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**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Centers for Medicare & Medicaid Services**

**42 CFR Part 412**

[CMS-1551-P]

RIN 0938-A063

**Medicare Program; Inpatient Rehabilitation Facility Prospective Payment System for Federal Fiscal Year 2008**

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

**ACTION:** Proposed rule.

**SUMMARY:** This proposed rule would update the prospective payment rates for inpatient rehabilitation facilities (IRFs) for Federal fiscal year (FY) 2008 (for discharges occurring on or after October 1, 2007 and on or before September 30, 2008) as required 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 the August 1

that precedes the start of each fiscal year, the classification and weighting factors for the IRF prospective payment system's (PPS) case-mix groups and a description of the methodology and data used in computing the prospective payment rates for that fiscal year.

We are proposing to revise existing policies regarding the PPS within the authority granted under section 1886(j) of the Act.

**DATES:** To be assured consideration, comments must be received at one of the addresses provided below, no later than 5 p.m. on [~~OFR~~—insert date 60 days after the date of filing for public inspection at OFR].

**ADDRESSES:** In commenting, please refer to file code CMS-1551-P. Because of staff and resource limitations, we cannot accept comments by facsimile (FAX) transmission.

You may submit comments in one of four ways (no duplicates, please):

1. Electronically. You may submit electronic comments on specific issues in this regulation to <http://www.cms.hhs.gov/eRulemaking>. Click on the link "Submit electronic comments on CMS regulations with an open comment period." (Attachments should be in Microsoft Word, WordPerfect, or Excel; however, we prefer Microsoft Word.)

2. By regular mail. You may mail written comments (one

original and two copies) to the following address ONLY:

Centers for Medicare & Medicaid Services,  
Department of Health and Human Services,  
Attention: CMS-1551-P,  
P.O. Box 8012,  
Baltimore, MD 21244-8012.

Please allow sufficient time for mailed comments to be received before the close of the comment period.

3. By express or overnight mail. You may send written comments (one original and two copies) to the following address ONLY:

Centers for Medicare & Medicaid Services,  
Department of Health and Human Services,  
Attention: CMS-1551-P,  
Mail Stop C4-26-05,  
7500 Security Boulevard,  
Baltimore, MD 21244-8012.

4. By hand or courier. If you prefer, you may deliver (by hand or courier) your written comments (one original and two copies) before the close of the comment period to one of the following addresses. If you intend to deliver your comments to the Baltimore address, please call telephone number (410) 786-7195 in advance to schedule your arrival with one of our staff members.

Room 445-G, Hubert H. Humphrey Building,  
200 Independence Avenue, SW.,  
Washington, DC 20201; or  
7500 Security Boulevard,  
Baltimore, MD 21244-1850.

(Because access to the interior of the HHH Building is not readily available to persons without Federal Government identification, commenters are encouraged to leave their comments in the CMS drop slots located in the main lobby of the building. A stamp-in clock is available for persons wishing to retain a proof of filing by stamping in and retaining an extra copy of the comments being filed.)

Comments mailed to the addresses indicated as appropriate for hand or courier delivery may be delayed and received after the comment period.

For information on viewing public comments, see the beginning of the "SUPPLEMENTARY INFORMATION" section.

**FOR FURTHER INFORMATION CONTACT:**

Pete Diaz, (410) 786-1235, for information regarding the 75 percent rule.

Susanne Seagrave, (410) 786-0044, for information regarding the payment policies.

Zinnia Ng, (410) 786-4587, for information regarding the wage index and prospective payment rate calculation.

**SUPPLEMENTARY INFORMATION:**

Submitting Comments: We welcome comments from the public on all issues set forth in this rule to assist us in fully considering issues and developing policies. You can assist us by referencing the file code CMS-1551-P and the specific "issue identifier" that precedes the section on which you choose to comment.

Inspection of Public Comments: All comments received before the close of the comment period are available for viewing by the public, including any personally identifiable or confidential business information that is included in a comment. We post all comments received before the close of the comment period on the following Web site as soon as possible after they have been received: <http://www.cms.hhs.gov/eRulemaking>. Click on the link "Electronic Comments on CMS Regulations" on that Web site to view public comments.

Comments received timely will also be available for public inspection as they are received, generally beginning approximately 3 weeks after publication of a document, at the headquarters of the Centers for Medicare & Medicaid Services, 7500 Security Boulevard, Baltimore, Maryland 21244, Monday through Friday of each week from 8:30 a.m. to 4 p.m. To schedule an appointment to view public comments, phone 1-800-743-3951.

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**Acronyms**

Because of the many terms to which we refer by acronym in this proposed rule, we are listing the acronyms used and their corresponding terms in alphabetical order below.

ASCA        Administrative Simplification Compliance Act of 2002,  
                 Pub. L. 107-105

BBA        Balanced Budget Act of 1997, Pub. L. 105-33

BBRA       Medicare, Medicaid, and SCHIP [State Children's Health  
                 Insurance Program] Balanced Budget Refinement Act of  
                 1999, Pub. L. 106-113

BIPA	Medicare, Medicaid, and SCHIP [State Children's Health Insurance Program] Benefits Improvement and Protection Act of 2000, Pub. L. 106-554
CBSA	Core-Based Statistical Area
CCR	Cost-to-Charge Ratio
CFR	Code of Federal Regulations
CMG	Case-Mix Group
DRA	Deficit Reduction Act of 2005, Pub. L. 109-171
DSH	Disproportionate Share Hospital
ECI	Employment Cost Indexes
FI	Fiscal Intermediary
FR	Federal Register
FY	Federal Fiscal Year
GDP	Gross Domestic Product
HHH	Hubert H. Humphrey Building
HIPAA	Health Insurance Portability and Accountability Act, Pub. L. 104-191
IFMC	Iowa Foundation for Medical Care
IPPS	Inpatient Prospective Payment System
IRF	Inpatient Rehabilitation Facility
IRF-PAI	Inpatient Rehabilitation Facility-Patient Assessment Instrument
IRF PPS	Inpatient Rehabilitation Facility Prospective Payment System



IRVEN        Inpatient Rehabilitation Validation and Entry

LIP            Low-Income Percentage

MEDPAR       Medicare Provider Analysis and Review

MMA           Medicare Prescription Drug, Improvement, and  
                 Modernization Act of 2003 (Pub. L. 108-173)

MSA           Metropolitan Statistical Area

NAICS        North American Industrial Classification System

OMB           Office of Management and Budget

PAI           Patient Assessment Instrument

PPS           Prospective Payment System

RAND          RAND Corporation

RFA           Regulatory Flexibility Act, Pub. L. 96-354

RIA           Regulation Impact Analysis

RIC           Rehabilitation Impairment Category

RPL           Rehabilitation, Psychiatric, and Long-Term Care  
                 Hospital Market Basket

SCHIP        State Children's Health Insurance Program

SIC            Standard Industrial Code

TEFRA        Tax Equity and Fiscal Responsibility Act of 1982, Pub.  
                 L. 97-248

## I. Background

[If you choose to comment on issues in this section, please include the caption "Background" at the beginning of your comments.]

### A. Historical Overview of the Inpatient Rehabilitation Facility Prospective Payment System (IRF PPS) for Fiscal Years (FYs) 2002 through 2007

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 [State Children's Health Insurance Program] 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 prospective payment system (PPS), through section 1886(j) of the Social Security Act (the Act), for inpatient rehabilitation hospitals and inpatient rehabilitation units of a hospital (hereinafter referred to as IRFs).

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. Although a complete discussion of the IRF PPS provisions appears in the

August 7, 2001 final rule (66 FR 41316) as revised in the FY 2006 IRF PPS final rule (70 FR 47880), we are providing below a general description of the IRF PPS for fiscal years (FYs) 2002 through 2005.

Under the IRF PPS from FY 2002 through FY 2005, as described in the August 7, 2001 final rule, the Federal prospective payment rates were computed across 100 distinct case-mix groups (CMGs). We constructed 95 CMGs using rehabilitation impairment categories (RICs), functional status (both motor and cognitive), and age (in some cases, cognitive status and age may not be a factor in defining a CMG). In addition, we constructed five special CMGs to account for very short stays and for patients who expire in the IRF.

For each of the CMGs, we developed relative weighting factors to account for a patient's clinical characteristics and expected resource needs. Thus, the weighting factors accounted for the relative difference in resource use across all CMGs. Within each CMG, we created tiers based on the estimated effects that certain comorbidities would have on resource use.

We established the Federal PPS rates using a standardized payment conversion factor (formerly referred to as the budget neutral conversion factor). For a detailed discussion of the budget neutral conversion factor, please refer to our August 1, 2003 final rule (68 FR 45674, 45684 through 45685).

In the FY 2006 IRF PPS final rule (70 FR 47880), we discussed in detail the methodology for determining the standard payment conversion factor.

We applied the relative weighting factors to the standard payment conversion factor to compute the unadjusted Federal prospective payment rates. Under the IRF PPS from FYs 2002 through 2005, we then applied adjustments for geographic variations in wages (wage index), the percentage of low-income patients, and location in a rural area (if applicable) to the IRF's unadjusted Federal prospective payment rates. In addition, we made adjustments to account for short-stay transfer cases, interrupted stays, and high cost outliers.

For cost reporting periods that began on or after January 1, 2002 and before October 1, 2002, we determined the final prospective payment amounts using the transition methodology prescribed in section 1886(j)(1) of the Act. Under this provision, IRFs transitioning into the PPS were paid a blend of the Federal IRF PPS rate and the payment that the IRF would have received had the IRF PPS not been implemented. This provision also allowed IRFs to elect to bypass this blended payment and immediately be paid 100 percent of the Federal IRF PPS rate. The transition methodology expired as of cost reporting periods beginning on or after October 1, 2002

(FY 2003), and payments for all IRFs now consist of 100 percent of the Federal IRF PPS rate.

We established a CMS Web site as a primary information resource for the IRF PPS. The Web site URL is <http://www.cms.hhs.gov/InpatientRehabFacPPS/> and may be accessed to download or view publications, software, data specifications, educational materials, and other information pertinent to the IRF PPS.

Section 1886(j) of the Act confers broad statutory authority to propose refinements to the IRF PPS. We finalized the refinements described in this section in the FY 2006 IRF PPS final rule (70 FR 47880). The provisions of the FY 2006 IRF PPS final rule became effective for discharges beginning on or after October 1, 2005. We published correcting amendments to the FY 2006 IRF PPS final rule in the **Federal Register** on September 30, 2005 (70 FR 57166). Any reference to the FY 2006 IRF PPS final rule in this proposed rule also includes the provisions effective in the correcting amendments.

In the FY 2006 final rule (70 FR 47880 and 70 FR 57166), we finalized a number of refinements to the IRF PPS case-mix classification system (the CMGs and the corresponding relative weights) and the case-level and facility-level adjustments. These refinements were based on analyses by the RAND Corporation (RAND), a non-partisan economic and social policy research

group, using calendar year 2002 and FY 2003 data. These were the first significant refinements to the IRF PPS since its implementation. In conducting the analysis, RAND used claims and clinical data for services furnished after the IRF PPS implementation. These newer data sets were more complete, and reflected improved coding of comorbidities and patient severity by IRFs. The researchers were able to use new data sources for imputing missing values and more advanced statistical approaches to complete their analyses. The RAND reports supporting the refinements made to the IRF PPS are available on the CMS Web site at:

[http://www.cms.hhs.gov/InpatientRehabFacPPS/09\\_Research.asp](http://www.cms.hhs.gov/InpatientRehabFacPPS/09_Research.asp)

The final key policy changes, effective for discharges occurring on or after October 1, 2005, are discussed in detail in the FY 2006 IRF PPS final rule (70 FR 47880 and 70 FR 57166). The following is a brief summary of the key policy changes:

- Adopted the Office of Management and Budget's (OMB's) Core-Based Statistical Area (CBSA) market area definitions in a budget neutral manner.
- Implemented a budget-neutral three-year hold harmless policy for IRFs that had been classified as rural in FY 2005, but became urban in FY 2006.
- Implemented a payment adjustment to account for changes in coding that did not reflect real changes in case mix.

We reduced the standard payment amount by 1.9 percent to account for such changes in coding following implementation of the IRF PPS.

- Modified the CMGs, tier comorbidities, and relative weights in a budget-neutral manner. The five special CMGs remained the same as they had been before FY 2006 and continued to account for very short stays and for patients who expire in the IRF.
- Implemented a teaching status adjustment in a budget neutral manner for IRFs, similar to the one adopted for inpatient psychiatric facilities.
- Revised and rebased the market basket and labor-related share to reflect the operating and capital cost structures for rehabilitation, psychiatric, and long-term care (RPL) hospitals to update IRF payment rates.
- Updated the rural adjustment from 19.14 percent to 21.3 percent in a budget neutral manner.
- Updated the low-income percentage (LIP) adjustment from an exponent of 0.484 to an exponent of 0.6229 in a budget neutral manner.
- Updated the outlier threshold amount from \$11,211 to \$5,129.

As noted above, a detailed discussion of the final key

policy changes for FY 2006 appears in the FY 2006 IRF PPS final rule (70 FR 47880 and 70 FR 57166).

In the FY 2007 final rule (71 FR 48354) we made the following revisions and updates:

- Updated the relative weight and average length of stay tables based on re-analysis of the data by CMS and our contractor, the RAND Corporation.
- Reduced the standard payment amount by 2.6 percent to account more fully for coding changes that do not reflect real changes in case mix.
- Updated the IRF PPS payment rates by the FY 2007 estimates of the market basket and the labor-related share.
- Updated the IRF PPS payment rates by the FY 2007 wage indexes.
- Applied the second year of the hold harmless policy in a budget neutral manner.
- Updated the outlier threshold from \$5,129 to \$5,534.
- Updated the urban and rural national cost-to-charge ratio ceilings for the purposes of determining outlier payments under the IRF PPS and clarified the methodology described in the regulations text.
- Revised the regulation text in §412.23(b)(2)(i) and §412.23(b)(2)(ii) to reflect the statutory changes in



section 5005 of the Deficit Reduction Act of 2005 (DRA, Pub. L. 109-171). The regulation text change prolongs the overall duration of the phased transition to the full 75 percent threshold established in §412.23(b)(2)(i) and §412.23(b)(2)(ii), by extending the transition's 60 percent phase for an additional 12 months. In addition to the above DRA requirements pertaining to the applicable compliance percentage requirements under §412.23(b)(2), we also permitted a comorbidity that meets the criteria as specified in (b)(2)(i) to continue to be used before the 75 percent compliance threshold must be met.

B. Requirements for Updating the IRF PPS Rates

On August 7, 2001, we published a final rule titled "Medicare Program; Prospective Payment System for Inpatient Rehabilitation Facilities" in the **Federal Register** (66 FR 41316) that established a PPS for IRFs as authorized under section 1886(j) of the Act and codified at subpart P of part 412 of the Medicare regulations. In the August 7, 2001 final rule, we set forth the per discharge Federal prospective payment rates for FY 2002, which 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.

The provisions of the August 7, 2001 final rule were effective for cost reporting periods beginning on or after January 1, 2002. On July 1, 2002, we published a correcting amendment to the August 7, 2001 final rule in the **Federal Register** (67 FR 44073). Any references to the August 7, 2001 final rule in this proposed rule include the provisions effective in the correcting amendment.

Section 1886(j)(5) of the Act and §412.628 of the regulations require the Secretary to publish in the **Federal Register**, on or before the August 1 that precedes the start of each new FY, the classifications and weighting factors for the IRF CMGs and a description of the methodology and data used in computing the prospective payment rates for the upcoming FY. On August 1, 2002, we published a notice in the **Federal Register** (67 FR at 49928) to update the IRF Federal prospective payment rates from FY 2002 to FY 2003 using the methodology as described in §412.624. As stated in the August 1, 2002 notice, we used the same classifications and weighting factors for the IRF CMGs that were set forth in the August 7, 2001 final rule to update the IRF Federal prospective payment rates from FY 2002 to FY 2003. We continued to update the prospective payment rates in accordance with the methodology set forth in the August 7, 2001 final rule for each succeeding FY up to and including FY 2005. For FY 2006, however, we published a final

rule that revised several IRF PPS policies (70 FR 47880). The provisions of the FY 2006 IRF PPS final rule became effective for discharges occurring on or after October 1, 2005. We published correcting amendments to the FY 2006 IRF PPS final rule in the **Federal Register** (70 FR 57166). Any reference to the FY 2006 IRF PPS final rule in this proposed rule includes the provisions effective in the correcting amendments.

In the final rule for FY 2007, we updated the IRF Federal prospective payment rates. In addition, we updated the cost-to-charge ratio ceilings and the outlier threshold. We implemented a 2.6 percent reduction to the FY 2007 standard payment amount to account more fully for changes in coding practices that do not reflect real changes in case mix. We revised the tier comorbidities and the relative weights to ensure that IRF PPS payments reflect, as closely as possible, the costs of caring for patients in IRFs. The final FY 2007 Federal prospective payment rates were effective for discharges occurring on or after October 1, 2006 and on or before September 30, 2007.

#### C. Operational Overview of the Current IRF PPS

As described in the August 7, 2001 final rule, upon the admission and discharge of a Medicare Part A fee-for-service patient, the IRF is required to complete the appropriate sections of a patient assessment instrument, the Inpatient Rehabilitation Facility-Patient Assessment Instrument (IRF-PAI).

