Policy, to determine specific areas where government-wide performance standards should be established and applied;

i. Participate in the development of government-wide procurement policies, regulations and standards, and represent the Department on all councils, interagency task forces, working groups, and other bodies concerned with acquisition policy and procedures;

j. Select and designate an independent advocate for competition for Department of State procurements, and provide advice and counsel to such advocate in accordance with the Office of Federal Procurement Policy Act;

2. Re-Delegation

The Procurement Executive is authorized to redelegate to the employees of the Department any of the authorities or functions, delegated herein, except that the certification responsibility under section 1.f may not be redelegated. Any redelegation may include authority for further redelegation.

3. General Provisions

a. Any official actions within the scope of this delegation taken prior to the effective date hereof by officers duly authorized are hereby continued in effect, according to their terms, until modified, revoked, or superseded by action of the Procurement Executive or other officer of the Department acting under authority of this delegation.

b. All authorities delegated herein shall be exercised in accordance with the applicable limitations and requirements of the Federal Acquisition Regulation (48 CFR Chapter 1) and other Federal procurement laws and regulations.

Donald J. Bouchard,

Assistant Secretary for Administration.

[FR Doc. 86-10057 Filed 5-5-86; 8:45 am]

BILLING CODE 4710-24-M

DEPARTMENT OF TRANSPORTATION

Aviation Proceedings; Agreements Filed During the Week Ending April 25, 1986.

Answers may be filed within 21 Days from the date of filing.

Date filed	Docket No.	Parties	Subject	Proposed effective date
Apr. 22, 1986	43975, R-1—R-16.	Members of International Air Transport Association	Canada-Europe fares	May 1, 1986
Apr. 22, 1986	43976	Members of International Air Transport Association	Increase in Zaire fares	May 1, 1986
Apr. 22, 1986	43977	Members of International Air Transport Association	North-Atlantic cargo rates	May 1, 1986
Apr. 23, 1986	43980	Members of International Air Transport Association	Videotex systems	Oct. 1, 1986
Apr. 23, 1986	43981, R-1—R-19.	Members of International Air Transport Association	TC123 fares—No. Atlantic	May 1, 1986
Apr. 23, 1986	43982	Members of International Air Transport Association	Cargo rates Europe-So. Pacific	Apr. 1, 1986
Apr. 23, 1986	43983	Members of International Air Transport Association	Hungary Canada apex fares	May 1, 1986
Apr. 23, 1986	43984	Members of International Air Transport Association	Mileage manual revision	May 1, 1986
Apr. 23, 1986	43985	Members of International Air Transport Association	UK proportional fares—Mid Atlantic	June 15, 1986
Apr. 25, 1986	43989, R-1—R-20.	Members of International Air Transport Association	North Atlantic-Africa fare	May 1, 1986
Apr. 25, 1986	43990	Members of International Air Transport Association	Canada-Finland apex fares	May 15, 1986
Apr. 25, 1986	43991, R-1 and R-2.	Members of International Air Transport Association	Mexico-Mideast/Israel baggage	May 1, 1986

Phyllis T. Kaylor,

Chief, Documentary Services Division.

[FR Doc. 86-10121 Filed 5-5-86; 8:45 am]

BILLING CODE 4910-62-M

[Docket 43687]

Denver-London Route Proceeding

This proceeding was instituted by Order 85-12-70 issued December 26, 1985. Pursuant to section 302.1753(a) of the Department's procedural regulations in 14 CFR the 136-day period for service of an initial decision by the Chief Judge would have expired on May 12, 1986. However, several delays in the procedural schedule have occurred within the meaning of section 401(c)(2) of the Federal Aviation Act. Accordingly, in compliance with section 302.1753(a)(2) of the regulations, this notice extends the due date for service of the initial decision for a period of 63 days, to July 14, 1986.

Entered this 30th day of April, 1986.

Elias C. Rodriguez,

Chief Administrative Law Judge.

[FR Doc. 86-10122 Filed 5-5-86; 8:45 am]

BILLING CODE 4910-62-M

Sunshine Act Meetings

Federal Register
Vol. 51, No. 87
Tuesday, May 6, 1986

This section of the FEDERAL REGISTER contains notices of meetings published under the "Government in the Sunshine Act" (Pub. L. 94-409) 5 U.S.C. 552b(e)(3).

