transition payment methodology. Since the implementation of the IRF PPS, the number of these facilities has increased. Currently, there are approximately 1,181 Medicare certified IRFs. Using the above percentage, we estimate that 567 IRFs have elected not to be paid under the transition payment methodology.

II. Future Updates

Medicare payments to IRFs are based on a predetermined national payment rate per discharge. Annual updates to these payment rates are required by section 1886(j)(3)(C) of the Act. These updates are based on increases to the IRF market basket amount. For FY 2003, the update is established at the market basket amount. The IRF market basket, or input price index, developed by our Office of the Actuary (OACT), is just one component in determining a change to the IRF cost per discharge amount. It captures only the pure price change of inputs (labor, materials, and capital) used by an IRF to produce a constant quantity and quality of care. Other

factors also contribute to the change in costs per discharge, which include changes in case-mix, intensity, and productivity.

An update framework, used in combination with the market basket, seeks to enhance the system for updating payments by addressing factors beyond changes in pure input price. Such a framework has been used under the inpatient hospital PPS for years by both CMS and the Medicare Payment Advisory Commission (MedPAC).

In general, an update framework in the context of the IRF PPS would provide a tool for measuring and understanding changes in cost per discharge. This has the potential to support the continued accuracy of IRF payments and ensure that the IRF PPS keeps pace with changing economic and health care market trends. Accordingly, we are examining the potential for developing and using an update framework under the IRF PPS. It has the potential to provide information useful to policy makers in determining the magnitude of the annual updates.

III. Collection of Information Requirements

The current Medicare patient assessment requirements under the IRF PPS are based on section 1886 (j)(2)(D) of the Act and subpart P of section 412 of the regulations. We published the requirements of the IRF patient assessment instrument (PAI) in the August 7, 2001 final rule. Subsequent to the publication of the final rule OMB approved the use of the IRF PAI with modifications that reduced the number of required items to be completed. These requirements will remain in effect for FY 2003 and are not being changed by the updates set forth in this notice.

Section 412.604(c) of the regulations requires an IRF to complete the IRF PAI for each Medicare fee-for-service patient who is admitted to or discharged (or who stopped receiving Medicare Part A inpatient rehabilitation services) from the IRF on or after January 1, 2002. Section 412.606(c) requires that an IRF clinician perform a comprehensive, accurate, standardized, and reproducible assessment of each Medicare fee-for-service patient using the CMS IRF patient assessment instrument as part of his or her assessment. The assessment must include direct patient observation and communication with the patient, and, when appropriate and to the extent feasible, patient data from the patient's physician(s), family, someone personally knowledgeable about the patient's clinical condition or

capabilities, the patient's clinical record, and other sources. Section 412.610(c) of the regulations provides for an assessment upon admission, an assessment upon discharge, and, if the patient is not discharged but stops receiving Medicare Part A covered inpatient rehabilitation services, an assessment at the time he or she stops receiving these services. Section 412.614 of the regulations requires an IRF to encode and transmit the IRF PAI patient data electronically to CMS. The total time necessary to complete and administer all required items of the IRF PAI is estimated to be 269,250 hours. These information collection requirements associated with the Inpatient Rehabilitation Facility Prospective Payment System are currently approved by OMB through July 31, 2005 under OMB number 0938-0842. As we previously stated in this section, we are not proposing any changes to these requirements in this notice.

IV. Waiver of Proposed Rulemaking

We ordinarily publish a proposed notice in the **Federal Register** to provide a period for public comment before the provisions of a notice such as this take effect. We can waive this procedure, however, if we find good cause that a notice-and-comment procedure is impracticable, unnecessary, or contrary to the public interest and we incorporate a statement of finding and its reasons in the notice issued. We find it is unnecessary to undertake notice and comment rulemaking as the statute requires annual updates, and this notice does not make any substantive changes in policy, but merely reflects the application of previously established methodologies. Therefore, under 5 U.S.C. 553(b)(B), for good cause, we waive notice and comment procedures.

V. Regulatory Impact Analysis

A. Introduction

The August 7, 2001 final rule established the IRF PPS for the payment of Medicare services for cost reporting periods beginning on or after January 1, 2002. We incorporated a number of elements into the IRF PPS, such as case-level adjustments, a wage adjustment, an adjustment for the percentage of low-income patients, a rural adjustment, and outlier payments. This notice sets forth updates of the IRF PPS rates contained in the August 7, 2001 final rule.

The purpose of this notice is not to initiate policy changes with regard to the IRF PPS; rather, it is to provide an update to the IRF payment rates for discharges during FY 2003. While the

updates set forth in this notice will have a positive effect upon all IRFs, some providers may experience decreases in payments. Specifically, a decrease in an IRF's FY 2003 payments compared to its FY 2002 payments is the result of the effects of eliminating, as required by section 1886(j)(1) of the BBA, the blended payments and transitioning to the full Federal PPS rates, and not the result of the update to the payment rates set forth in this notice.