All required data must be electronically encoded into the IRF-PAI software product. Generally, the software product includes patient grouping programming called the GROUPER software. The GROUPER software uses specific Patient Assessment Instrument (PAI) data elements to classify (or group) patients into distinct CMGs and account for the existence of any relevant comorbidities.

The GROUPER software produces a five-digit CMG number. The first digit is an alpha-character that indicates the comorbidity tier. The last four digits represent the distinct CMG number. (Free downloads of the Inpatient Rehabilitation Validation and Entry (IRVEN) software product, including the GROUPER software, are available on the CMS Web site at [http://www.cms.hhs.gov/InpatientRehabFacPPS/06\\_Software.asp](http://www.cms.hhs.gov/InpatientRehabFacPPS/06_Software.asp))

Once a patient is discharged, the IRF completes the Medicare claim (UB-92 or its equivalent) using the five-digit CMG number and sends it to the appropriate Medicare fiscal intermediary (FI). Claims submitted to Medicare must comply with both the Administrative Simplification Compliance Act (ASCA, Pub. L. 107-105), and the Health Insurance Portability and Accountability Act of 1996 (HIPAA, Pub. L. 104-191). Section 3 of the ASCA amends section 1862(a) of the Act by adding paragraph (22) which requires the Medicare program,

subject to section 1862(h) of the Act, to deny payment under Part A or Part B for any expenses for items or services "for which a claim is submitted other than in an electronic form specified by the Secretary." Section 1862(h) of the Act, in turn, provides that the Secretary shall waive such denial in two types of cases and may also waive such denial "in such unusual cases as the Secretary finds appropriate." See also the final rule on Electronic Submission of Medicare Claims (70 FR 71008, November 25, 2005). Section 3 of the ASCA operates in the context of the administrative simplification provisions of HIPAA, which include, among others, the requirements for transaction standards and code sets codified as 45 CFR parts 160 and 162, subparts A and I through R (generally known as the Transactions Rule). The Transactions Rule requires covered entities, including covered providers, to conduct covered electronic transactions according to the applicable transaction standards. (See the program claim memoranda issued and published by CMS at:

<http://www.cms.hhs.gov/ElectronicBillingEDITrans/> and listed in the addenda to the Medicare Intermediary Manual, Part 3, section 3600. Instructions for the limited number of claims submitted to Medicare on paper are published by CMS at:

<http://www.cms.hhs.gov/manuals/downloads/clm104c25.pdf>.

The Medicare FI processes the claim through its software

system. This software system includes pricing programming called the PRICER software. The PRICER software uses the CMG number, along with other specific claim data elements and provider-specific data, to adjust the IRF's prospective payment for interrupted stays, transfers, short stays, and deaths, and then applies the applicable adjustments to account for the IRF's wage index, percentage of low-income patients, rural location, and outlier payments. For discharges occurring on or after October 1, 2005, the IRF PPS payment also reflects the new teaching status adjustment that became effective as of FY 2006, as discussed in the FY 2006 IRF PPS final rule (70 FR 47880).

D. Brief Summary of Proposed Revisions to the IRF PPS for  
FY 2008

In this proposed rule, we are proposing to make the following revisions, updates, and clarifications:

- Update the FY 2008 IRF PPS payment rates by the proposed market basket, as discussed in section IV.A.
- Update the FY 2008 IRF PPS payment rates by the proposed wage index and the labor related share in a budget neutral manner, as discussed in section IV.A and B.
- Update the pre-reclassified and pre-floor wage indexes based on the applicable Office of Management and Budget (OMB) bulletins that add or delete Core-Based Statistical

Areas (CBSAs) numbers and title changes, as discussed in section IV.B.

- Implement the final year of the 3-year hold harmless policy adopted in the FY 2006 IRF PPS final rule (70 FR 47880, 447923 through 47926) in a budget neutral manner, as discussed in section IV.B.
- Update the outlier threshold amount for FY 2008 to \$7,522, as discussed in section V.A.
- Update the cost-to-charge ratio ceiling and the national average urban and rural cost-to-charge ratios for purposes of determining outlier payments under the IRF PPS, as discussed in section V.B.
- Clarify the regulations text for the special payment provisions for patients that are transferred, as discussed in section VI.

## **II. 75 Percent Rule Policy**

**[If you choose to comment on issues in this section, please include the caption "75 Percent Rule Policy" at the beginning of your comments.]**

In order to be excluded from the acute care inpatient hospital PPS specified in §412.1(a)(1) and instead be paid under the IRF PPS, a hospital or rehabilitation unit of an acute care hospital must meet the requirements for classification as an IRF stipulated in subpart B of part 412. As discussed in previous

Federal Register publications (68 FR 26786 (May 16, 2003), 68 FR 53266 (September 9, 2003), 69 FR 25752 (May 7, 2004), 70 FR 36640 (June 24, 2005), and 71 FR 48354 (August 18, 2006)), §412.23(b)(2) specifies one criterion which Medicare uses for classifying a hospital or unit of a hospital as an IRF. The criterion is that a minimum percentage of a facility's total inpatient population must require intensive rehabilitative services for the treatment of at least one of 13 medical conditions listed in §412.23(b)(2)(iii) in order for the facility to be classified as an IRF. In addition, for cost reporting periods beginning on or after July 1, 2004, and before July 1, 2008, a patient with a comorbidity as defined at §412.602 may be included in the inpatient population that counts toward the required applicable percentage if certain requirements are met. The minimum percentage is known as the "compliance threshold."

Prior to the May 7, 2004 final rule (69 FR 25752), §412.23(b)(2) stipulated that the compliance threshold was 75 percent. Therefore, the compliance threshold was commonly referred to as the "75 percent rule." In addition, prior to the May 7, 2004 final rule the regulation only specified 10 medical conditions. However, in the May 7, 2004 final rule we revised §412.23(b)(2), and that revision increased the number of medical conditions to 13, as well as temporarily lowered the compliance



threshold while at the same time specified a transition period at the end of which IRFs would once again have to meet a compliance threshold of 75 percent. Also, the revised regulation specified that during the compliance threshold transition period a patient's comorbidity may be used to determine if a provider met the compliance threshold provided certain applicable requirements were met.

In §412.602 a comorbidity is defined as a specific patient condition that is secondary to the patient's principal diagnosis. A patient's principal diagnosis is the primary reason for the patient being admitted to an IRF, and this diagnosis is used to determine if the patient had a medical condition that can be counted towards meeting the compliance threshold. As specified in the May 7, 2004 final rule, in order for an inpatient with a certain comorbidity to be included in the inpatient population that counts toward the applicable percentage the following criteria must be met:

- The patient is admitted for inpatient rehabilitation for a condition that is not one of the conditions listed in §412.23(b)(2)(iii).
- The patient also has a comorbidity that falls in one of the conditions listed in §412.23(b)(2)(iii).
- The comorbidity has caused significant decline in functional ability in the individual such that, even in the

absence of the admitting condition, the individual would require the intensive rehabilitation treatment that is unique to inpatient rehabilitation facilities paid under the IRF PPS and that cannot be appropriately performed in another care setting covered under this Title.

In accordance with the May 7, 2004 final rule, IRFs would have to meet a compliance threshold of 75 percent for cost reporting periods starting on or after July 1, 2007. However, Section 5005 of the Deficit Reduction Act of 2005 (DRA) (Public Law 109-171 modified the applicable time periods when the various compliance thresholds, as originally specified in the May 7, 2004 final rule, must be met.) The net effect of the DRA was extension of the compliance threshold transition period. Due to the DRA, the transition period was extended to include cost reporting periods starting on or after July 1, 2004, and before July 1, 2008. Therefore, in order to conform the regulations to the DRA, we revised §412.23(b)(2) and stipulated that an IRF with a cost reporting period starting on or after July 1, 2008, instead of July 1, 2007, must meet the 75 percent compliance threshold. In addition, we also permitted a comorbidity that meets the criteria as specified in (b)(2)(i) to continue to be used to determine the compliance threshold for cost reporting periods beginning before July 1, 2008 instead of

July 1, 2007. (For a complete description of all the changes made, see the FY 2007 IRF PPS final rule (71 FR 48354)).

For cost reporting periods beginning on or after July 1, 2008, comorbidities will not be eligible for inclusion in the calculations used to determine if the provider meets the 75 percent compliance threshold specified in §412.23(b)(2)(ii). As the 75 percent rule is only partially phased in at this time and there are limitations to the policy conclusions that can be drawn from currently available claim and patient assessment data, this rule maintains existing policy. However, in the May 7, 2004 final rule (69 FR 25762), we encouraged research evaluating the continued use of comorbidities in determining compliance with the 75 percent rule. Therefore, we are soliciting comments supporting current policy or other options, including use of some or all of the existing comorbidities in calculating the compliance percentage for an additional fixed period of one or more years or to integrate the inclusion of some or all of the existing comorbidities on a permanent basis. In addition, we are soliciting comments that include clinical data based on scientifically sound research that provide evidence on these and other options.

### **III. Classification System for the Inpatient Rehabilitation Facility Prospective Payment System**

**[If you choose to comment on issues in this section, please**

**include the caption "Classification System for the Inpatient Rehabilitation Facility Prospective Payment System" at the beginning of your comments.]**

For the FY 2008 IRF PPS, we will use the same case-mix classification system that we used for FY 2007, as set forth in the FY 2007 IRF PPS final rule (71 FR 48354). Table 1 below, "Relative Weights and Average Lengths of Stay for Case-Mix Groups", presents the CMGs, the comorbidity tiers, the corresponding relative weights, and the average length of stay value for each CMG and tier. The average length of stay for each CMG is used to determine when an IRF discharge meets the definition of a short-stay transfer, which results in a per diem case level adjustment. Because these data elements are not changing, Table 1 shown below is identical to Table 4 that was published in the FY 2007 IRF PPS final rule (71 FR 48354, 48364 through 48370). The methodology we used to construct the data elements in Table 1 is described in detail in the FY 2007 IRF PPS final rule (71 FR 48354).

**Table 1: Relative Weights and Average Lengths of Stay for Case-Mix Groups**

CMG	CMG Description (M=motor, C=cognitive, A=age)	Relative Weights				Average Length of Stay			
		Tier1	Tier2	Tier3	None	Tier1	Tier2	Tier3	None
0101	Stroke M>51.05	0.7707	0.7303	0.6572	0.6347	8	11	9	9
0102	Stroke M>44.45 and M<51.05 and C>18.5	0.9493	0.8995	0.8095	0.7818	11	15	11	10
0103	Stroke M>44.45 and M<51.05 and C<18.5	1.1192	1.0605	0.9544	0.9218	14	13	12	12
0104	Stroke M>38.85 and M<44.45	1.1885	1.1260	1.0134	0.9787	13	14	13	13
0105	Stroke M>34.25 and M<38.85	1.4261	1.3512	1.2161	1.1745	16	17	16	15
0106	Stroke M>30.05 and M<34.25	1.6594	1.5722	1.4150	1.3666	18	20	18	18
0107	Stroke M>26.15 and M<30.05	1.9150	1.8145	1.6330	1.5771	21	23	21	20
0108	Stroke M<26.15 and A>84.5	2.2160	2.0997	1.8897	1.8250	28	29	25	24
0109	Stroke M>22.35 and M<26.15 and A<84.5	2.1998	2.0843	1.8758	1.8116	23	26	24	23
0110	Stroke M<22.35 and A<84.5	2.6287	2.4907	2.2416	2.1649	30	33	28	27
0201	Traumatic brain injury M>53.35 and C>23.5	0.8143	0.6806	0.6080	0.5647	10	9	9	8
0202	Traumatic brain injury M>44.25 and M<53.35 and C>23.5	1.0460	0.8743	0.7810	0.7254	12	10	11	9
0203	Traumatic brain injury M>44.25 and C<23.5	1.2503	1.0450	0.9335	0.8671	15	15	12	12
0204	Traumatic brain injury M>40.65 and M<44.25	1.3390	1.1192	0.9998	0.9287	15	16	13	13

CMG	CMG Description (M=motor, C=cognitive, A=age)	Relative Weights				Average Length of Stay			
		Tier1	Tier2	Tier3	None	Tier1	Tier2	Tier3	None
0205	Traumatic brain injury M>28.75 and M<40.65	1.6412	1.3718	1.2254	1.1382	17	18	16	15
0206	Traumatic brain injury M>22.05 and M<28.75	2.1445	1.7924	1.6011	1.4873	23	22	21	20
0207	Traumatic brain injury M<22.05	2.7664	2.3122	2.0655	1.9185	35	29	26	25
0301	Non-traumatic brain injury M>41.05	1.1394	0.9533	0.8552	0.7772	12	12	11	10
0302	Non-traumatic brain injury M>35.05 and M<41.05	1.4875	1.2446	1.1164	1.0147	14	16	14	13
0303	Non-traumatic brain injury M>26.15 and M<35.05	1.7701	1.4810	1.3285	1.2074	20	19	17	16
0304	Non-traumatic brain injury M<26.15	2.4395	2.0410	1.8309	1.6640	32	25	23	21
0401	Traumatic spinal cord injury M>48.45	0.9587	0.8456	0.7722	0.6858	12	12	11	10
0402	Traumatic spinal cord injury M>30.35 and M<48.45	1.3256	1.1691	1.0676	0.9482	18	16	14	13
0403	Traumatic spinal cord injury M>16.05 and M<30.35	2.3069	2.0347	1.8580	1.6502	22	24	24	22
0404	Traumatic spinal cord injury M<16.05 and A>63.5	4.1542	3.6639	3.3458	2.9717	51	46	41	37
0405	Traumatic spinal cord injury M<16.05 and A<63.5	3.1371	2.7668	2.5266	2.2441	33	37	33	28
0501	Non-traumatic spinal cord injury M>51.35	0.7648	0.6455	0.5687	0.5071	9	8	8	7
0502	Non-traumatic spinal cord injury M>40.15 and M<51.35	1.0262	0.8661	0.7630	0.6804	13	12	11	9
0503	Non-traumatic spinal cord injury M>31.25 and M<40.15	1.3596	1.1476	1.0109	0.9014	15	15	13	12

CMG	CMG Description (M=motor, C=cognitive, A=age)	Relative Weights				Average Length of Stay			
		Tier1	Tier2	Tier3	None	Tier1	Tier2	Tier3	None
0504	Non-traumatic spinal cord injury M>29.25 and M<31.25	1.6984	1.4335	1.2628	1.1260	21	19	16	15
0505	Non-traumatic spinal cord injury M>23.75 and M<29.25	2.0171	1.7025	1.4997	1.3373	23	22	19	18
0506	Non-traumatic spinal cord injury M<23.75	2.7402	2.3128	2.0374	1.8167	29	28	26	23
0601	Neurological M>47.75	0.8991	0.7330	0.7019	0.6522	11	10	9	9
0602	Neurological M>37.35 and M<47.75	1.1968	0.9757	0.9342	0.8682	13	13	13	12
0603	Neurological M>25.85 and M<37.35	1.5326	1.2495	1.1965	1.1118	17	17	15	15
0604	Neurological M<25.85	1.9592	1.5973	1.5295	1.4213	22	20	21	19
0701	Fracture of lower extremity M>42.15	0.9028	0.7717	0.7338	0.6617	12	11	10	9
0702	Fracture of lower extremity M>34.15 and M<42.15	1.1736	1.0033	0.9539	0.8602	13	14	13	12
0703	Fracture of lower extremity M>28.15 and M<34.15	1.4629	1.2506	1.1890	1.0722	16	17	16	14
0704	Fracture of lower extremity M<28.15	1.7969	1.5361	1.4605	1.3170	20	20	19	18
0801	Replacement of lower extremity joint M>49.55	0.6537	0.5504	0.5131	0.4607	7	7	7	6
0802	Replacement of lower extremity joint M>37.05 and M<49.55	0.8542	0.7193	0.6704	0.6020	10	10	9	8
0803	Replacement of lower extremity joint M>28.65 and M<37.05 and A>83.5	1.2707	1.0700	0.9974	0.8956	15	15	13	12

CMG	CMG Description (M=motor, C=cognitive, A=age)	Relative Weights				Average Length of Stay			
		Tier1	Tier2	Tier3	None	Tier1	Tier2	Tier3	None
0804	Replacement of lower extremity joint M>28.65 and M<37.05 and A<83.5	1.1040	0.9296	0.8665	0.7781	13	12	12	10
0805	Replacement of lower extremity joint M>22.05 and M<28.65	1.3927	1.1727	1.0931	0.9816	17	16	14	13
0806	Replacement of lower extremity joint M<22.05	1.6723	1.4082	1.3126	1.1787	18	19	17	15
0901	Other orthopedic M>44.75	0.8425	0.7641	0.6868	0.6120	10	11	10	9
0902	Other orthopedic M>34.35 and M<44.75	1.1088	1.0057	0.9039	0.8056	13	13	12	11
0903	Other orthopedic M>24.15 and M<34.35	1.4638	1.3277	1.1934	1.0635	18	19	16	15
0904	Other orthopedic M<24.15	1.8341	1.6636	1.4952	1.3325	25	23	21	19
1001	Amputation, lower extremity M>47.65	0.9625	0.8879	0.7957	0.7361	11	11	11	10
1002	Amputation, lower extremity M>36.25 and M<47.65	1.2709	1.1724	1.0507	0.9719	14	15	14	13
1003	Amputation, lower extremity M<36.25	1.7876	1.6491	1.4779	1.3671	19	22	19	18
1101	Amputation, non-lower extremity M>36.35	1.2554	1.0482	0.9225	0.8496	14	15	12	11
1102	Amputation, non-lower extremity M<36.35	1.8824	1.5717	1.3832	1.2739	19	19	18	17
1201	Osteoarthritis M>37.65	1.0177	0.8785	0.8182	0.7405	11	12	11	10
1202	Osteoarthritis M>30.75 and M<37.65	1.3168	1.1367	1.0586	0.9581	15	16	14	13