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1

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

"FEDERAL REGISTER" CITATION OF PREVIOUS ANNOUNCEMENT:

PREVIOUSLY ANNOUNCED TIME AND DATE OF MEETING: 2:00 p.m. (eastern time), Monday, May 12, 1986.

CHANGE IN THE MEETING:

Change from: Discussion of Subpoena Determinations
Change to: Discussion of Certain Commissioners' Charges

CONTACT PERSON FOR MORE INFORMATION: Cynthia C. Matthews, Executive Officer, Executive Secretariat, at (202) 634–6748.

Dated: May 1, 1986.

Barbara Parris,

Policy Analyst.

This Notice Issued May 1, 1986.

[FR Doc. 86–10192 Filed 5–2–86; 12:36 pm]

BILLING CODE 6750–06–M

2

NATIONAL TRANSPORTATION SAFETY BOARD

TIME AND DATE: 9:00 a.m., Tuesday, May 13, 1986.

PLACE: NTSB Board Room, Eighth Floor, 800 Independence Avenue, SW., Washington, DC, 20594.

STATUS: The first two items will be open to the public; the last item will be closed under Exemption 10 of the Government in the Sunshine Act.

MATTERS TO BE CONSIDERED:

1. *Special Investigation:* Failure of Cargo Tank Transporting Hazardous Waste on the Washington DC Beltway, I–95, in Fairfax, Virginia, August 12, 1985.
2. *Railroad Accident Report:* Head On Collision of Two Burlington Northern Railroad Company Trains Extra 6311 West and Extra 6575 East near Westminster, Colorado, August 2, 1985.
3. *Opinion and Order:* Administrator v. Vance, Docket SE–6548; disposition of respondent's appeal.

FOR MORE INFORMATION, CONTACT: Catherine T. Kaputa, (202) 382–6525.

Catherine T. Kaputa,

Federal Register Liaison Officer.

May 1, 1986.

[FR Doc. 86–10144 Filed 5–2–86; 9:17 am]

BILLING CODE 7533–01–M

federal register

Tuesday
May 6, 1986

Part II

Department of Health and Human Services

Health Care Financing Administration

42 CFR Parts 400, 405, 412, and 489

Medicare Program; Fiscal Year 1986 Changes to the Inpatient Hospital Prospective Payment System; Interim Final Rule With Comment Period

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Care Financing Administration

42 CFR Parts 400, 405, 412, and 489

[BERC-385-IFC]

Medicare Program; Fiscal Year 1986 Changes to the Inpatient Hospital Prospective Payment System

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

ACTION: Interim final rule with comment period.

SUMMARY: This interim final rule sets forth revisions to the Medicare inpatient hospital prospective payment system. This rule is needed to implement those portions of sections 9101 through 9105 and 9112 of the Consolidated Omnibus Budget Reconciliation Act of 1985 having an effective date of May 1, 1986 or earlier. The changes required by this legislation affect the fiscal year 1986 prospective payment rates; the rate-of-increase limits (target amounts) for hospitals excluded from the prospective payment system; the length of the transition period and the method of payment; application of the hospital wage index; payment for the indirect costs of medical education; and payments for hospitals that serve a disproportionate share of low-income patients.

DATES: Effective date: With certain exceptions, this interim final rule is effective on May 1, 1986. We refer the reader to section VII.B. of this preamble for a detailed discussion of effective dates.

Comment Date: To be considered, comments must be mailed or delivered to the appropriate address, as provided below, and must be received by 5:00 p.m. on June 5, 1986.

ADDRESS: Mail comments to the following address: Health Care Financing Administration, Department of Health and Human Services, Attention: BERC-385-IFC, P.O. Box 26676, Baltimore, Maryland 21207.

If you prefer, you may deliver your comments to one of the following addresses:

Room 309-G, Hubert H. Humphrey Building, 200 Independence Avenue SW., Washington, DC, or

Room 132, East High Rise Building, 6325 Security Boulevard, Baltimore, Maryland.