In constructing these impacts, we do not attempt to predict behavioral responses, and we do not make adjustments for future changes in such variables as discharges 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, susceptible to forecasting errors due to other changes in the forecasted impact time period. Some examples of such possible events are newly legislated general Medicare program funding changes by the Congress, or changes specifically related to IRFs. In addition, changes to the Medicare program may continue to be made as a result of the BBA, the BBRA, the BIPA, or new statutory provisions. Although these changes may not be specific to the IRF 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 IRFs.

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

1. Executive Order 12866

Executive Order 12866 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 annually).

We estimate that the cost to the Medicare program for IRF services in FY 2003 will increase by \$15 million over FY 2002 levels. This increase is due to the combined effect of the changes to

the IRF payment rates from FY 2002 to FY 2003, including an increase in overall payments of \$150 million (attributed to the 3 percent increase), and a decrease in overall payments of \$135 million due to the transition to 100 percent of the IRF Federal payment rates. Because the cost to the Medicare program is less than \$100 million, this notice is not considered a major rule as defined above.

2. Regulatory Flexibility Act (RFA) and Impact on Small Hospitals

The RFA requires agencies to analyze the economic impact of our regulations on small entities. If we determine that the regulation will impose a significant burden on a substantial number of small entities, we must examine options for reducing the burden. For purposes of the RFA, small entities include small businesses, nonprofit organizations, and governmental agencies. Most hospitals are considered small entities, either by nonprofit status or by having receipts of \$6 million to \$29 million in any 1 year. (For details, see the Small Business Administration's regulation that set forth size standards for health care industries at 65 FR 69432.) Because we lack data on individual hospital receipts, we cannot determine the number of small proprietary IRFs. Therefore, we assume that all IRFs are considered small entities for the purpose of the analysis that follows. Medicare fiscal intermediaries and carriers are not considered to be small entities. Individuals and States are not included in the definition of a small entity.

This notice establishes a 3 percent increase to the Federal PPS rates. Although, as illustrated in Table 5, the combined effects of this update and the elimination of blended payments under the transition to the full Federal PPS rates results in a net decrease in aggregate Medicare payments to IRFs in FY 2003, the decreases associated with the transition's expiration are not a result of this notice, but rather, are specifically mandated in existing legislation. In addition, we do not expect an incremental increase of 3 percent to the Medicare Federal rates to have a significant effect on the overall revenues of IRFs. Most IRFs are units of hospitals that provide many different types of services (for example, acute care, outpatient services) and the rehabilitation component of their business is relatively minor in comparison. In addition, IRFs provide services to (and generate revenues from) patients other than Medicare beneficiaries. Accordingly, we certify

that this notice will not have a significant impact on small entities.

Section 1102(b) of the Act requires us to prepare a regulatory impact analysis for any notice that will have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the provisions of section 604 of the RFA. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside of a Metropolitan Statistical Area (MSA) and has fewer than 100 beds.

This notice will not have a significant impact on the operations of small rural hospitals. As indicated above, this notice establishes a 3 percent increase to the Federal PPS rates. While the combined effects of this update and the elimination of blended payments under the transition to the full Federal PPS rates results in a net decrease in aggregate Medicare payments in FY 2003, the decreases associated with the transition's expiration are not a result of this notice, but again, are specifically mandated in existing legislation. In addition, we do not expect an incremental increase of 3 percent to the Federal rates to have a significant effect on overall revenues or operations since most rural hospitals provide many different types of services (for example, acute care, outpatient services) and the rehabilitation component of their business is relatively minor in comparison. Accordingly, we certify that this notice will not have a significant impact on the operations small rural hospitals.

3. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 also requires that agencies assess anticipated costs and benefits before issuing any rule that may result in an expenditure in any 1 year by State, local, or tribal governments, in the aggregate, or by the private sector, of at least \$110 million. This notice will not have an effect on the governments mentioned nor will it affect private sector costs.

4. Executive Order 13132

We examined this notice in accordance with Executive Order 13132 and determined that it will not have any negative impact on the rights, roles, or responsibilities of State, local, or tribal governments.

5. Overall Impact

For the reasons stated above, we have prepared an analysis under the RFA and section 1102(b) of the Act because we have determined that this notice will not have a significant impact on small

entities or the operations of small rural hospitals.

B. Anticipated Effects of the Notice

We discuss below the impacts of this notice on the Federal budget and on IRFs.