CMG	CMG Description (M=motor, C=cognitive, A=age)	Relative Weights				Average Length of Stay			
		Tier1	Tier2	Tier3	None	Tier1	Tier2	Tier3	None
1203	Osteoarthritis M<30.75	1.6241	1.4020	1.3057	1.1817	21	19	17	16
1301	Rheumatoid, other arthritis M>36.35	1.0354	0.9636	0.8511	0.7429	12	13	11	10
1302	Rheumatoid, other arthritis M>26.15 and M<36.35	1.4321	1.3327	1.1772	1.0275	15	18	15	14
1303	Rheumatoid, other arthritis M<26.15	1.8250	1.6984	1.5002	1.3094	22	21	20	18
1401	Cardiac M>48.85	0.8160	0.7351	0.6534	0.5861	10	9	9	8
1402	Cardiac M>38.55 and M<48.85	1.1038	0.9944	0.8839	0.7928	12	13	12	11
1403	Cardiac M>31.15 and M<38.55	1.3705	1.2347	1.0975	0.9844	16	16	14	13
1404	Cardiac M<31.15	1.7370	1.5649	1.3910	1.2477	21	20	18	16
1501	Pulmonary M>49.25	0.9986	0.8870	0.7793	0.7399	11	13	10	10
1502	Pulmonary M>39.05 and M<49.25	1.2661	1.1246	0.9880	0.9381	13	15	12	12
1503	Pulmonary M>29.15 and M<39.05	1.5457	1.3730	1.2062	1.1453	16	16	15	15
1504	Pulmonary M<29.15	2.0216	1.7957	1.5775	1.4979	26	21	20	18
1601	Pain syndrome M>37.15	1.0070	0.8550	0.7774	0.6957	12	11	10	10
1602	Pain syndrome M>26.75 and M<37.15	1.3826	1.1739	1.0673	0.9552	15	17	14	13
1603	Pain syndrome M<26.75	1.7025	1.4455	1.3143	1.1762	19	19	18	16
1701	Major multiple trauma without brain or spinal cord injury M>39.25	0.9818	0.9641	0.8479	0.7368	12	12	11	10
1702	Major multiple trauma without brain or spinal cord injury M>31.05 and M<39.25	1.2921	1.2688	1.1158	0.9696	14	16	15	13

CMG	CMG Description (M=motor, C=cognitive, A=age)	Relative Weights				Average Length of Stay			
		Tier1	Tier2	Tier3	None	Tier1	Tier2	Tier3	None
1703	Major multiple trauma without brain or spinal cord injury M>25.55 and M<31.05	1.5356	1.5080	1.3262	1.1524	17	20	18	16
1704	Major multiple trauma without brain or spinal cord injury M<25.55	1.9246	1.8899	1.6620	1.4443	26	26	22	19
1801	Major multiple trauma with brain or spinal cord injury M>40.85	1.1920	0.9866	0.8243	0.7342	15	13	13	10
1802	Major multiple trauma with brain or spinal cord injury M>23.05 and M<40.85	1.9058	1.5774	1.3179	1.1738	19	21	18	16
1803	Major multiple trauma with brain or spinal cord injury M<23.05	3.4302	2.8391	2.3721	2.1127	43	33	30	27
1901	Guillian Barre M>35.95	1.2399	1.0986	1.0965	0.9350	14	13	14	12
1902	Guillian Barre M>18.05 and M<35.95	2.3194	2.0552	2.0512	1.7491	27	25	25	23
1903	Guillian Barre M<18.05	3.3464	2.9651	2.9593	2.5235	37	39	31	33
2001	Miscellaneous M>49.15	0.8734	0.7381	0.6735	0.6084	10	10	9	8
2002	Miscellaneous M>38.75 and M<49.15	1.1447	0.9674	0.8827	0.7975	12	13	12	11
2003	Miscellaneous M>27.85 and M<38.75	1.4777	1.2488	1.1395	1.0294	16	16	15	14
2004	Miscellaneous M<27.85	1.9716	1.6662	1.5204	1.3735	25	22	20	18
2101	Burns M>0	2.1842	2.1842	1.6606	1.4587	27	24	20	17
5001	Short-stay cases, length of stay is 3 days or fewer				0.2201				2

CMG	CMG Description (M=motor, C=cognitive, A=age)	Relative Weights				Average Length of Stay			
		Tier1	Tier2	Tier3	None	Tier1	Tier2	Tier3	None
5101	Expired, orthopedic, length of stay is 13 days or fewer				0.6351				8
5102	Expired, orthopedic, length of stay is 14 days or more				1.5985				22
5103	Expired, not orthopedic, length of stay is 15 days or fewer				0.7203				8
5104	Expired, not orthopedic, length of stay is 16 days or more				1.8784				24

**IV. Proposed FY 2008 IRF PPS Federal Prospective Payment Rates**

[If you choose to comment on issues in this section, please include the caption "Proposed FY 2008 IRF PPS Federal Prospective Payment Rates" at the beginning of your comments.]

A. Proposed FY 2008 IRF PPS Market Basket Increase Factor and Labor-Related Share

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. In updating the FY 2008 payment rates outlined in this proposed rule, CMS applied an appropriate increase factor

to the FY 2007 IRF PPS payment rates that is based on the rehabilitation, psychiatric, and long-term care hospital (RPL) market basket. In constructing the RPL market basket, we used the methodology set forth in the FY 2006 IRF PPS final rule (70 FR 47880, 47908 through 47915).

As discussed in that final rule, the RPL market basket primarily uses the Bureau of Labor Statistics' (BLS) data as price proxies, which are grouped in one of the three BLS categories: Producer Price Indexes (PPI), Consumer Price Indexes (CPI), and Employment Cost Indexes (ECI). We evaluated and selected these particular price proxies using the criteria of reliability, timeliness, availability, and relevance, and believe they continue to be the best measures of price changes for the cost categories.

As discussed in the FY 2007 IRF PPS proposed rule, beginning April 2006 with the publication of March 2006 data, the BLS' ECI has used a different classification system, the North American Industrial Classification System (NAICS), instead of the Standard Industrial Codes (SIC). We have consistently used the ECI as the data source for our wages and salaries and other price proxies in the RPL market basket and did not make any changes. This proposed rule's estimated FY 2008 IRF market basket increase factor and labor-related share will be updated for the final rule based on the most recent data available from

the BLS.

We will use the same methodology described in the FY 2006 IRF PPS final rule to compute the FY 2008 IRF market basket increase factor and labor-related share. For this proposed rule, the FY 2008 IRF market basket increase factor is 3.3 percent. This is based on Global Insight, Inc.'s forecast for the first quarter of 2007 (2007q1) with historical data through the fourth quarter of 2006 (2006q4). We propose to update the market basket with more recent data for the final rule to the extent it is available. However, we note that the President's budget includes a proposal for a zero percent update in the IRF market basket for FY 2008, and that the provisions outlined in this proposed rule would need to reflect any legislation that the Congress enacts to adopt this proposal.

In addition, we have used the methodology described in the FY 2006 IRF PPS final rule to update the labor-related share for FY 2008. In FY 2004, we updated the 1992 market basket data to 1997 based on the methodology described in the August 1, 2003 final rule (68 FR 45688 through 45689). As discussed in the FY 2006 IRF PPS final rule (70 FR 47880, 47915 through 47917), we rebased and revised the market basket for FY 2006 using the 2002-based cost structures for IRFs, IPFs, and LTCHs to determine the FY 2006 labor-related share. For FY 2007, we used the same methodology discussed in the FY 2006 IRF PPS final rule

(70 FR 47880, 47908 through 47917) to determine the FY 2007 IRF labor-related share. For FY 2008, we continue to use the same methodology discussed in the FY 2006 IRF PPS final rule. As shown in Table 2, the total FY 2008 RPL labor-related share is 75.846 percent in this proposed rule. We propose to update the labor-related share with more recent data for the final rule to the extent it is available.

**Table 2: Proposed FY 2008 IRF Labor-Related Share Relative Importance**

<b>Cost Category</b>	<b>Proposed FY 2008 IRF Labor-Related Relative Importance</b>
Wages and salaries	52.640
Employee benefits	14.149
Professional fees	2.907
All other labor intensive services	2.147
<b>SUBTOTAL:</b>	<b>71.843</b>
Labor-related share of capital costs	4.003
<b>TOTAL:</b>	<b>75.846</b>

SOURCE: GLOBAL INSIGHT, INC, 1st Qtr, 2007; @USMACRO/CONTROL0307 @CISSIM/TL0207.SIM Historical Data through 4th QTR, 2006

B. Proposed 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 attributable to wages and wage-related costs 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 those facilities. The Secretary is required to update the wage index on the basis of information available to the Secretary on the wages and wage-related costs to furnish rehabilitation services. Any adjustments or updates made under section 1886(j)(6) of the Act for a FY are made in a budget neutral manner.

In the FY 2007 IRF PPS final rule, we maintained the methodology described in the FY 2006 IRF PPS final rule to determine the wage index, labor market area definitions, and hold harmless policy consistent with the rationale outlined in that final rule (70 FR 47880, 47917 through 47933). In the FY 2006 IRF PPS final rule, we adopted a 3-year hold harmless policy specifically for rural IRFs whose labor market designations changed from rural to urban under the CBSA-based labor market area designations. This policy specifically applied to IRFs that had been previously designated rural and which, effective for discharges on or after October 1, 2005, would otherwise have become ineligible for the 19.14 percent rural adjustment. For FY 2008, the third and final year of the 3-year phase-out of the budget-neutral hold harmless policy, we will no longer apply an adjustment for IRFs that meet the criteria described in the FY 2006 final rule (70 FR 47880, 47923 through 47926).

For FY 2008, we propose to maintain the policies and methodologies described in the FY 2007 IRF PPS final rule relating to the labor market area definitions, the wage index methodology for areas with wage data, and hold harmless policy consistent with the rationale outlined in the FY 2006 IRF PPS final rule (70 FR 47880, 47917 through 47933). Therefore, this proposed rule continues to use the Core-Based Statistical Area (CBSA) labor market area definitions and the pre-reclassification and pre-floor hospital wage index based on 2003 cost report data. In addition, the budget neutral hold harmless policy established in the FY 2006 final rule will expire for discharges occurring on or after October 1, 2007.

In adopting the CBSA geographic designations in FY 2006, we provided a one-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 2001 hospital data). We referred to the blended wage index as the FY 2006 IRF PPS transition wage index. As discussed in the FY 2006 IRF PPS final rule (70 FR 47880, 47926), subsequent to the expiration of this one-year transition on September 30, 2006, we used the full CBSA-based wage index values as published in the Addendum of the FY 2007 IRF PPS final rule (71 FR 48354) and in the Addendum of this proposed 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 IRF PPS wage index (70 FR 47880).

In this proposed rule, we are proposing to revise our methodology to determine a proxy for rural areas without hospital wage data. Under the CBSA labor market areas, there are no rural hospitals in rural Massachusetts and rural Puerto Rico. Because there was no rural proxy for more recent rural data within those areas, we used the FY 2006 wage index value in both FY 2006 and FY 2007 for rural Massachusetts and rural Puerto Rico.

Due to the use of the same wage index value (from FY 2006) for these areas for two fiscal years, we believe it is appropriate at this point to consider alternatives in our methodology to update the wage index for rural areas without rural hospital wage index data. We believe that the best imputed proxy would 1) use pre-floor, pre-reclassified hospital data, 2) be easy to evaluate, 3) use the most local data, and 4) be easily updateable from year-to-year. Since the implementation of the IRF PPS, we have used the pre-floor, pre-reclassified hospital wage data that is easy to evaluate and is updatable from year-to-year. In addition, the IRF PPS wage index is based on hospitals' cost report data, which reflects

local available data. Therefore, we believe the imputed proxy for a rural area without hospital wage data is consistent with our past methodology and other post-acute PPS wage index policy. Although our current methodology uses rural pre-floor, pre-reclassified hospital wage data, this method is not updateable from year-to-year.

Therefore, in cases where there is a rural area without rural hospital wage data, we propose using the average wage index from all contiguous CBSAs to represent a reasonable proxy for the rural area within a State. While this approach does not use rural data, it does use pre-floor, pre-reclassified hospital wage data, it is easy to evaluate, it is updateable from year-to-year, and it uses the most local data available.

In determining an imputed rural wage index, we interpret the term "contiguous" to mean sharing a border. For example, in the case of Massachusetts, the entire rural area consists of Dukes and Nantucket counties. We have determined that the borders of Dukes and Nantucket counties are local and contiguous with Barnstable and Bristol counties. Under the proposed methodology, the wage indexes for the counties of Barnstable (CBSA 12700: 1.2539) and Bristol (CBSA 39300: 1.0783) are averaged, resulting in an imputed rural wage index of 1.1661 for rural Massachusetts for FY 2008. While we believe that this policy could be readily applied to other rural areas that lack

hospital wage data (possibly due to hospitals converting to a different provider type, such as a CAH, that does not submit the appropriate wage data), we may re-examine this policy should a similar situation arise in the future.

However, we do not believe that this policy is appropriate for Puerto Rico. There are sufficient economic differences between hospitals in the United States and those in Puerto Rico (including the payment of hospitals in Puerto Rico using blended Federal/Commonwealth-specific rates) that a separate and distinct policy for Puerto Rico is necessary. Consequently, any alternative methodology for imputing a wage index for rural Puerto Rico would need to take into account these economic differences and the payment rates hospitals receive in Puerto Rico. Our policy of imputing a rural wage index based on the wage index(es) of CBSAs contiguous to the rural area in question does not recognize the unique circumstances of Puerto Rico. While we have not yet identified an alternative methodology for imputing a wage index for rural Puerto Rico, we will continue to evaluate the feasibility of using existing hospital wage data and, possibly, wage data from other sources. By maintaining our current policy for Puerto Rico, we will maintain consistency with other post-acute care PPS wage index policies. Accordingly, we propose to continue using the most recent wage index previously available for Puerto Rico; that is, a wage

index of 0.4047. We solicit comments on our proposal to maintain the current wage index policy for rural Puerto Rico.

In the FY 2006 IRF PPS final rule (70 FR 47880, 47920), we notified the public that the Office of Management and Budget (OMB) published a bulletin that changed the titles to certain CBSAs after the publication of our FY 2006 IRF PPS proposed rule (70 FR 30186). Since the publication of the FY 2006 IRF PPS final rule, OMB published additional bulletins that updated the CBSAs. Specifically, OMB added or deleted certain CBSA numbers and revised certain titles. Accordingly, in this proposed rule, we are proposing to clarify that this and all subsequent IRF 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 IRF PPS wage index. The OMB bulletins may be accessed online at <http://www.whitehouse.gov/omb/bulletins/index.html>.

To calculate the wage-adjusted facility payment for the payment rates set forth in this proposed rule, we multiply the unadjusted Federal prospective payment by the proposed FY 2008 RPL labor-related share (75.846 percent) to determine the labor-related portion of the Federal prospective payments. We then multiply this labor-related portion by the applicable proposed IRF wage index shown in Table 1 for urban areas and Table 2 for rural areas in the Addendum.

Adjustments or updates to the IRF wage index made under section 1886(j)(6) of the Act must be made in a budget neutral manner; therefore, we calculated a budget neutral wage adjustment factor as established in the August 1, 2003 final rule and codified at §412.624(e)(1), and described in the steps below. We propose to use the following steps to ensure that the FY 2008 IRF standard payment conversion factor reflects the update to the proposed wage indexes (based on the FY 2003 pre-reclassified and pre-floor hospital wage data) and the proposed labor-related share in a budget neutral manner:

*Step 1* Determine the total amount of the estimated FY 2007 IRF PPS rates, using the FY 2007 standard payment conversion factor and the labor-related share and the wage indexes from FY 2007 (as published in the FY 2007 IRF PPS final rule).

*Step 2* Calculate the total amount of estimated IRF PPS payments, using the FY 2007 standard payment conversion factor and the proposed FY 2008 labor-related share and proposed CBSA urban and rural wage indexes.

*Step 3* Divide the amount calculated in step 1 by the amount calculated in step 2, which equals the FY 2008 budget neutral wage adjustment factor of 1.0026.

*Step 4* Apply the FY 2008 budget neutral wage adjustment factor from step 3 to the FY 2007 IRF PPS standard payment conversion factor after the application of the estimated market

basket update to determine the FY 2008 standard payment conversion factor.

C. Description of the Proposed IRF Standard Payment Conversion Factor and Proposed Payment Rates for FY 2008

To calculate the proposed standard payment conversion factor for FY 2008 and as illustrated in Table 3 below, we begin by applying the estimated market basket increase factor (3.3 percent) to the standard payment conversion factor for FY 2007 (\$12,981), which equals \$13,409. We then apply the proposed combined budget neutrality factor for the wage index and labor related share and final year of the hold harmless policy of 1.0040 (1.0026 \* 1.0014 = 1.0040), which would result in a proposed standard payment conversion factor of \$13,463.