In commenting, please refer to file code BERC-285-IFC. Comments received timely will be available for public inspection as they are received, beginning approximately three weeks after publication of this document, in Room 309-G of the Department's offices at 200 Independence Avenue SW., Washington, DC, on Monday through Friday of each week from 8:30 a.m. to 5:00 p.m. (phone: 202-245-7890).

FOR FURTHER INFORMATION CONTACT: Linda Magno, (301) 594-9343.

SUPPLEMENTARY INFORMATION:

I. Background

On September 3, 1985, we published a final rule in the **Federal Register** (50 FR 35646) that made the following changes to the Medicare inpatient hospital prospective payment system:

- We adjusted the diagnosis-related groups (DRG) classifications and weighting factors for discharges occurring on or after October 1, 1985.
- For cost reporting periods beginning on or after October 1, 1983, we adopted a new hospital wage index that was based on the HCFA survey of hospital wages.
- We made several changes to the regulations in 42 CFR Parts 405 and 412 concerning—

—The rate-of-increase limits for hospitals excluded from the prospective payment system;
—Payments for indirect costs of medical education;
—Limitations on charges to beneficiaries for hospitals paid under State reimbursement control systems or demonstration projects;
—The exclusion of alcohol/drug hospitals and units;
—Review of cost outliers; and
—Qualifying criteria for referral centers.

- We established the FY 1986 Federal rates by—

—Restandardizing the base year cost data to reflect the new wage index;
—Grouping the standardized costs per case for urban/rural averages for the nine census regions and the nation, reflecting the most recent geopgraphic designations;
—Updating the standardized amounts by zero percent; and
—Applying the same adjustment factors for nonphysician anesthetist costs and outlier payments as were used for FY 1985.

- We did not increase either the hospital-specific rates for hospitals under the prospective payment system or the rate-of-increase limits for hospitals excluded from the prospective payment system.

With certain exceptions, the September 3 final rule was to be effective on October 1, 1985.

On September 30, 1985, the Emergency Extension Act of 1985 (Pub. L. 99-107) was enacted. Section 5 of Pub. L. 99-107 extended through November 14, 1985 the Medicare payment rates for inpatient hospital services that were in effect on September 30, 1985. A result of this delay was that certain changes in the rules that govern Medicare payment for inpatient hospital services, which would have become effective on October 1, 1985, for FY 1986 as a result of the September 3, 1985 final rule, were postponed initially until November 15, 1985. The affected changes concerned the rules for determining payment rates for hospitals covered by the prospective payment system and the rate-of-increase limits for hospitals excluded from that system. In addition, the amendments to 42 CFR 412.118(f)(2) and (f)(3) concerning determination of indirect medical education costs that were scheduled to be effective on October 1, 1985 under the September 3, 1985 final rule were also postponed until November 15, 1985. We announced this postponement in a notice in the **Federal Register** published on November 12, 1985 (50 FR 46651).

Since publication of that notice, several more laws were enacted that further delayed the implementation of revised Medicare inpatient hospital services payment rules as follows:

- Pub. L. 99-155, enacted December 14, 1985, extended the delay through December 14, 1985.
- Pub. L. 99-181, enacted December 13, 1985, extended the delay through December 18, 1985.
- Pub. L. 99-189, enacted December 18, 1985, extended the delay through December 19, 1985.
- Pub. L. 99-201 enacted December 23, 1985, extended the delay through March 14, 1986.

To announce the first of these extensions of the delay, we published a notice in the **Federal Register**, on December 6, 1985 (50 FR 49930); the remaining extensions were described in a notice published February 3, 1986 (51 FR 4166). The result of these extensions is that, for the period of the extension, we continued to pay for hospital discharges under the rules that were in effect in FY 1985. Thus, we did not implement the following changes that were included in the September 3, 1985 final rule:

- Revised DRG classifications and weights.
- Revised wage index.
- Revised adjusted standardized amounts.
- Revised regulations concerning exclusions on the count of interns and

residents assigned to outpatient and ancillary department of a hospital to be used in determining the cost of indirect medical education.