1. Budgetary Impact

Section 1886(j)(3)(C) of the Act requires annual updates to the IRF PPS payment rates. We project that updating the IRF PPS for discharges occurring on or after October 1, 2002 and before October 1, 2003 will cost the Medicare program \$15 million. The budgetary impact is the result of the combined effects associated with the payment updates and the effect of IRFs transitioning from the phase-in of the implementation payment rates to the full Federal IRF PPS payment rates.

2. Impact on Providers

For the impact analyses shown in the August 7, 2001 final rule, we simulate payments for 1,024 facilities. To construct the impact analyses set forth in this notice, we use the latest available data. These data are the same data that were used in constructing the impact analyses displayed in the August 7, 2001 final rule. Table 5, Projected Impact of FY 2003 Update to the IRF PPS, which appears in section V.B.4 of this notice, reflects the estimated monetary changes among the various classifications of IRFs for discharges occurring on or after October 1, 2002 and before October 1, 2003.

3. Calculation of the Estimated FY 2002 IRF Prospective Payments

To estimate payments under the IRF PPS for FY 2002, we multiplied each facility's case-mix index by the facility's number of Medicare discharges, the budget neutral conversion factor, the applicable wage index, a low-income patient adjustment, and a rural adjustment (if applicable). The adjustments include the following:

- The wage adjustment, calculated as follows: $(.27605 + (.72395 \times \text{Wage Index}))$.
- The disproportionate share adjustment, calculated as follows: $(1 + \text{Disproportionate Share Percentage})$ raised to the power of .4838).
- The rural adjustment, if applicable, calculated by multiplying payments by 1.1914.

After calculating the Federal rate payments for each facility, we blended together the appropriate percentages of the current payments (see discussion in August 7, 2001 final rule (66 FR 41368 through 41369)) and the new Federal rate payments to determine the appropriate amount for the first year of implementation of the IRF PPS. Specifically, to calculate payments for an IRF with a cost reporting period beginning on or after January 1, 2002 and before October 1, 2002, we combine 33⅓ percent of the facility's historical payment amount with 66⅔ percent of the new Federal rate payment amount. However, for those providers that would have received higher payments under

100 percent of the IRF PPS than they would have if the system had not been in effect, we simulated their payments as though they chose not to be paid under the transition payment methodology. (We estimated that 48 percent of the IRFs have elected not to be paid under the transition payment methodology.)

4. Calculation of the Estimated FY 2003 IRF Prospective Payments

To calculate FY 2003 payments, we use the payment rates described in this notice that reflect the 3 percent market basket increase factor. Further, we use the same facility level adjustments described above. The impacts also reflect the transition to the fully phased-in IRF prospective payments.

Table 5 illustrates the aggregate impact of the estimated FY 2003 updated payments among the various classifications of facilities compared to the estimated IRF PPS payment rates applicable for FY 2002.

The first column, Facility Classifications, identifies the type of facility. The second column identifies the number of facilities for each classification type, and the third column lists the number of cases. The fourth column reflects the effect of IRFs transitioning from the phase-in of the implementation payment rates to the full Federal IRF PPS payment rates, and the last column reflects the combined changes including the update to the FY 2002 payment rates by 3 percent.

TABLE 5.—PROJECTED IMPACT OF FY 2003 UPDATE TO THE IRF PPS

Facility classifications	Number of facilities	Number of cases	Transition (percent)	Total change (percent)
Total	1,024	347,809	-2.6	0.3
Urban unit	725	206,926	-2.5	0.5
Rural unit	131	26,507	-2.2	0.7
Urban freestanding hospital	156	109,691	-2.8	0.1
Rural freestanding hospital	12	4,685	-5.3	-2.5
Total urban	881	316,617	-2.6	0.4
Total rural	143	31,192	-2.8	0.2
Urban By Region				
New England	32	15,039	-2.1	0.8
Middle Atlantic	133	64,042	-2.3	0.7
South Atlantic	112	52,980	-2.2	0.8
East North Central	171	55,071	-2.6	0.3
East South Central	41	23,434	-1.7	1.2
West North Central	70	18,087	-2.2	0.7
West South Central	154	52,346	-4.2	-1.3
Mountain	56	14,655	-2.2	0.8
Pacific	112	20,963	-2.2	0.7
Rural By Region				
New England	4	829	-3.9	-1.1
Middle Atlantic	10	2,424	-1.0	1.9
South Atlantic	20	6,192	-1.1	1.9
East North Central	29	5,152	-2.8	0.1

TABLE 5.—PROJECTED IMPACT OF FY 2003 UPDATE TO THE IRF PPS—Continued

Facility classifications	Number of facilities	Number of cases	Transition (percent)	Total change (percent)
East South Central	10	3,590	-4.6	-1.8
West North Central	22	3,820	-1.8	1.1
West South Central	32	7,317	-4.3	-1.4
Mountain	9	1,042	-0.9	2.1
Pacific	7	826	-3.4	-0.5

As Table 5 illustrates, all IRFs will benefit from the 3 percent market basket increase that is applied to FY 2002 IRF PPS payment rates to develop the FY 2003 rates. However, the overall increase in payments to IRFs is diminished to 0.3 percent due to the effect of IRFs transitioning from the phased-in implementation payment rates to the full Federal IRF PPS payment rates.