**Table 3: Calculations to Determine the Proposed FY 2008 Standard Payment Conversion Factor**

<b>Explanation for Adjustment</b>	<b>Calculations</b>
FY 2007 Standard Payment Conversion Factor	12,981
Proposed FY 2008 Market Basket Increase Factor	X 1.033
Subtotal	= 13,409
Proposed Budget Neutrality Factor for the Wage Index, Labor-Related Share, and the Hold Harmless Provision	x 1.0040
Proposed FY 2008 Standard Payment Conversion Factor	= \$13,463

After the application of the relative weights, the resulting proposed unadjusted IRF prospective payment rates for

FY 2008 are shown below in Table 4, "Proposed FY 2008 Payment Rates."

<b>Table 4: FY 2008 Payment Rates</b>				
<b>CMG</b>	<b>Payment Rate Tier 1</b>	<b>Payment Rate Tier 2</b>	<b>Payment Rate Tier 3</b>	<b>Payment Rate No Comorbidity</b>
0101	\$10,375.93	\$9,832.03	\$8,847.88	\$8,544.97
0102	\$12,780.43	\$12,109.97	\$10,898.30	\$10,525.37
0103	\$15,067.79	\$14,277.51	\$12,849.09	\$12,410.19
0104	\$16,000.78	\$15,159.34	\$13,643.40	\$13,176.24
0105	\$19,199.58	\$18,191.21	\$16,372.35	\$15,812.29
0106	\$22,340.50	\$21,166.53	\$19,050.15	\$18,398.54
0107	\$25,781.65	\$24,428.61	\$21,985.08	\$21,232.50
0108	\$29,834.01	\$28,268.26	\$25,441.03	\$24,569.98
0109	\$29,615.91	\$28,060.93	\$25,253.90	\$24,389.57
0110	\$35,390.19	\$33,532.29	\$30,178.66	\$29,146.05
0201	\$10,962.92	\$9,162.92	\$8,185.50	\$7,602.56
0202	\$14,082.30	\$11,770.70	\$10,514.60	\$9,766.06
0203	\$16,832.79	\$14,068.84	\$12,567.71	\$11,673.77
0204	\$18,026.96	\$15,067.79	\$13,460.31	\$12,503.09
0205	\$22,095.48	\$18,468.54	\$16,497.56	\$15,323.59
0206	\$28,871.40	\$24,131.08	\$21,555.61	\$20,023.52
0207	\$37,244.04	\$31,129.15	\$27,807.83	\$25,828.77
0301	\$15,339.74	\$12,834.28	\$11,513.56	\$10,463.44
0302	\$20,026.21	\$16,756.05	\$15,030.09	\$13,660.91
0303	\$23,830.86	\$19,938.70	\$17,885.60	\$16,255.23
0304	\$32,842.99	\$27,477.98	\$24,649.41	\$22,402.43
0401	\$12,906.98	\$11,384.31	\$10,396.13	\$9,232.93
0402	\$17,846.55	\$15,739.59	\$14,373.10	\$12,765.62
0403	\$31,057.79	\$27,393.17	\$25,014.25	\$22,216.64
0404	\$55,927.99	\$49,327.09	\$45,044.51	\$40,008.00
0405	\$42,234.78	\$37,249.43	\$34,015.62	\$30,212.32
0501	\$10,296.50	\$8,690.37	\$7,656.41	\$6,827.09
0502	\$13,815.73	\$11,660.30	\$10,272.27	\$9,160.23
0503	\$18,304.29	\$15,450.14	\$13,609.75	\$12,135.55
0504	\$22,865.56	\$19,299.21	\$17,001.08	\$15,159.34
0505	\$27,156.22	\$22,920.76	\$20,190.46	\$18,004.07

<b>Table 4: FY 2008 Payment Rates</b>				
<b>CMG</b>	<b>Payment Rate Tier 1</b>	<b>Payment Rate Tier 2</b>	<b>Payment Rate Tier 3</b>	<b>Payment Rate No Comorbidity</b>
0506	\$36,891.31	\$31,137.23	\$27,429.52	\$24,458.23
0601	\$12,104.58	\$9,868.38	\$9,449.68	\$8,780.57
0602	\$16,112.52	\$13,135.85	\$12,577.13	\$11,688.58
0603	\$20,633.39	\$16,822.02	\$16,108.48	\$14,968.16
0604	\$26,376.71	\$21,504.45	\$20,591.66	\$19,134.96
0701	\$12,154.40	\$10,389.40	\$9,879.15	\$8,908.47
0702	\$15,800.18	\$13,507.43	\$12,842.36	\$11,580.87
0703	\$19,695.02	\$16,836.83	\$16,007.51	\$14,435.03
0704	\$24,191.66	\$20,680.51	\$19,662.71	\$17,730.77
0801	\$8,800.76	\$7,410.04	\$6,907.87	\$6,202.40
0802	\$11,500.09	\$9,683.94	\$9,025.60	\$8,104.73
0803	\$17,107.43	\$14,405.41	\$13,428.00	\$12,057.46
0804	\$14,863.15	\$12,515.20	\$11,665.69	\$10,475.56
0805	\$18,749.92	\$15,788.06	\$14,716.41	\$13,215.28
0806	\$22,514.17	\$18,958.60	\$17,671.53	\$15,868.84
0901	\$11,342.58	\$10,287.08	\$9,246.39	\$8,239.36
0902	\$14,927.77	\$13,539.74	\$12,169.21	\$10,845.79
0903	\$19,707.14	\$17,874.83	\$16,066.74	\$14,317.90
0904	\$24,692.49	\$22,397.05	\$20,129.88	\$17,939.45
1001	\$12,958.14	\$11,953.80	\$10,712.51	\$9,910.11
1002	\$17,110.13	\$15,784.02	\$14,145.57	\$13,084.69
1003	\$24,066.46	\$22,201.83	\$19,896.97	\$18,405.27
1101	\$16,901.45	\$14,111.92	\$12,419.62	\$11,438.16
1102	\$25,342.75	\$21,159.80	\$18,622.02	\$17,150.52
1201	\$13,701.30	\$11,827.25	\$11,015.43	\$9,969.35
1202	\$17,728.08	\$15,303.39	\$14,251.93	\$12,898.90
1203	\$21,865.26	\$18,875.13	\$17,578.64	\$15,909.23
1301	\$13,939.59	\$12,972.95	\$11,458.36	\$10,001.66
1302	\$19,280.36	\$17,942.14	\$15,848.64	\$13,833.23
1303	\$24,569.98	\$22,865.56	\$20,197.19	\$17,628.45
1401	\$10,985.81	\$9,896.65	\$8,796.72	\$7,890.66
1402	\$14,860.46	\$13,387.61	\$11,899.95	\$10,673.47
1403	\$18,451.04	\$16,622.77	\$14,775.64	\$13,252.98
1404	\$23,385.23	\$21,068.25	\$18,727.03	\$16,797.79



<b>Table 4: FY 2008 Payment Rates</b>				
<b>CMG</b>	<b>Payment Rate Tier 1</b>	<b>Payment Rate Tier 2</b>	<b>Payment Rate Tier 3</b>	<b>Payment Rate No Comorbidity</b>
1501	\$13,444.15	\$11,941.68	\$10,491.72	\$9,961.27
1502	\$17,045.50	\$15,140.49	\$13,301.44	\$12,629.64
1503	\$20,809.76	\$18,484.70	\$16,239.07	\$15,419.17
1504	\$27,216.80	\$24,175.51	\$21,237.88	\$20,166.23
1601	\$13,557.24	\$11,510.87	\$10,466.14	\$9,366.21
1602	\$18,613.94	\$15,804.22	\$14,369.06	\$12,859.86
1603	\$22,920.76	\$19,460.77	\$17,694.42	\$15,835.18
1701	\$13,217.97	\$12,979.68	\$11,415.28	\$9,919.54
1702	\$17,395.54	\$17,081.85	\$15,022.02	\$13,053.72
1703	\$20,673.78	\$20,302.20	\$17,854.63	\$15,514.76
1704	\$25,910.89	\$25,443.72	\$22,375.51	\$19,444.61
1801	\$16,047.90	\$13,282.60	\$11,097.55	\$9,884.53
1802	\$25,657.79	\$21,236.54	\$17,742.89	\$15,802.87
1803	\$46,180.78	\$38,222.80	\$31,935.58	\$28,443.28
1901	\$16,692.77	\$14,790.45	\$14,762.18	\$12,587.91
1902	\$31,226.08	\$27,669.16	\$27,615.31	\$23,548.13
1903	\$45,052.58	\$39,919.14	\$39,841.06	\$33,973.88
2001	\$11,758.58	\$9,937.04	\$9,067.33	\$8,190.89
2002	\$15,411.10	\$13,024.11	\$11,883.79	\$10,736.74
2003	\$19,894.28	\$16,812.59	\$15,341.09	\$13,858.81
2004	\$26,543.65	\$22,432.05	\$20,469.15	\$18,491.43
2101	\$29,405.88	\$29,405.88	\$22,356.66	\$19,638.48
5001	\$0.00	\$0.00	\$0.00	\$2,963.21
5101	\$0.00	\$0.00	\$0.00	\$8,550.35
5102	\$0.00	\$0.00	\$0.00	\$21,520.61
5103	\$0.00	\$0.00	\$0.00	\$9,697.40
5104	\$0.00	\$0.00	\$0.00	\$25,288.90

D. Example of the Methodology for Adjusting the Proposed  
Federal Prospective Payment Rates

Table 5 illustrates the proposed methodology for adjusting the Federal prospective payments (as described in sections IV.A through C of this proposed rule). The examples below are based on two hypothetical Medicare beneficiaries, both classified into CMG 0110 (without comorbidities). The unadjusted Federal prospective payment rate for CMG 0110 (without comorbidities) can be found in Table 4 above.

One beneficiary is in Facility A, an IRF located in rural Spencer County, Indiana, and another beneficiary is in Facility B, an IRF located in urban Harrison County, Indiana. Facility A, a non-teaching hospital, has a disproportionate share hospital (DSH) percentage of 5 percent (which results in a LIP adjustment of 1.0309), a wage index of 0.8538, and an applicable rural adjustment of 21.3 percent. Facility B, a teaching hospital, has a DSH percentage of 15 percent (which results in a LIP adjustment of 1.0910), a wage index of 0.9118, and an applicable teaching status adjustment of 0.109.

To calculate each IRF's labor and non-labor portion of the Federal prospective payment, we begin by taking the unadjusted Federal prospective payment rate for CMG 0110 (without comorbidities) from Table 4 above. Then, we multiply the estimated labor-related share (75.846) described in section IV.A by the unadjusted Federal prospective payment rate. To determine the non-labor portion of the Federal prospective

payment rate, we subtract the labor portion of the Federal payment from the unadjusted Federal prospective payment.

To compute the wage-adjusted Federal prospective payment, we multiply the result of the labor portion of the Federal payment by the appropriate wage index found in the Addendum in Tables 1 and 2, which will result in the wage-adjusted amount. Next, we compute the wage-adjusted Federal payment by adding the wage-adjusted amount to the non-labor portion.

To adjust the Federal prospective payment by the facility-level adjustments, there are several steps. First, we take the wage-adjusted Federal prospective payment and multiply it by the appropriate rural and LIP adjustments (if applicable). Then, to determine the appropriate amount of additional payment for the teaching status adjustment (if applicable), we multiply the teaching status adjustment (0.109, in this example) by the wage-adjusted and rural-adjusted amount (if applicable). Finally, we add the additional teaching status payments (if applicable) to the wage, rural, and LIP-adjusted Federal prospective payment rate. Table 5 illustrates the components of the proposed adjusted payment calculation.

**Table 5: Example of Computing an IRF’s Proposed FY 2008 Federal Prospective Payment**

Steps		Rural Facility A (Spencer Co., IN)	Urban Facility B (Harrison Co., IN)
1	Unadjusted Federal Prospective Payment	\$29,146.05	\$29,146.05

Steps		Rural Facility A (Spencer Co., IN)	Urban Facility B (Harrison Co., IN)
2	Labor Share	X 0.75846	X 0.75846
3	Labor Portion of Federal Payment	= \$22,106.11	= \$22,106.11
4	CBSA Based Wage Index (shown in the Addendum , Tables 1 and 2)	X 0.8538	X 0.9118
5	Wage-Adjusted Amount	= \$18,874.20	= \$20,156.35
6	Non-labor Amount	+ \$7,039.94	+ \$7,039.94
7	Wage-Adjusted Federal Payment	= \$25,914.14	= \$27,196.29
8	Rural Adjustment	X 1.213	X 1.000
9	Wage- and Rural- Adjusted Federal Payment	= \$31,433.85	= \$27,196.29
10	LIP Adjustment	X 1.0309	X 1.0910
11	FY2007 Wage-, Rural- and LIP- Adjusted Federal Prospective Payment Rate	= \$32,405.16	= \$29,671.16
12	FY 2007 Wage- and Rural- Adjusted Federal Prospective Payment	\$31,433.86	\$27,196.29
13	Teaching Status Adjustment	X 0.000	X 0.109
14	Teaching Status Adjustment Amount	= \$0.00	= \$2,964.40
15	FY2007 Wage-, Rural-, and LIP- Adjusted Federal Prospective Payment Rate	+ \$32,405.16	+ \$29,671.16
16	Total FY 2007 Adjusted Federal Prospective Payment	= \$32,405.16	= \$32,635.56

Thus, the proposed adjusted payment for Facility A would be \$32,405.16 and the proposed adjusted payment for Facility B would be \$32,635.56.

#### V. Update to Payments for High-Cost Outliers Under the IRF PPS

[If you choose to comment on issues in this section, please include the caption "High-Cost Outliers Under the IRF PPS" at the beginning of your comments.]

#### A. Proposed Update to the Outlier Threshold Amount for FY 2008

Section 1886(j)(4) of the Act provides the Secretary with the authority to make payments in addition to the basic IRF prospective payments for cases incurring extraordinarily high costs. A case qualifies for an outlier payment if the estimated cost of the case exceeds the adjusted outlier threshold. We calculate the adjusted outlier threshold by adding the IRF PPS payment for the case (that is, the CMG payment adjusted by all of the relevant facility-level adjustments) and the adjusted threshold amount (also adjusted by all of the relevant facility-level adjustments). Then, we calculate the estimated cost of a case by multiplying the IRF's overall cost-to-charge ratio (CCR) by the Medicare allowable covered charge. If the estimated cost of the case is higher than the adjusted outlier threshold, we make an outlier payment for the case equal to 80 percent of the difference between the estimated cost of the case and the outlier threshold.

In the August 7, 2001 final rule (66 FR 41316, 41362 through 41363), we discussed our rationale for setting the outlier threshold amount for the IRF PPS so that estimated outlier payments would equal 3 percent of total estimated payments. Subsequently, we updated the IRF outlier threshold amount in the FYs 2006 and 2007 IRF PPS final rules (70 FR 47880 and 71 FR 48354) to maintain estimated outlier payments at 3 percent of total estimated payments, and we also stated that we

would continue to analyze the estimated outlier payments for subsequent years and adjust the outlier threshold amount as appropriate to maintain the 3 percent target.

For this proposed rule, we performed an updated analysis of FY 2005 claims and IRF-PAI data using the same methodology we used to set the initial outlier threshold amount when we first implemented the IRF PPS in the August 7, 2001 final rule (66 FR 41316), which is also the same methodology we used to update the outlier threshold amounts for FYs 2006 and 2007. Using the updated FY 2005 claims and IRF-PAI data, we estimate that IRF outlier payments as a percentage of total estimated payments for FY 2007 increased from 3 percent using the FY 2004 data to approximately 3.8 percent using the updated FY 2005 data. We are still investigating the reasons for the change in estimated outlier payments between FY 2004 and FY 2005, and will carefully evaluate all possible reasons for this change.

Based on the updated analysis using FY 2005 data, and consistent with the broad statutory authority conferred upon the Secretary in sections 1886(j)(4)(A)(i) and 1886(j)(4)(A)(ii) of the Act, we propose to update the outlier threshold amount to \$7,522 to decrease estimated outlier payments from approximately 3.8 to 3 percent of total estimated aggregate IRF payments for FY 2008.

The outlier threshold amount for FY 2008 is subject to change in the final rule based on analysis of updated data.

B. Update to the IRF Cost-to-Charge Ratio Ceilings

In accordance with the methodology stated in the August 1, 2003 final rule (68 FR 45692 through 45694), we apply a ceiling to IRFs' cost-to-charge ratios (CCRs). Using the methodology described in that final rule, we propose to update the national urban and rural CCRs for IRFs. We apply the national urban and rural CCRs in the following situations:

- New IRFs that have not yet submitted their first Medicare cost report.
- IRFs whose overall CCR is in excess of 3 standard deviations above the corresponding national geometric mean, which we propose to set at 1.55 (based on the current estimate) for FY 2008.
- Other IRFs for whom accurate data with which to calculate an overall CCR are not available.

Specifically, for FY 2008, we estimate a proposed national CCR of 0.589 for rural IRFs and 0.475 for urban IRFs. For new facilities, we use these national ratios until the data become available for us to compute the facility's actual CCR using the first tentative settled or final settled cost report data, which we will then use for the subsequent cost reporting period. We note that the proposed national average rural and urban CCRs and

our estimate of 3 standard deviations above the corresponding national geometric mean in this section are subject to change in the final rule based on updated analysis and data.

### C. Adjustment of IRF Outlier Payments

In the August 1, 2003 final rule (68 FR 45674, 45693 through 45694), we finalized a proposal to make IRF outlier payments subject to reconciliation when IRFs' cost reports are settled, consistent with the policy adopted for IPPS hospitals in the June 9, 2003 IPPS final rule (68 FR 34494, 34501). The revised methodology provides for retroactive adjustments to IRF outlier payments to account for differences between the CCRs from the latest settled cost report and the actual CCRs computed at the time the cost report that coincides with the date of discharge is settled using the cost and charge data from that cost report. This revised methodology addresses vulnerabilities found in the IPPS and the IRF outlier payment policies, which may have resulted in outlier payments that were too high or too low. Along these lines, we are analyzing IRF outlier payments from the beginning of the IRF PPS through FY 2005, obtained from IRFs' cost report filings, to identify specific payment vulnerabilities in the IRF outlier payment policy.

Under this policy, which is outlined in §412.624(e)(5), which in turn references §412.84(i) and §412.84(m) of the IPPS regulations, outlier payments will be processed on an interim



basis throughout the year using IRFs' CCRs based on the best information available at the time. When an IRF's cost report is settled, any reconciliation of outlier payments by fiscal intermediaries will be based on the relationship between an IRF's costs and charges at the time a particular discharge actually occurred. This revised methodology ensures that the final outlier payments reflect an accurate assessment of the actual costs the IRF incurred for treating the case.

We have not yet issued instructions to the fiscal intermediaries regarding IRF outlier reconciliation because we have been analyzing the data and assessing the systems changes necessary to conduct the reconciliation. Thus, we will soon issue instructions to fiscal intermediaries to begin reconciling IRF outlier payments upon settlement of IRF cost reports.

#### **VI. Clarification to the Regulation Text for Special Payment Provisions for Patients that are Transferred**

**[If you choose to comment on issues in this section, please include the caption "Clarification to the Regulation Text for Special Payment Provisions for Patients that are Transferred" at the beginning of your comments.]**

Section 125(a)(3) of the BBRA amended Section 1886(j)(1) of the Act by adding a paragraph (E) that states "Construction relating to transfer authority - Nothing in this subsection

shall be construed as preventing the Secretary from providing for an adjustment to payments to take into account the early transfer of a patient from a rehabilitation facility to another site of care." In the FY 2002 proposed and final IRF PPS rules, we proposed and adopted the transfer payment policy under §412.624(f). The transfer policy provides payments that more accurately reflect facility resources used and services delivered for patients that transfer to another site of care as discussed in the FY 2002 IRF PPS final rule (66 FR 41316, 41353 through 41355). We are proposing to revise our regulations text to clarify our existing policy under §412.624(f).

In the FY 2002 IRF PPS final rule (66 FR 41316, 41353 through 41355), we discuss our rationale, criteria for defining a transfer case, and the methodology to determine the unadjusted Federal prospective payment for the transfer case. In addition, we discuss several adjustments that we apply to the unadjusted Federal prospective payment rate. The final adjustments described in the FY 2002 IRF PPS final rule (65 FR 66304, 66347 through 66357) include the area wage adjustment, rural adjustment, the LIP adjustment, and the high-cost outlier adjustment. In our FY 2006 IRF PPS final rule (70 FR 47880), we refined the facility level adjustments and also adopted a teaching status adjustment.

We define a transfer under §412.602 to mean the release of a Medicare inpatient from an IRF to another IRF, a short-term, acute-care prospective payment hospital, a long-term care hospital as described in §412.23(e), or a nursing home that qualifies to receive Medicare or Medicaid payment. In order to receive a transfer payment under §412.624(f), a patient must be transferred to another site of care as defined in §412.602 and had to have stayed in the IRF for less than the average length of stay for the case-mix group (CMG). Table 1 in this proposed rule presents the CMGs, the comorbidity tiers, the corresponding relative weights, and the average length of stay value for each CMG and tier. We use the average length of stay for each CMG to determine when an IRF discharge meets the definition of a transfer, which results in a per diem case level adjustment.

Since the implementation of the IRF PPS, we determine whether a claim meets the high-cost outlier policy under §412.624(e)(5), as revised in the FY 2007 IRF PPS final rule (71 FR 48354, 48382 through 48383). A case qualifies for an outlier payment if the estimated cost of the case exceeds the adjusted outlier threshold, in which case we make an outlier payment equal to 80 percent of the difference between the estimated cost of the case and the outlier threshold. Since the implementation of the IRF PPS, we have provided an additional high-cost outlier payment to both transfer cases and full CMG

cases when applicable. We propose to clarify the regulations text to articulate the transfer policy more clearly. Specifically, we propose to add the phrase "subject to paragraph (e)(5)" at the end of the paragraph under §412.624(f)(2)(v). The proposed revised §412.624(f)(2)(v) will read, "By applying the adjustment described in paragraphs (e)(1), (e)(2), (e)(3), (e)(4), and (e)(7) of this section to the unadjusted payment amount determined in paragraph (f)(2)(iv) of this section to equal the adjusted transfer payment amount, subject to paragraph (e)(5)."

#### **VII. Provisions of the Proposed Regulation**

**[If you choose to comment on issues in this section, please include the caption "Provisions of the Proposed Regulations" at the beginning of your comments.]**

We are proposing to make revisions to the regulation text in order to implement the proposed policy changes for IRFs for FY 2007 and subsequent fiscal years. Specifically, we are proposing to make conforming changes in 42 CFR part 412. We discuss these proposed revisions and others in detail below.

##### **A. Section 412.624 Methodology for Calculating the Federal Prospective Payment Rates**

In this section, we are proposing to revise the current regulations text in paragraph (f)(2)(v) to clarify that we determine whether a high-cost outlier payment would be

applicable for transfer cases. We emphasize that this is not a change to our current methodology for determining whether a high-cost outlier payment applies to transfer cases.

B. Additional Proposed Changes

- Update the FY 2008 IRF PPS payment rates by the proposed market basket, as discussed in section IV.A.
- Update the FY 2008 IRF PPS payment rates by the proposed wage index and the labor related share in a budget neutral manner, as discussed in section IV.A and B.
- Update the pre-reclassified and pre-floor wage indexes based on the CBSA changes published in the most recent OMB bulletins that apply to the hospital wage data used to determine the current IRF PPS wage index, as discussed in section IV.B.
- Implement the final year of the three-year hold harmless policy adopted in the FY 2006 IRF PPS final rule (70 FR 47880, 447923 through 47926) in a budget neutral manner, as discussed in section IV.B.
- Update the outlier threshold amount for FY 2008 to \$7,522, as discussed in section V.A.
- Update the cost-to-charge ratio ceiling and the national average urban and rural cost-to-charge ratios for purposes

of determining outlier payments under the IRF PPS, as discussed in section V.B.

#### **VIII. Collection of Information Requirements**

This document does not impose 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.

#### **IX. Response to Public Comments**

Because of the large number of public comments we normally receive on **Federal Register** documents, we are not able to acknowledge or respond to them individually. We will consider all comments we receive by the date and time specified in the "DATES" section of this preamble and, when we proceed with a subsequent document, we will respond to the comments in the preamble to that document.

#### **X. Regulatory Impact Analysis**

**[If you choose to comment on issues in this section, please include the caption "Regulatory Impact Analysis" at the beginning of your comments.]**

##### A. Overall Impact

We have examined the impacts of this proposed rule as required by Executive Order 12866 (September 1993, Regulatory Planning and Review), the Regulatory Flexibility Act (RFA,

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.

Executive Order 12866 (as amended by Executive Order 13258, which merely 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 proposed rule is a major rule, as defined in Title 5, United States Code, section 804(2), because we estimate the impact to the Medicare program, and the annual effects to the overall economy, would be more than \$100 million. We estimate that the total impact of these proposed changes for estimated FY 2008 payments compared to estimated FY 2007 payments would be an increase of approximately \$150 million (this reflects a \$200 million increase from the update to the payment rates and a \$50 million decrease due to the proposed update to the outlier threshold amount to decrease estimated outlier payments from approximately 3.8 percent in FY 2007 to 3 percent in FY 2008).

The RFA requires agencies to analyze options for regulatory relief of small entities. For purposes of the RFA, small entities include small businesses, nonprofit organizations, and government jurisdictions. Most IRFs and most other providers and suppliers are considered small entities, either by nonprofit status or by having revenues of \$6 million to \$29 million in any one year. (For details, see the Small Business Administration's final rule that set forth size standards for health care industries, at 65 FR 69432, November 17, 2000.) Because we lack data on individual hospital receipts, we cannot determine the number of small proprietary IRFs or the proportion of IRFs' revenue that is derived from Medicare payments. Therefore, we assume that all IRFs (an approximate total of 1,200 IRFs, of which approximately 60 percent are nonprofit facilities) are considered small entities and that Medicare payment constitutes the majority of their revenues. The Department of Health and Human Services generally uses a revenue impact of 3 to 5 percent as a significance threshold under the RFA. As shown in Table 6, we estimate that the net revenue impact of this proposed rule on all IRFs is to increase estimated payments by about 2.4 percent, with an estimated increase in payments of 3 percent or higher for some categories of IRFs (such as rural freestanding IRFs, urban IRFs in the East North Central and Mountain regions, and rural IRFs in the Middle Atlantic and East South Central



regions). Thus, we anticipate that this proposed rule may have a significant impact on a substantial number of small entities. However, the estimated impact of this proposed rule is a net increase in revenues across all categories of IRFs, so we believe that this proposed rule would not impose a significant burden on small entities. 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.

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. As discussed in detail below, the rates and policies set forth in this proposed rule would not have an adverse impact on rural hospitals based on the data of the 199 rural units and 20 rural hospitals in our database of 1,234 IRFs for which data were available.

Section 202 of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4) also requires that agencies assess anticipated costs and benefits before issuing any rule whose mandates require spending in any one year of \$100 million in 1995,

updated annually for inflation. That threshold level is currently approximately \$120 million. This proposed rule would not mandate any requirements for State, local, or tribal governments, nor would it affect private sector costs.

Executive Order 13132 establishes certain requirements that an agency must meet when it promulgates a proposed rule (and subsequent final rule) that imposes substantial direct requirement costs on State and local governments, preempts State law, or otherwise has Federalism implications. As stated above, this proposed rule would not have a substantial effect on State and local governments.

#### B. Anticipated Effects of the Proposed Rule

We discuss below the impacts of this proposed rule on the budget and on IRFs.

##### 1. Basis and Methodology of Estimates

This proposed rule sets forth updates of the IRF PPS rates contained in the FY 2007 final rule, proposes an update to the outlier threshold for high-cost cases, and proposes an adjustment to the wage index methodology.

Based on the above, we estimate that the FY 2008 impact would be a net increase of \$150 million in payments to IRF providers (this reflects a \$200 million estimated increase from the proposed update to the payment rates and a \$50 million estimated decrease due to the proposed update to the outlier

threshold amount to decrease the estimated outlier payments from approximately 3.8 percent in FY 2007 to 3 percent in FY 2008). The impact analysis in Table 6 of this proposed rule represents the projected effects of the proposed policy changes in the IRF PPS for FY 2008 compared with estimated IRF PPS payments in FY 2007 without the proposed policy changes. 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 proposed changes, except where noted, and we do not make adjustments for future changes in such variables as number of discharges or case-mix, except where noted.

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 because of other changes in the forecasted impact time period. Some examples could be legislative changes made by the Congress to the Medicare program that would impact program funding, 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, the MMA, the DRA, 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.

In updating the rates for FY 2008, we proposed a number of standard annual revisions and clarifications mentioned elsewhere in this proposed rule (for example, the update to the wage and market basket indexes used to adjust the Federal rates). We estimate that these proposed revisions would increase payments to IRFs by approximately \$200 million.

The aggregate change in estimated payments associated with this proposed rule is estimated to be an increase in payments to IRFs of \$150 million for FY 2008. The market basket increase of \$200 million and the \$50 million decrease due to the proposed update to the outlier threshold amount to decrease estimated outlier payments from approximately 3.8 percent in FY 2007 to 3.0 percent in FY 2008 would result in a net change in estimated payments from FY 2007 to FY 2008 of \$150 million.

The effects of the proposed changes that affect IRF PPS payment rates are shown in Table 6. The following proposed changes that affect the IRF PPS payment rates are discussed separately below:

- The effects of the proposed update to the outlier threshold amount to decrease total estimated outlier payments from approximately 3.8 to 3 percent of total estimated payments for FY 2008, consistent with section 1886(j)(4) of the Act.

- The effects of the annual market basket update (using the RPL market basket) to IRF PPS payment rates, as required by sections 1886(j)(3)(A)(i) and 1886(j)(3)(C) of the Act.
- The effects of applying the budget-neutral labor-related share and wage index adjustment, including a proposal to revise our methodology to determine a proxy for rural areas without hospital wage data (as described in section IV of this proposed rule), as required under section 1886(j)(6) of the Act.
- The effects of the final year of the 3-year budget-neutral hold-harmless policy for IRFs that were rural under §412.602 during FY 2005, but are urban under §412.602 beginning FY 2006 and lose the rural adjustment, resulting in a decrease in the estimated IRF PPS payments if not for the hold harmless policy.
- The total proposed change in estimated payments based on the FY 2008 proposed policies relative to estimated FY 2007 payments without the proposed policies.

## 2. Description of Table 6

The table below categorizes IRFs by geographic location, including urban or rural location and location with respect to CMS's nine census divisions (as defined on the cost report) of the country. In addition, the table divides IRFs into those that are separate rehabilitation hospitals (otherwise called

freestanding hospitals in this section), those that are rehabilitation units of a hospital (otherwise called hospital units in this section), rural or urban facilities, ownership (otherwise called for-profit, non-profit, and government), and by teaching status. The top row of the table shows the overall impact on the 1,234 IRFs included in the analysis.

The next 12 rows of Table 6 contain IRFs categorized according to their geographic location, designation as either a freestanding hospital or a unit of a hospital, and by type of ownership; all urban, which is further divided into urban units of a hospital, urban freestanding hospitals, and by type of ownership; and all rural, which is further divided into rural units of a hospital, rural freestanding hospitals, and by type of ownership. There are 1,015 IRFs located in urban areas included in our analysis. Among these, there are 816 IRF units of hospitals located in urban areas and 199 freestanding IRF hospitals located in urban areas. There are 219 IRFs located in rural areas included in our analysis. Among these, there are 199 IRF units of hospitals located in rural areas and 20 freestanding IRF hospitals located in rural areas. There are 419 for-profit IRFs. Among these, there are 340 IRFs in urban areas and 79 IRFs in rural areas. There are 748 non-profit IRFs. Among these, there are 624 urban IRFs and 124 rural IRFs. There are 67 government-owned IRFs. Among these, there are 51

urban IRFs and 16 rural IRFs.

The remaining three parts of Table 6 show IRFs grouped by their geographic location within a region, and the last part groups IRFs by teaching status. First, IRFs located in urban areas are categorized with respect to their location within a particular one of the nine CMS geographic regions. Second, IRFs located in rural areas are categorized with respect to their location within a particular one of the nine CMS geographic regions. In some cases, especially for rural IRFs located in the New England, Mountain, and Pacific regions, the number of IRFs represented is small. Finally, IRFs are grouped by teaching status, including non-teaching IRFs, IRFs with an intern and resident to average daily census (ADC) ratio less than 10 percent, IRFs with an intern and resident to ADC ratio greater than or equal to 10 percent and less than or equal to 19 percent, and IRFs with an intern and resident to ADC ratio greater than 19 percent.

The estimated impacts of each proposed change to the facility categories listed above are shown in the columns of Table 6. The description of each column is as follows:

Column (1) shows the facility classification categories described above.

Column (2) shows the number of IRFs in each category.

Column (3) shows the number of cases in each category.

Column (4) shows the estimated effect of the proposed adjustment to the outlier threshold amount so that estimated outlier payments decrease from approximately 3.8 percent in FY 2007 to 3 percent of total estimated payments for FY 2008.

Column (5) shows the estimated effect of the market basket update to the IRF PPS payment rates.

Column (6) shows the estimated effect of the update to the IRF labor-related share, wage index, and the final year of the hold harmless policy, in a budget neutral manner.

Column (7) compares our estimates of the payments per discharge, incorporating all of the proposed changes reflected in this proposed rule for FY 2008, to our estimates of payments per discharge in FY 2007 (without these proposed changes). The average estimated increase for all IRFs is approximately 2.4 percent. This estimated increase includes the effects of the 3.3 percent market basket update. It also includes the 0.9 percent overall estimated decrease in estimated IRF outlier payments from the proposed update to the outlier threshold amount. Because we are making the remainder of the proposed changes outlined in this proposed rule in a budget-neutral manner, they would not affect total estimated IRF payments in the aggregate. However, as described in more detail in each section, they would affect the estimated distribution of payments among providers.