The estimated negative impacts displayed in this notice are due to the effect of section 1886(j)(1) of the Act that requires the elimination of the blended payments and transition to the full Federal PPS rate. The fourth column in Table 5 shows this change in estimated payments has an overall negative impact of 2.6 percent. This negative impact is due to the assumption used to develop the impact analyses. We assume that IRFs that would profit more under a fully Federal IRF PPS payment rate than under the blend methodology would have already opted to be paid 100 percent of the FY 2002 IRF PPS payment. Therefore, we presume that those IRFs that did not elect to be paid the full Federal IRF PPS payment rates did so because they would receive more payment under the blended method. Consequently, we believe the remaining IRFs that are transitioning from the blended payment to the full FY 2003 IRF PPS payment, are estimated to profit less than they would have if they were not paid under 100 percent of the Federal rate. This estimated effect is not due to the changes set forth in this notice, rather the impact is the result of the statutory requirements of section 1886(j)(1) of the Act that stipulates payment for IRFs with cost reporting periods beginning on or after October 1, 2002 will consist of 100 percent of the IRF PPS Federal prospective payment.

The estimated impact changes displayed in Table 5 need to be viewed in light of the limitations of the data we are able to present. Specifically, these impacts are based on historical data that do not reflect any changes resulting from the implementation of the IRF PPS. In general, the IRF PPS creates incentives for IRFs to reduce costs. As

a result, IRF costs per case should be less than they would have been before the implementation of the IRF PPS. Because of this, we believe impacts would be more favorable to IRFs if we were able to compare estimated FY 2003 IRF costs to FY 2003 IRF payments rather than estimated FY 2002 IRF payments to FY 2003 payments.

In the August 7, 2001 final rule (66 FR 41359) we set forth the methodology for adjusting payments for IRFs located in rural areas. For these facilities, the IRF PPS payment rates are increased by 19.14 percent. This adjustment will remain in effect and continue to protect these facilities from being unduly harmed. Therefore, the impacts shown reflect the rural adjustment that is designed to minimize or eliminate the negative impact that the IRF PPS may otherwise have on rural facilities.

To summarize, all facilities will receive a favorable 3 percent increase in their unadjusted IRF PPS payments. The estimated negative impact among some of the classes of IRFs reflected in Table 5 are due to the effect of the existing statutory provision (to transition from the blended payment to the full Federal IRF PPS payment rate) rather than the updates set forth in this notice.

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

Authority: Section 1886(j) of the Social Security Act (42 U.S.C. 1395ww(j)).
(Catalog of Federal Domestic Assistance Program No. 93.773 Medicare—Hospital Insurance)

Dated: July 11, 2002.

Thomas A. Scully,
Administrator, Centers for Medicare & Medicaid Services.

Dated: July 19, 2002.

Tommy G. Thompson,
Secretary.
[FR Doc. 02-19468 Filed 7-31-02; 8:45 am]

BILLING CODE 4120-01-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

Request for Nominations for Voting Members on Public Advisory Committees; Veterinary Medicine Advisory Committee; Extension of Nomination Period

AGENCY: Food and Drug Administration, HHS.

ACTION: Notice; extension of nomination period.

SUMMARY: The Food and Drug Administration (FDA) is extending the nomination period for voting members to serve on the Veterinary Medicine Advisory Committee. The current vacancies include the specialty areas of Pharmacology, Minor Species/Minor Use Veterinary Medicine, Pathology, and chairperson. Nominations for the specialty areas of Animal Science, Veterinary Toxicology, and Veterinary Microbiology are also solicited. This request for nominations was announced in the **Federal Register** of May 13, 2002 (67 FR 32055) and June 17, 2002 (67 FR 41250). FDA is extending the nominations period to allow additional time for the submission of nominations.

DATES: Nominations should be received by August 30, 2002.

ADDRESSES: All nominations for representatives should be sent to Aleta Sindelar (see **FOR FURTHER INFORMATION CONTACT**).

FOR FURTHER INFORMATION CONTACT:
Aleta Sindelar, Center for Veterinary Medicine, Food and Drug Administration, 7519 Standish Pl., Rockville, MD 20855, 301-827-4515, e-mail: asindela@cvm.fda.gov.

Dated: July 25, 2002.

Linda Arey Skladany,
Senior Associate Commissioner for External Relations.

[FR Doc. 02-19376 Filed 7-31-02; 8:45 am]

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