Table 6: Projected Impact on the IRF PPS for FY 2008

Facility Classification (1)	Number of IRFs (2)	Number of cases (3)	Outlier (4)	Market Basket (5)	FY08 CBSA wage index, labor-related share, and hold harmless (6)	Total Change % (7)
<b>Total</b>	1,234	447,163	-0.9%	3.3%	0.0%	2.4%
Urban unit	816	249,213	-1.1	3.3	0.2	2.4
Rural unit	199	38,448	-0.9	3.3	0.2	2.6
Urban hospital	199	153,777	-0.5	3.3	-0.3	2.4
Rural hospital	20	5,725	-0.4	3.3	0.3	3.1
Urban For-Profit	340	153,740	-0.7	3.3	-0.3	2.2
Rural For-Profit	79	15,444	-0.7	3.3	0.1	2.7
Urban Non-Profit	624	233,412	-0.9	3.3	0.2	2.5
Rural Non-Profit	124	25,711	-0.8	3.3	0.3	2.7
Urban Government	51	15,838	-1.1	3.3	-0.3	1.9
Rural Government	16	3,018	-1.3	3.3	0.3	2.3
Urban	1,015	402,990	-0.9	3.3	0.0	2.4
Rural	219	44,173	-0.8	3.3	0.2	2.7
<b>Urban by region</b>						
Urban New England	35	18,486	-0.9	3.3	-0.4	1.9
Urban Middle Atlantic	160	69,955	-0.7	3.3	0.1	2.7
Urban South Atlantic	130	68,102	-0.8	3.3	-0.6	1.8
Urban East North Central	194	68,144	-0.9	3.3	0.6	3.0
Urban East South Central	51	28,686	-0.7	3.3	-0.8	1.8
Urban West North Central	71	21,860	-1.0	3.3	0.3	2.5
Urban West South Central	185	73,956	-0.9	3.3	-0.4	2.0
Urban Mountain	77	25,325	-1.0	3.3	0.7	3.0
Urban Pacific	112	28,476	-1.1	3.3	0.5	2.7
<b>Rural by region</b>						
Rural New England	5	1,082	-1.4	3.3	-0.9	1.0
Rural Middle Atlantic	17	4,118	-0.5	3.3	0.7	3.4
Rural South Atlantic	26	6,372	-0.5	3.3	-0.1	2.7
Rural East North Central	39	6,867	-0.9	3.3	0.4	2.8
Rural East South Central	24	5,599	-0.6	3.3	0.5	3.2
Rural West North Central	36	6,843	-1.1	3.3	0.4	2.6

Facility Classification (1)	Number of IRFs (2)	Number of cases (3)	Outlier (4)	Market Basket (5)	FY08 CBSA wage index, labor-related share, and hold harmless (6)	Total Change % (7)
Rural West South Central	59	11,834	-0.8	3.3	0.1	2.6
Rural Mountain	9	992	-1.7	3.3	-0.3	1.3
Rural Pacific	4	466	-1.4	3.3	0.3	2.2
<b>Teaching Status</b>						
Non-teaching	1,112	390,066	-0.9	3.3	0.0	2.4
Resident to ADC less than 10%	64	37,601	-0.7	3.3	0.1	2.8
Resident to ADC 10%-19%	40	15,271	-1.0	3.3	0.1	2.5
Resident to ADC greater than 19%	18	4,225	-0.8	3.3	0.1	2.9

3. Impact of the Proposed Update to the Outlier Threshold

Amount (Column 4, Table 6)

In the FY 2007 IRF PPS final rule (71 FR 48354), we used FY 2004 patient-level claims data (the best, most complete data available at that time) to set the outlier threshold amount for FY 2007 so that estimated outlier payments would equal 3 percent of total estimated payments for FY 2007. For this proposed rule, we are proposing to update our analysis using FY 2005 data. Using the updated FY 2005 data, we now estimate that IRF outlier payments as a percentage of total estimated payments for FY 2007 increased from 3 percent using the FY 2004 data to approximately 3.8 percent using the updated FY 2005 data. Thus, we are proposing to adjust the outlier threshold amount for

FY 2008 to \$7,522 to set total estimated outlier payments equal to 3 percent of total estimated payments in FY 2008. The proposed estimated change in total payments between FY 2007 and FY 2008, therefore, includes a 0.9 percent (rounded from 0.85 percent) overall estimated decrease in payments because the estimated outlier portion of total payments is estimated to decrease from approximately 3.8 percent to 3 percent.

The impact of this proposed update (as shown in column 4 of Table 6) is to decrease estimated overall payments to IRFs by 0.9 percent. We do not estimate that any group of IRFs would experience an increase in payments from this proposed update. We estimate the largest decrease in payments to be a 1.7 percent decrease in estimated payments to rural IRFs in the Mountain region.

#### 4. Impact of the Proposed Market Basket Update to the IRF PPS Payment Rates (Column 5, Table 6)

In column 5 of Table 6, we present the estimated effects of the proposed market basket update to the IRF PPS payment rates. In the aggregate, and across all hospital groups, the proposed update would result in a 3.3 percent increase in overall estimated payments to IRFs.

#### 5. Impact of the Proposed CBSA Wage Index, Labor-Related Share, and the Hold Harmless Policy for FY 2008 (Column 6, Table 6)

In column 6 of Table 6, we present the effects of the

proposed budget neutral update of the wage index, labor-related share, and the final year of the hold harmless policy. In FY 2006, we provided a 1-year blended wage index and a 3-year phase out of the rural adjustment for IRFs that changed designation because of the change from MSAs to CBSAs (referenced as the hold harmless policy). We applied the blended wage index to all IRFs and the hold harmless policy to those IRFs that qualify, as described in §412.624(e)(7), in order to mitigate the impact of the change from the MSA-based labor area definitions to the CBSA-based labor area definitions for IRFs.

As discussed in the FY 2007 IRF PPS final rule (71 FR 48345), the blended wage index expired in FY 2007 and will not be applied for discharges occurring on or after October 1, 2006. In addition, FY 2008 is the third and final year of the hold harmless policy, and we are continuing to apply this policy as described in the FY 2006 final rule in a budget neutral manner.

As discussed in this proposed rule, we are proposing to revise our methodology to impute a rural wage index value for rural areas without hospital wage data and update the wage index based on the CBSA-based labor market area definitions in a budget neutral manner. We are also applying the third and final year of the hold harmless policy in a budget neutral manner. Thus, in the aggregate, the estimated impact of the proposed

update to the wage index and labor-related share is zero percent.

In the aggregate and for all urban IRFs, we do not estimate that these proposed changes would affect overall estimated payments to IRFs. However, we estimate that these proposed changes would have small distributional effects. We estimate a 0.2 percent increase in estimated payments to rural IRFs. We estimate the largest increase in payments to be a 0.7 percent increase for urban IRFs in the Mountain region and for rural IRFs in the Middle Atlantic region. We estimate the largest decrease in payments to be a 0.9 percent decrease for rural IRFs in the New England region.

#### C. Anticipated Effects of the 75 Percent Rule Policy

The existing policy for classifying a facility as an IRF, which is described in §412.23(b)(2), allows the inclusion of comorbidities meeting certain requirements in the calculations used to determine the compliance percentage for cost reporting periods beginning on or after July 1, 2004, and before July 1, 2008. However, for cost reporting periods beginning on or after July 1, 2008, comorbidities will not be eligible for inclusion in the calculations used to determine if the provider meets the 75 percent compliance threshold. As discussed in section II of this proposed rule, we are not proposing to change existing policy. On or after July 1, 2008, we anticipate that

IRFs would make adjustments to their admission and coding practices to continue to meet the compliance threshold. Data limitations and two important sources of uncertainty prevent a precise estimate of the effect of this policy at this time. One source of uncertainty is what proportion of patients who would no longer be treated in IRFs would instead be treated by other, lower-cost post-acute care settings such as skilled nursing facilities or home health agencies. Another source of uncertainty is determining how providers will make adjustments on or after July 1, 2008. While we cannot make a precise estimate at this time, we anticipate modest decreases in Medicare payments beginning on or after July 1, 2008.

D. Alternatives Considered

Because we have determined that this proposed rule would have a significant economic impact on IRFs and on a substantial number of small entities, we will discuss the alternative changes to the IRF PPS that we considered.

Section 1886(j)(3)(C) of the Act requires the Secretary to update the IRF PPS payment rates by 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. As discussed above, we estimate the RPL market basket increase factor for FY 2008 to be 3.3 percent. This increase factor represents the majority of the impact on IRF providers shown in

Table 6. Thus, we believe this estimated net increase in payments across all categories of IRFs represents a benefit to IRF providers and, thus, to IRFs that are small entities.

We considered maintaining the existing outlier threshold amount for FY 2008 because this proposed update would have a negative impact on IRF providers and, therefore, on small entities. If we maintain the FY 2007 outlier threshold amount, more outlier cases would have qualified for the additional outlier payments in FY 2008. However, analysis of updated FY 2005 data indicates that estimated outlier payments would not equal 3 percent of estimated total payments for FY 2008 unless we proposed to update the outlier threshold amount. Also, we estimate that the effect of this proposal on estimated payments to IRFs is small (less than 1 percent).

#### E. Accounting Statement

As required by OMB Circular A-4 (available at <http://www.whitehouse.gov/omb/circulars/a004/a-4.pdf>), in Table 8 below, we have prepared an accounting statement showing the classification of the expenditures associated with the provisions of this proposed rule. This table provides our best estimate of the increase in Medicare payments under the IRF PPS as a result of the proposed changes presented in this proposed rule based on the data for 1,234 IRFs in our database. All estimated expenditures are classified as transfers to Medicare

providers (that is, IRFs).

**Table 8: Accounting Statement: Classification of Estimated Expenditures, from the 2007 IRF PPS Rate Year to the 2008 IRF PPS Rate Year (in Millions)**

<b>Category</b>	<b>Transfers</b>
Annualized Monetized Transfers	\$150 million
From Whom To Whom?	Federal Government to IRF Medicare Providers

F. Conclusion (column 7, Table 6)

Overall, the estimated payments per discharge for IRFs in FY 2008 are projected to increase by 2.4 percent, compared with those in FY 2007, as reflected in column 7 of Table 6. We estimate that IRFs in urban areas would experience a 2.4 percent increase in estimated payments per discharge compared with FY 2007. We estimate that IRFs in rural areas would experience a 2.7 percent increase in estimated payments per discharge compared with FY 2007. We estimate that rehabilitation units and freestanding rehabilitation hospitals in urban areas would both experience a 2.4 percent increase in estimated payments per discharge. We estimate that rehabilitation units in rural areas would experience a 2.6 percent increase in estimated payments per discharge, while freestanding rehabilitation hospitals in rural areas would experience a 3.1 percent increase in estimated payments per discharge.

Overall, we estimate that the largest payment increase



would be 3.4 percent among rural IRFs in the Middle Atlantic region. We do not estimate that any group of IRFs would experience an overall decrease in payments from the proposed changes in this proposed rule.

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 412**

Administrative practice and procedure, Health facilities,  
Medicare, Puerto Rico, Reporting and recordkeeping requirements.

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

**PART 412--PROSPECTIVE PAYMENT SYSTEMS FOR INPATIENT HOSPITAL SERVICES**

1. The authority citation for part 412 continues to read as follows:

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

**Subpart P--Prospective Payment for Inpatient Rehabilitation Hospitals and Rehabilitation Units**

2. Section 412.624 is amended by revising paragraph (f)(2)(v) to read as follows:

**§412.624 Methodology for calculating the Federal prospective payment rates.**

\* \* \* \* \*

(f) \* \* \*

(2) \* \* \*

(v) By applying the adjustment described in paragraphs (e)(1), (e)(2), (e)(3), (e)(4), and (e)(7) of this section to the unadjusted payment amount determined in paragraph (f)(2)(iv) of this section to equal the adjusted transfer payment amount, subject to paragraph (e)(5) of this section.

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

Dated: \_\_\_\_\_

\_\_\_\_\_  
**Leslie V. Norwalk,**  
Acting Administrator,  
Centers for Medicare & Medicaid  
Services.

Approved: \_\_\_\_\_

\_\_\_\_\_  
**Michael O. Leavitt,**  
Secretary.

**BILLING CODE 4120-01-P**

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

**ADDENDUM**

This addendum contains the tables referred to throughout the preamble of this proposed rule. The tables presented below are as follows:

Table 1.-- Proposed Inpatient Rehabilitation Facility Wage Index for Urban Areas for Discharges Occurring from October 1, 2007 through September 30, 2008

Table 2.-- Proposed Inpatient Rehabilitation Facility Wage Index for Rural Areas for Discharges Occurring from October 1, 2007 through September 30, 2008

**Table 1.— PROPOSED INPATIENT REHABILITATION FACILITY WAGE INDEX  
FOR URBAN AREAS FOR DISCHARGES OCCURRING FROM  
OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

<b>CBSA Code</b>	<b>Urban Area (Constituent Counties)</b>	<b>Wage Index</b>
10180	Abilene, TX Callahan County, TX Jones County, TX Taylor County, TX	0.8000
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	0.3915
10420	Akron, OH Portage County, OH Summit County, OH	0.8654
10500	Albany, GA Baker County, GA Dougherty County, GA Lee County, GA Terrell County, GA Worth County, GA	0.8991
10580	Albany-Schenectady-Troy, NY Albany County, NY Rensselaer County, NY Saratoga County, NY Schenectady County, NY Schoharie County, NY	0.8720
10740	Albuquerque, NM Bernalillo County, NM Sandoval County, NM Torrance County, NM Valencia County, NM	0.9458
10780	Alexandria, LA Grant Parish, LA Rapides Parish, LA	0.8006

CBSA Code	Urban Area (Constituent Counties)	Wage Index
10900	Allentown-Bethlehem-Easton, PA-NJ Warren County, NJ Carbon County, PA Lehigh County, PA Northampton County, PA	0.9947
11020	Altoona, PA Blair County, PA	0.8812
11100	Amarillo, TX Armstrong County, TX Carson County, TX Potter County, TX Randall County, TX	0.9169
11180	Ames, IA Story County, IA	0.9760
11260	Anchorage, AK Anchorage Municipality, AK Matanuska-Susitna Borough, AK	1.2023
11300	Anderson, IN Madison County, IN	0.8681
11340	Anderson, SC Anderson County, SC	0.9017
11460	Ann Arbor, MI Washtenaw County, MI	1.0826
11500	Anniston-Oxford, AL Calhoun County, AL	0.7770
11540	Appleton, WI Calumet County, WI Outagamie County, WI	0.9455
11700	Asheville, NC Buncombe County, NC Haywood County, NC Henderson County, NC Madison County, NC	0.9216
12020	Athens-Clarke County, GA Clarke County, GA Madison County, GA Oconee County, GA Oglethorpe County, GA	0.9856

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	0.9762
12100	Atlantic City, NJ Atlantic County, NJ	1.1831
12220	Auburn-Opelika, AL Lee County, AL	0.8096
12260	Augusta-Richmond County, GA-SC Burke County, GA Columbia County, GA McDuffie County, GA Richmond County, GA Aiken County, SC Edgefield County, SC	0.9667



CBSA Code	Urban Area (Constituent Counties)	Wage Index
12420	Austin-Round Rock, TX Bastrop County, TX Caldwell County, TX Hays County, TX Travis County, TX Williamson County, TX	0.9344
12540	Bakersfield, CA Kern County, CA	1.0725
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	1.0088
12620	Bangor, ME Penobscot County, ME	0.9711
12700	Barnstable Town, MA Barnstable County, MA	1.2539
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	0.8084
12980	Battle Creek, MI Calhoun County, MI	0.9762
13020	Bay City, MI Bay County, MI	0.9251
13140	Beaumont-Port Arthur, TX Hardin County, TX Jefferson County, TX Orange County, TX	0.8595
13380	Bellingham, WA Whatcom County, WA	1.1104

CBSA Code	Urban Area (Constituent Counties)	Wage Index
13460	Bend, OR Deschutes County, OR	1.0743
13644	Bethesda-Frederick-Gaithersburg, MD Frederick County, MD Montgomery County, MD	1.0903
13740	Billings, MT Carbon County, MT Yellowstone County, MT	0.8712
13780	Binghamton, NY Broome County, NY Tioga County, NY	0.8786
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	0.8894
13900	Bismarck, ND Burleigh County, ND Morton County, ND	0.7240
13980	Blacksburg-Christiansburg-Radford, VA Giles County, VA Montgomery County, VA Pulaski County, VA Radford City, VA	0.8213
14020	Bloomington, IN Greene County, IN Monroe County, IN Owen County, IN	0.8533
14060	Bloomington-Normal, IL McLean County, IL	0.8944
14260	Boise City-Nampa, ID Ada County, ID Boise County, ID Canyon County, ID Gem County, ID Owyhee County, ID	0.9401

CBSA Code	Urban Area (Constituent Counties)	Wage Index
14484	Boston-Quincy, MA Norfolk County, MA Plymouth County, MA Suffolk County, MA	1.1679
14500	Boulder, CO Boulder County, CO	1.0350
14540	Bowling Green, KY Edmonson County, KY Warren County, KY	0.8148
14740	Bremerton-Silverdale, WA Kitsap County, WA	1.0913
14860	Bridgeport-Stamford-Norwalk, CT Fairfield County, CT	1.2659
15180	Brownsville-Harlingen, TX Cameron County, TX	0.9430
15260	Brunswick, GA Brantley County, GA Glynn County, GA McIntosh County, GA	1.0164
15380	Buffalo-Niagara Falls, NY Erie County, NY Niagara County, NY	0.9424
15500	Burlington, NC Alamance County, NC	0.8674
15540	Burlington-South Burlington, VT Chittenden County, VT Franklin County, VT Grand Isle County, VT	0.9474
15764	Cambridge-Newton-Framingham, MA Middlesex County, MA	1.0970
15804	Camden, NJ Burlington County, NJ Camden County, NJ Gloucester County, NJ	1.0392
15940	Canton-Massillon, OH Carroll County, OH Stark County, OH	0.9031
15980	Cape Coral-Fort Myers, FL Lee County, FL	0.9342

CBSA Code	Urban Area (Constituent Counties)	Wage Index
16180	Carson City, NV Carson City, NV	1.0025
16220	Casper, WY Natrona County, WY	0.9145
16300	Cedar Rapids, IA Benton County, IA Jones County, IA Linn County, IA	0.8888
16580	Champaign-Urbana, IL Champaign County, IL Ford County, IL Piatt County, IL	0.9644
16620	Charleston, WV Boone County, WV Clay County, WV Kanawha County, WV Lincoln County, WV Putnam County, WV	0.8542
16700	Charleston-North Charleston, SC Berkeley County, SC Charleston County, SC Dorchester County, SC	0.9145
16740	Charlotte-Gastonia-Concord, NC-SC Anson County, NC Cabarrus County, NC Gaston County, NC Mecklenburg County, NC Union County, NC York County, SC	0.9554
16820	Charlottesville, VA Albemarle County, VA Fluvanna County, VA Greene County, VA Nelson County, VA Charlottesville City, VA	1.0125

CBSA Code	Urban Area (Constituent Counties)	Wage Index
16860	Chattanooga, TN-GA Catoosa County, GA Dade County, GA Walker County, GA Hamilton County, TN Marion County, TN Sequatchie County, TN	0.8948
16940	Cheyenne, WY Laramie County, WY	0.9060
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	1.0751
17020	Chico, CA Butte County, CA	1.1053
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	0.9601
17300	Clarksville, TN-KY Christian County, KY Trigg County, KY Montgomery County, TN Stewart County, TN	0.8436

CBSA Code	Urban Area (Constituent Counties)	Wage Index
17420	Cleveland, TN Bradley County, TN Polk County, TN	0.8109
17460	Cleveland-Elyria-Mentor, OH Cuyahoga County, OH Geauga County, OH Lake County, OH Lorain County, OH Medina County, OH	0.9400
17660	Coeur d'Alene, ID Kootenai County, ID	0.9344
17780	College Station-Bryan, TX Brazos County, TX Burleson County, TX Robertson County, TX	0.9045
17820	Colorado Springs, CO El Paso County, CO Teller County, CO	0.9701
17860	Columbia, MO Boone County, MO Howard County, MO	0.8542
17900	Columbia, SC Calhoun County, SC Fairfield County, SC Kershaw County, SC Lexington County, SC Richland County, SC Saluda County, SC	0.8933
17980	Columbus, GA-AL Russell County, AL Chattahoochee County, GA Harris County, GA Marion County, GA Muscogee County, GA	0.8239
18020	Columbus, IN Bartholomew County, IN	0.9318

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	1.0107
18580	Corpus Christi, TX Aransas County, TX Nueces County, TX San Patricio County, TX	0.8564
18700	Corvallis, OR Benton County, OR	1.1546
19060	Cumberland, MD-WV Allegany County, MD Mineral County, WV	0.8446
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	1.0075
19140	Dalton, GA Murray County, GA Whitfield County, GA	0.9093
19180	Danville, IL Vermilion County, IL	0.9266
19260	Danville, VA Pittsylvania County, VA Danville City, VA	0.8451
19340	Davenport-Moline-Rock Island, IA-IL Henry County, IL Mercer County, IL Rock Island County, IL Scott County, IA	0.8846

CBSA Code	Urban Area (Constituent Counties)	Wage Index
19380	Dayton, OH Greene County, OH Miami County, OH Montgomery County, OH Preble County, OH	0.9037
19460	Decatur, AL Lawrence County, AL Morgan County, AL	0.8159
19500	Decatur, IL Macon County, IL	0.8172
19660	Deltona-Daytona Beach-Ormond Beach, FL Volusia County, FL	0.9263
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	1.0930
19780	Des Moines-West Des Moines, IA Dallas County, IA Guthrie County, IA Madison County, IA Polk County, IA Warren County, IA	0.9214
19804	Detroit-Livonia-Dearborn, MI Wayne County, MI	1.0281
20020	Dothan, AL Geneva County, AL Henry County, AL Houston County, AL	0.7381
20100	Dover, DE Kent County, DE	0.9847
20220	Dubuque, IA Dubuque County, IA	0.9133



CBSA Code	Urban Area (Constituent Counties)	Wage Index
20260	Duluth, MN-WI Carlton County, MN St. Louis County, MN Douglas County, WI	1.0042
20500	Durham, NC Chatham County, NC Durham County, NC Orange County, NC Person County, NC	0.9826
20740	Eau Claire, WI Chippewa County, WI Eau Claire County, WI	0.9630
20764	Edison, NJ Middlesex County, NJ Monmouth County, NJ Ocean County, NJ Somerset County, NJ	1.1190
20940	El Centro, CA Imperial County, CA	0.9076
21060	Elizabethtown, KY Hardin County, KY Larue County, KY	0.8697
21140	Elkhart-Goshen, IN Elkhart County, IN	0.9426
21300	Elmira, NY Chemung County, NY	0.8240
21340	El Paso, TX El Paso County, TX	0.9053
21500	Erie, PA Erie County, PA	0.8827
21604	Essex County, MA Essex County, MA	1.0418
21660	Eugene-Springfield, OR Lane County, OR	1.0876

CBSA Code	Urban Area (Constituent Counties)	Wage Index
21780	Evansville, IN-KY Gibson County, IN Posey County, IN Vanderburgh County, IN Warrick County, IN Henderson County, KY Webster County, KY	0.9071
21820	Fairbanks, AK Fairbanks North Star Borough, AK	1.1059
21940	Fajardo, PR Ceiba Municipio, PR Fajardo Municipio, PR Luquillo Municipio, PR	0.4036
22020	Fargo, ND-MN Cass County, ND Clay County, MN	0.8250
22140	Farmington, NM San Juan County, NM	0.8589
22180	Fayetteville, NC Cumberland County, NC Hoke County, NC	0.8945
22220	Fayetteville-Springdale-Rogers, AR-MO Benton County, AR Madison County, AR Washington County, AR McDonald County, MO	0.8865
22380	Flagstaff, AZ Coconino County, AZ	1.1601
22420	Flint, MI Genesee County, MI	1.0969
22500	Florence, SC Darlington County, SC Florence County, SC	0.8388
22520	Florence-Muscle Shoals, AL Colbert County, AL Lauderdale County, AL	0.7843
22540	Fond du Lac, WI Fond du Lac County, WI	1.0063

CBSA Code	Urban Area (Constituent Counties)	Wage Index
22660	Fort Collins-Loveland, CO Larimer County, CO	0.9544
22744	Fort Lauderdale-Pompano Beach-Deerfield Beach, FL Broward County, FL	1.0133
22900	Fort Smith, AR-OK Crawford County, AR Franklin County, AR Sebastian County, AR Le Flore County, OK Sequoyah County, OK	0.7731
23020	Fort Walton Beach-Crestview-Destin, FL Okaloosa County, FL	0.8643
23060	Fort Wayne, IN Allen County, IN Wells County, IN Whitley County, IN	0.9517
23104	Fort Worth-Arlington, TX Johnson County, TX Parker County, TX Tarrant County, TX Wise County, TX	0.9569
23420	Fresno, CA Fresno County, CA	1.0943
23460	Gadsden, AL Etowah County, AL	0.8066
23540	Gainesville, FL Alachua County, FL Gilchrist County, FL	0.9277
23580	Gainesville, GA Hall County, GA	0.8958
23844	Gary, IN Jasper County, IN Lake County, IN Newton County, IN Porter County, IN	0.9334
24020	Glens Falls, NY Warren County, NY Washington County, NY	0.8324

CBSA Code	Urban Area (Constituent Counties)	Wage Index
24140	Goldsboro, NC Wayne County, NC	0.9171
24220	Grand Forks, ND-MN Polk County, MN Grand Forks County, ND	0.7949
24300	Grand Junction, CO Mesa County, CO	0.9668
24340	Grand Rapids-Wyoming, MI Barry County, MI Ionia County, MI Kent County, MI Newaygo County, MI	0.9455
24500	Great Falls, MT Cascade County, MT	0.8598
24540	Greeley, CO Weld County, CO	0.9602
24580	Green Bay, WI Brown County, WI Kewaunee County, WI Oconto County, WI	0.9787
24660	Greensboro-High Point, NC Guilford County, NC Randolph County, NC Rockingham County, NC	0.8866
24780	Greenville, NC Greene County, NC Pitt County, NC	0.9432
24860	Greenville, SC Greenville County, SC Laurens County, SC Pickens County, SC	0.9804
25020	Guayama, PR Arroyo Municipio, PR Guayama Municipio, PR Patillas Municipio, PR	0.3235
25060	Gulfport-Biloxi, MS Hancock County, MS Harrison County, MS Stone County, MS	0.8915

CBSA Code	Urban Area (Constituent Counties)	Wage Index
25180	Hagerstown-Martinsburg, MD-WV Washington County, MD Berkeley County, WV Morgan County, WV	0.9038
25260	Hanford-Corcoran, CA Kings County, CA	1.0282
25420	Harrisburg-Carlisle, PA Cumberland County, PA Dauphin County, PA Perry County, PA	0.9402
25500	Harrisonburg, VA Rockingham County, VA Harrisonburg City, VA	0.9073
25540	Hartford-West Hartford-East Hartford, CT Hartford County, CT Litchfield County, CT Middlesex County, CT Tolland County, CT	1.0894
25620	Hattiesburg, MS Forrest County, MS Lamar County, MS Perry County, MS	0.7430
25860	Hickory-Lenoir-Morganton, NC Alexander County, NC Burke County, NC Caldwell County, NC Catawba County, NC	0.9010
25980	Hinesville-Fort Stewart, GA <sup>1</sup> Liberty County, GA Long County, GA	0.9178
26100	Holland-Grand Haven, MI Ottawa County, MI	0.9163
26180	Honolulu, HI Honolulu County, HI	1.1096
26300	Hot Springs, AR Garland County, AR	0.8782
26380	Houma-Bayou Cane-Thibodaux, LA Lafourche Parish, LA Terrebonne Parish, LA	0.8082

CBSA Code	Urban Area (Constituent Counties)	Wage Index
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	1.0008
26580	Huntington-Ashland, WV-KY-OH Boyd County, KY Greenup County, KY Lawrence County, OH Cabell County, WV Wayne County, WV	0.8997
26620	Huntsville, AL Limestone County, AL Madison County, AL	0.9007
26820	Idaho Falls, ID Bonneville County, ID Jefferson County, ID	0.9088
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	0.9895
26980	Iowa City, IA Johnson County, IA Washington County, IA	0.9714
27060	Ithaca, NY Tompkins County, NY	0.9928
27100	Jackson, MI Jackson County, MI	0.9560

CBSA Code	Urban Area (Constituent Counties)	Wage Index
27140	Jackson, MS Copiah County, MS Hinds County, MS Madison County, MS Rankin County, MS Simpson County, MS	0.8271
27180	Jackson, TN Chester County, TN Madison County, TN	0.8853
27260	Jacksonville, FL Baker County, FL Clay County, FL Duval County, FL Nassau County, FL St. Johns County, FL	0.9165
27340	Jacksonville, NC Onslow County, NC	0.8231
27500	Janesville, WI Rock County, WI	0.9655
27620	Jefferson City, MO Callaway County, MO Cole County, MO Moniteau County, MO Osage County, MO	0.8332
27740	Johnson City, TN Carter County, TN Unicoi County, TN Washington County, TN	0.8043
27780	Johnstown, PA Cambria County, PA	0.8620
27860	Jonesboro, AR Craighead County, AR Poinsett County, AR	0.7662
27900	Joplin, MO Jasper County, MO Newton County, MO	0.8605
28020	Kalamazoo-Portage, MI Kalamazoo County, MI Van Buren County, MI	1.0704

CBSA Code	Urban Area (Constituent Counties)	Wage Index
28100	Kankakee-Bradley, IL Kankakee County, IL	1.0083
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	0.9495
28420	Kennewick-Richland-Pasco, WA Benton County, WA Franklin County, WA	1.0343
28660	Killeen-Temple-Fort Hood, TX Bell County, TX Coryell County, TX Lampasas County, TX	0.8901
28700	Kingsport-Bristol-Bristol, TN-VA Hawkins County, TN Sullivan County, TN Bristol City, VA Scott County, VA Washington County, VA	0.7985
28740	Kingston, NY Ulster County, NY	0.9367
28940	Knoxville, TN Anderson County, TN Blount County, TN Knox County, TN Loudon County, TN Union County, TN	0.8249
29020	Kokomo, IN Howard County, IN Tipton County, IN	0.9669



CBSA Code	Urban Area (Constituent Counties)	Wage Index
29100	La Crosse, WI-MN Houston County, MN La Crosse County, WI	0.9426
29140	Lafayette, IN Benton County, IN Carroll County, IN Tippecanoe County, IN	0.8931
29180	Lafayette, LA Lafayette Parish, LA St. Martin Parish, LA	0.8289
29340	Lake Charles, LA Calcasieu Parish, LA Cameron Parish, LA	0.7914
29404	Lake County-Kenosha County, IL-WI Lake County, IL Kenosha County, WI	1.0570
29460	Lakeland, FL Polk County, FL	0.8879
29540	Lancaster, PA Lancaster County, PA	0.9589
29620	Lansing-East Lansing, MI Clinton County, MI Eaton County, MI Ingham County, MI	1.0088
29700	Laredo, TX Webb County, TX	0.7811
29740	Las Cruces, NM Dona Ana County, NM	0.9273
29820	Las Vegas-Paradise, NV Clark County, NV	1.1430
29940	Lawrence, KS Douglas County, KS	0.8365
30020	Lawton, OK Comanche County, OK	0.8065
30140	Lebanon, PA Lebanon County, PA	0.8679

CBSA Code	Urban Area (Constituent Counties)	Wage Index
30300	Lewiston, ID-WA Nez Perce County, ID Asotin County, WA	0.9853
30340	Lewiston-Auburn, ME Androscoggin County, ME	0.9126
30460	Lexington-Fayette, KY Bourbon County, KY Clark County, KY Fayette County, KY Jessamine County, KY Scott County, KY Woodford County, KY	0.9181
30620	Lima, OH Allen County, OH	0.9042
30700	Lincoln, NE Lancaster County, NE Seward County, NE	1.0092
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	0.8890
30860	Logan, UT-ID Franklin County, ID Cache County, UT	0.9022
30980	Longview, TX Gregg County, TX Rusk County, TX Upshur County, TX	0.8788
31020	Longview, WA Cowlitz County, WA	1.0011
31084	Los Angeles-Long Beach-Glendale, CA Los Angeles County, CA	1.1760

CBSA Code	Urban Area (Constituent Counties)	Wage Index
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	0.9118
31180	Lubbock, TX Crosby County, TX Lubbock County, TX	0.8613
31340	Lynchburg, VA Amherst County, VA Appomattox County, VA Bedford County, VA Campbell County, VA Bedford City, VA Lynchburg City, VA	0.8694
31420	Macon, GA Bibb County, GA Crawford County, GA Jones County, GA Monroe County, GA Twiggs County, GA	0.9519
31460	Madera, CA Madera County, CA	0.8154
31540	Madison, WI Columbia County, WI Dane County, WI Iowa County, WI	1.0840
31700	Manchester-Nashua, NH Hillsborough County, NH Merrimack County, NH	1.0243
31900	Mansfield, OH Richland County, OH	0.9271

CBSA Code	Urban Area (Constituent Counties)	Wage Index
32420	Mayagüez, PR Hormigueros Municipio, PR Mayagüez Municipio, PR	0.3848
32580	McAllen-Edinburg-Pharr, TX Hidalgo County, TX	0.8773
32780	Medford, OR Jackson County, OR	1.0818
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	0.9373
32900	Merced, CA Merced County, CA	1.1471
33124	Miami-Miami Beach-Kendall, FL Miami-Dade County, FL	0.9812
33140	Michigan City-La Porte, IN LaPorte County, IN	0.9118
33260	Midland, TX Midland County, TX	0.9786
33340	Milwaukee-Waukesha-West Allis, WI Milwaukee County, WI Ozaukee County, WI Washington County, WI Waukesha County, WI	1.0218
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	1.0946

CBSA Code	Urban Area (Constituent Counties)	Wage Index
33540	Missoula, MT Missoula County, MT	0.8928
33660	Mobile, AL Mobile County, AL	0.7913
33700	Modesto, CA Stanislaus County, CA	1.1729
33740	Monroe, LA Ouachita Parish, LA Union Parish, LA	0.7997
33780	Monroe, MI Monroe County, MI	0.9707
33860	Montgomery, AL Autauga County, AL Elmore County, AL Lowndes County, AL Montgomery County, AL	0.8009
34060	Morgantown, WV Monongalia County, WV Preston County, WV	0.8423
34100	Morristown, TN Grainger County, TN Hamblen County, TN Jefferson County, TN	0.7933
34580	Mount Vernon-Anacortes, WA Skagit County, WA	1.0517
34620	Muncie, IN Delaware County, IN	0.8562
34740	Muskegon-Norton Shores, MI Muskegon County, MI	0.9941
34820	Myrtle Beach-Conway-North Myrtle Beach, SC Horry County, SC	0.8810
34900	Napa, CA Napa County, CA	1.3374
34940	Naples-Marco Island, FL Collier County, FL	0.9941

CBSA Code	Urban Area (Constituent Counties)	Wage Index
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	0.9847
35004	Nassau-Suffolk, NY Nassau County, NY Suffolk County, NY	1.2662
35084	Newark-Union, NJ-PA Essex County, NJ Hunterdon County, NJ Morris County, NJ Sussex County, NJ Union County, NJ Pike County, PA	1.1892
35300	New Haven-Milford, CT New Haven County, CT	1.1953
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	0.8831

CBSA Code	Urban Area (Constituent Counties)	Wage Index
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	1.3177
35660	Niles-Benton Harbor, MI Berrien County, MI	0.8915
35980	Norwich-New London, CT New London County, CT	1.1932
36084	Oakland-Fremont-Hayward, CA Alameda County, CA Contra Costa County, CA	1.5819
36100	Ocala, FL Marion County, FL	0.8867
36140	Ocean City, NJ Cape May County, NJ	1.0472
36220	Odessa, TX Ector County, TX	1.0073
36260	Ogden-Clearfield, UT Davis County, UT Morgan County, UT Weber County, UT	0.8995
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	0.8843
36500	Olympia, WA Thurston County, WA	1.1081

CBSA Code	Urban Area (Constituent Counties)	Wage Index
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	0.9450
36740	Orlando, FL Lake County, FL Orange County, FL Osceola County, FL Seminole County, FL	0.9452
36780	Oshkosh-Neenah, WI Winnebago County, WI	0.9315
36980	Owensboro, KY Daviness County, KY Hancock County, KY McLean County, KY	0.8748
37100	Oxnard-Thousand Oaks-Ventura, CA Ventura County, CA	1.1546
37340	Palm Bay-Melbourne-Titusville, FL Brevard County, FL	0.9443
37460	Panama City-Lynn Haven, FL Bay County, FL	0.8027
37620	Parkersburg-Marietta, WV-OH Washington County, OH Pleasants County, WV Wirt County, WV Wood County, WV	0.7977
37700	Pascagoula, MS George County, MS Jackson County, MS	0.8215
37860	Pensacola-Ferry Pass-Brent, FL Escambia County, FL Santa Rosa County, FL	0.8000
37900	Peoria, IL Marshall County, IL Peoria County, IL Stark County, IL Tazewell County, IL Woodford County, IL	0.8982



CBSA Code	Urban Area (Constituent Counties)	Wage Index
37964	Philadelphia, PA Bucks County, PA Chester County, PA Delaware County, PA Montgomery County, PA Philadelphia County, PA	1.0996
38060	Phoenix-Mesa-Scottsdale, AZ Maricopa County, AZ Pinal County, AZ	1.0287
38220	Pine Bluff, AR Cleveland County, AR Jefferson County, AR Lincoln County, AR	0.8383
38300	Pittsburgh, PA Allegheny County, PA Armstrong County, PA Beaver County, PA Butler County, PA Fayette County, PA Washington County, PA Westmoreland County, PA	0.8674
38340	Pittsfield, MA Berkshire County, MA	1.0266
38540	Pocatello, ID Bannock County, ID Power County, ID	0.9400
38660	Ponce, PR Juana Díaz Municipio, PR Ponce Municipio, PR Villalba Municipio, PR	0.4842
38860	Portland-South Portland-Biddeford, ME Cumberland County, ME Sagadahoc County, ME York County, ME	0.9908
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	1.1416

CBSA Code	Urban Area (Constituent Counties)	Wage Index
38940	Port St. Lucie-Fort Pierce, FL Martin County, FL St. Lucie County, FL	0.9833
39100	Poughkeepsie-Newburgh-Middletown, NY Dutchess County, NY Orange County, NY	1.0911
39140	Prescott, AZ Yavapai County, AZ	0.9836
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	1.0783
39340	Provo-Orem, UT Juab County, UT Utah County, UT	0.9537
39380	Pueblo, CO Pueblo County, CO	0.8753
39460	Punta Gorda, FL Charlotte County, FL	0.9405
39540	Racine, WI Racine County, WI	0.9356
39580	Raleigh-Cary, NC Franklin County, NC Johnston County, NC Wake County, NC	0.9864
39660	Rapid City, SD Meade County, SD Pennington County, SD	0.8833
39740	Reading, PA Berks County, PA	0.9622
39820	Redding, CA Shasta County, CA	1.3198
39900	Reno-Sparks, NV Storey County, NV Washoe County, NV	1.1963

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	0.9177
40140	Riverside-San Bernardino-Ontario, CA Riverside County, CA San Bernardino County, CA	1.0904
40220	Roanoke, VA Botetourt County, VA Craig County, VA Franklin County, VA Roanoke County, VA Roanoke City, VA Salem City, VA	0.8647
40340	Rochester, MN Dodge County, MN Olmsted County, MN Wabasha County, MN	1.1408
40380	Rochester, NY Livingston County, NY Monroe County, NY Ontario County, NY Orleans County, NY Wayne County, NY	0.8994
40420	Rockford, IL Boone County, IL	0.9989

CBSA Code	Urban Area (Constituent Counties)	Wage Index
	Winnebago County, IL	
40484	Rockingham County--Strafford County, NH Rockingham County, NH Strafford County, NH	1.0159
40580	Rocky Mount, NC Edgecombe County, NC Nash County, NC	0.8854
40660	Rome, GA Floyd County, GA	0.9193
40900	Sacramento--Arden-Arcade--Roseville, CA El Dorado County, CA Placer County, CA Sacramento County, CA Yolo County, CA	1.3372
40980	Saginaw-Saginaw Township North, MI Saginaw County, MI	0.8874
41060	St. Cloud, MN Benton County, MN Stearns County, MN	1.0362
41100	St. George, UT Washington County, UT	0.9265
41140	St. Joseph, MO-KS Doniphan County, KS Andrew County, MO Buchanan County, MO DeKalb County, MO	1.0118

CBSA Code	Urban Area (Constituent Counties)	Wage Index
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	0.9005
41420	Salem, OR Marion County, OR Polk County, OR	1.0438
41500	Salinas, CA Monterey County, CA	1.4337
41540	Salisbury, MD Somerset County, MD Wicomico County, MD	0.8953
41620	Salt Lake City, UT Salt Lake County, UT Summit County, UT Tooele County, UT	0.9402
41660	San Angelo, TX Irion County, TX Tom Green County, TX	0.8362
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	0.8844

<b>CBSA Code</b>	<b>Urban Area (Constituent Counties)</b>	<b>Wage Index</b>
41740	San Diego-Carlsbad-San Marcos, CA San Diego County, CA	1.1354
41780	Sandusky, OH Erie County, OH	0.9302
41884	San Francisco-San Mateo-Redwood City, CA Marin County, CA San Francisco County, CA San Mateo County, CA	1.5165
41900	San Germán-Cabo Rojo, PR Cabo Rojo Municipio, PR Lajas Municipio, PR Sabana Grande Municipio, PR San Germán Municipio, PR	0.4885
41940	San Jose-Sunnyvale-Santa Clara, CA San Benito County, CA Santa Clara County, CA	1.5543

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	0.4452

<b>CBSA Code</b>	<b>Urban Area (Constituent Counties)</b>	<b>Wage Index</b>
42020	San Luis Obispo-Paso Robles, CA San Luis Obispo County, CA	1.1598
42044	Santa Ana-Anaheim-Irvine, CA Orange County, CA	1.1473
42060	Santa Barbara-Santa Maria-Goleta, CA Santa Barbara County, CA	1.1091
42100	Santa Cruz-Watsonville, CA Santa Cruz County, CA	1.5457
42140	Santa Fe, NM Santa Fe County, NM	1.0824
42220	Santa Rosa-Petaluma, CA Sonoma County, CA	1.4464
42260	Sarasota-Bradenton-Venice, FL Manatee County, FL Sarasota County, FL	0.9868
42340	Savannah, GA Bryan County, GA Chatham County, GA Effingham County, GA	0.9351
42540	Scranton--Wilkes-Barre, PA Lackawanna County, PA Luzerne County, PA Wyoming County, PA	0.8347
42644	Seattle-Bellevue-Everett, WA King County, WA Snohomish County, WA	1.1434
42680	Sebastian-Vero Beach, FL Indian River County, FL	0.9573
43100	Sheboygan, WI Sheboygan County, WI	0.9026
43300	Sherman-Denison, TX Grayson County, TX	0.8502
43340	Shreveport-Bossier City, LA Bossier Parish, LA Caddo Parish, LA De Soto Parish, LA	0.8865



CBSA Code	Urban Area (Constituent Counties)	Wage Index
43580	Sioux City, IA-NE-SD Woodbury County, IA Dakota County, NE Dixon County, NE Union County, SD	0.9200
43620	Sioux Falls, SD Lincoln County, SD McCook County, SD Minnehaha County, SD Turner County, SD	0.9559
43780	South Bend-Mishawaka, IN-MI St. Joseph County, IN Cass County, MI	0.9842
43900	Spartanburg, SC Spartanburg County, SC	0.9174
44060	Spokane, WA Spokane County, WA	1.0447
44100	Springfield, IL Menard County, IL Sangamon County, IL	0.8890
44140	Springfield, MA Franklin County, MA Hampden County, MA Hampshire County, MA	1.0079
44180	Springfield, MO Christian County, MO Dallas County, MO Greene County, MO Polk County, MO Webster County, MO	0.8469
44220	Springfield, OH Clark County, OH	0.8593
44300	State College, PA Centre County, PA	0.8784
44700	Stockton, CA San Joaquin County, CA	1.1442
44940	Sumter, SC Sumter County, SC	0.8083

CBSA Code	Urban Area (Constituent Counties)	Wage Index
45060	Syracuse, NY Madison County, NY Onondaga County, NY Oswego County, NY	0.9691
45104	Tacoma, WA Pierce County, WA	1.0789
45220	Tallahassee, FL Gadsden County, FL Jefferson County, FL Leon County, FL Wakulla County, FL	0.8942
45300	Tampa-St. Petersburg-Clearwater, FL Hernando County, FL Hillsborough County, FL Pasco County, FL Pinellas County, FL	0.9144
45460	Terre Haute, IN Clay County, IN Sullivan County, IN Vermillion County, IN Vigo County, IN	0.8765
45500	Texarkana, TX-Texarkana, AR Miller County, AR Bowie County, TX	0.8104
45780	Toledo, OH Fulton County, OH Lucas County, OH Ottawa County, OH Wood County, OH	0.9586
45820	Topeka, KS Jackson County, KS Jefferson County, KS Osage County, KS Shawnee County, KS Wabaunsee County, KS	0.8730
45940	Trenton-Ewing, NJ Mercer County, NJ	1.0835
46060	Tucson, AZ Pima County, AZ	0.9202

CBSA Code	Urban Area (Constituent Counties)	Wage Index
46140	Tulsa, OK Creek County, OK Okmulgee County, OK Osage County, OK Pawnee County, OK Rogers County, OK Tulsa County, OK Wagoner County, OK	0.8103
46220	Tuscaloosa, AL Greene County, AL Hale County, AL Tuscaloosa County, AL	0.8542
46340	Tyler, TX Smith County, TX	0.8811
46540	Utica-Rome, NY Herkimer County, NY Oneida County, NY	0.8396
46660	Valdosta, GA Brooks County, GA Echols County, GA Lanier County, GA Lowndes County, GA	0.8369
46700	Vallejo-Fairfield, CA Solano County, CA	1.5137
47020	Victoria, TX Calhoun County, TX Goliad County, TX Victoria County, TX	0.8560
47220	Vineland-Millville-Bridgeton, NJ Cumberland County, NJ	0.9832

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	0.8790
47300	Visalia-Porterville, CA Tulare County, CA	0.9968
47380	Waco, TX McLennan County, TX	0.8633
47580	Warner Robins, GA Houston County, GA	0.8380
47644	Warren-Troy-Farmington Hills, MI Lapeer County, MI Livingston County, MI Macomb County, MI Oakland County, MI St. Clair County, MI	1.0054

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	1.1054
47940	Waterloo-Cedar Falls, IA Black Hawk County, IA Bremer County, IA Grundy County, IA	0.8408
48140	Wausau, WI Marathon County, WI	0.9722
48260	Weirton-Steubenville, WV-OH Jefferson County, OH Brooke County, WV Hancock County, WV	0.8063
48300	Wenatchee, WA Chelan County, WA Douglas County, WA	1.0346
48424	West Palm Beach-Boca Raton-Boynton Beach, FL Palm Beach County, FL	0.9649
48540	Wheeling, WV-OH Belmont County, OH Marshall County, WV Ohio County, WV	0.7010

CBSA Code	Urban Area (Constituent Counties)	Wage Index
48620	Wichita, KS Butler County, KS Harvey County, KS Sedgwick County, KS Sumner County, KS	0.9063
48660	Wichita Falls, TX Archer County, TX Clay County, TX Wichita County, TX	0.8311
48700	Williamsport, PA Lycoming County, PA	0.8139
48864	Wilmington, DE-MD-NJ New Castle County, DE Cecil County, MD Salem County, NJ	1.0684
48900	Wilmington, NC Brunswick County, NC New Hanover County, NC Pender County, NC	0.9835
49020	Winchester, VA-WV Frederick County, VA Winchester City, VA Hampshire County, WV	1.0091
49180	Winston-Salem, NC Davie County, NC Forsyth County, NC Stokes County, NC Yadkin County, NC	0.9276
49340	Worcester, MA Worcester County, MA	1.0722
49420	Yakima, WA Yakima County, WA	0.9847
49500	Yauco, PR Guánica Municipio, PR Guayanilla Municipio, PR Peñuelas Municipio, PR Yauco Municipio, PR	0.3854
49620	York-Hanover, PA York County, PA	0.9397
49660	Youngstown-Warren-Boardman, OH-PA Mahoning County, OH Trumbull County, OH Mercer County, PA	0.8802

<b>CBSA Code</b>	<b>Urban Area (Constituent Counties)</b>	<b>Wage Index</b>
49700	Yuba City, CA Sutter County, CA Yuba County, CA	1.0730
49740	Yuma, AZ Yuma County, AZ	0.9109

<sup>1</sup> At this time, there are no hospitals located in this CBSA-based urban area on which to base a wage index. Therefore, the wage index value is based on the methodology described in the August 15, 2005 final rule (70 FR 47880). The wage index value for this area is the average wage index for all urban areas within the state.

**Table 2.— PROPOSED INPATIENT REHABILITATION FACILITY WAGE INDEX FOR RURAL AREAS FOR DISCHARGES OCCURRING FROM OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

<b>CBSA Code</b>	<b>Nonurban Area</b>	<b>Wage Index</b>
01	Alabama	0.7591
02	Alaska	1.0661
03	Arizona	0.8908
04	Arkansas	0.7307
05	California	1.1454
06	Colorado	0.9325
07	Connecticut	1.1709
08	Delaware	0.9705
10	Florida	0.8594
11	Georgia	0.7593
12	Hawaii	1.0448
13	Idaho	0.8120
14	Illinois	0.8320
15	Indiana	0.8538
16	Iowa	0.8681
17	Kansas	0.7998
18	Kentucky	0.7768

<b>CBSA Code</b>	<b>Nonurban Area</b>	<b>Wage Index</b>
19	Louisiana	0.7438
20	Maine	0.8443
21	Maryland	0.8926
22	Massachusetts <sup>2</sup>	1.1661
23	Michigan	0.9062
24	Minnesota	0.9153
25	Mississippi	0.7738
26	Missouri	0.7927
27	Montana	0.8590
28	Nebraska	0.8677
29	Nevada	0.8944
30	New Hampshire	1.0853
31	New Jersey <sup>1</sup>	-----
32	New Mexico	0.8332
33	New York	0.8232
34	North Carolina	0.8588
35	North Dakota	0.7215
36	Ohio	0.8658
37	Oklahoma	0.7629
38	Oregon	0.9753
39	Pennsylvania	0.8320
40	Puerto Rico <sup>3</sup>	0.4047
41	Rhode Island <sup>1</sup>	-----
42	South Carolina	0.8566
43	South Dakota	0.8480
44	Tennessee	0.7827
45	Texas	0.7965
46	Utah	0.8140
47	Vermont	0.9744



CBSA Code	Nonurban Area	Wage Index
48	Virgin Islands	0.8467
49	Virginia	0.7940
50	Washington	1.0263
51	West Virginia	0.7607
52	Wisconsin	0.9553
53	Wyoming	0.9295
65	Guam	0.9611

<sup>1</sup>All counties within the State are classified as urban.

<sup>2</sup>Massachusetts has areas designated as rural; however, no short-term, acute care hospitals are located in the area(s) for FY 2008. As discussed in the preamble in Section IV.B, we are proposing to impute a wage index value for rural Massachusetts based on the average wage index from all contiguous CBSAs.

<sup>3</sup>Puerto Rico has areas designated as rural; however, no short-term, acute care hospitals are located in the area(s) for FY 2008. As discussed in the preamble in Section IV.B, we are proposing to continue to use the most recent wage index previously available for Puerto Rico as discussed in the FY 2006 IRF PPS final rule (70 FR 47880).