II. New Legislation

On April 7, 1986, the Consolidated Omnibus Budget Reconciliation Act of 1985 (Pub. L. 99–272) was enacted. Sections 9101, 9102, 9104, and 9105 of Pub. L. 99–272 made the following amendments, which concern payment to hospitals in FY 1986, to section 1886 of the Social Security Act:

- The FY 1985 inpatient hospital payment rates are extended through April 30, 1986.
- For discharges occurring on or after May 1, 1986 and before October 1, 1986, the standardized amounts for prospective payment hospitals are increased by one-half of one percent.
- For cost reporting periods beginning in FY 1986, the hospital-specific rates are increased by zero percent for the first seven months of a hospital's cost reporting period and by one-half of one percent for the remaining five months of the cost reporting period.
- For cost reporting periods beginning in FY 1986, the rate-of-increase limits for hospitals excluded from the prospective payment system are increased by five-twenty-fourths of one percent.
- Except for hospitals in the State of Oregon as discussed in greater detail below, the prospective payment system transition period is extended through FY 1987, thus delaying the transition to full Federal rates for one year.

—The national/regional blend of the Federal portion remains at 25 percent national and 75 percent regional through FY 1986.

—The hospital-specific and Federal portion percentages for cost reporting periods beginning in FY 1986 remain at 50/50 for the first seven months of the cost reporting period and change to 45 percent of the hospital-specific portion and 55 percent of the Federal portion for the remaining five months of the hospital's cost reporting period.

- For discharges occurring on or after May 1, 1986 and before October 1, 1988, the indirect teaching adjustment is changed from 11.59 percent, paid on a linear basis (that is, for each one-tenth of the hospital's intern and resident to bed ratio), to 8.1 percent, paid on a variable or curvilinear basis. In addition, interns and residents assigned to outpatient departments of a hospital will continue to be counted for purposes of determining the indirect teaching adjustment.
- For discharges occurring on or after May 1, 1986, and before October 1, 1988, an additional payment will be made to each prospective payment hospital that serves a disproportionate share of low-income patients (as defined in the statute).

Section 9103 of Pub. L. 99–272 amends section 2316(b) of the Deficit Reduction Act of 1984 (Pub. L. 98–369) to specify that the hospital wage index based on the HCFA survey, which was published in the September 3, 1985 final rule, must be used to determine payment for discharges occurring on or after May 1, 1986.

Section 9112 of Pub. L. 99–272 amends section 602(k) of the Social Security Amendments of 1983 (Pub. L. 98–21) to provide that—

- For hospitals that have a waiver under section 602(k) of Pub. L. 98–21, the payment for their indirect costs of medical education is to be made as if the hospitals were receiving under Medicare Part A (Hospital Insurance) all the payments that are made under Medicare Part B (Supplementary Medical Insurance) because of the waiver; and
- Any Part B payments made to suppliers under a waiver are to equal 100 percent of the reasonable charge for the service and, in order to retain its waiver, the hospital must assure us that the supplier will accept that payment as payment in full.

These provisions are discussed in detail below.

III. FY 1986 Changes to the Prospective Payment System

A. Payment for Inpatient Hospital Services

For the period of the extension described above, payment to hospitals under the prospective payment system is made under the payment rates and rules in effect on September 30, 1985. Thus, the adjusted standardized amounts and hospital-specific rates and the list of DRG weights that were set forth in the August 31, 1984 final rule (49 FR 34728) remained in effect for discharges occurring in the extension period. Similarly, for hospitals that are not subject to the prospective payment system, each hospital's target amount for its cost reporting period beginning in FY 1985 has been carried forward for its next cost reporting period.

Section 9101(a) of Pub. L. 99–272 amends section 5(c) of Pub. L. 99–107 to extend the FY 1985 inpatient hospital prospective payment rates through April 30, 1986. Therefore, the DRG classification changes and recalibrated DRG weights that were set forth in the September 3, 1985 final rule (50 FR 35722) are effective for discharges occurring on or after May 1, 1986.

Section 9101(b) of Pub. L. 99–272 amends section 1886(b)(3)(B) of the Act to provide that the adjusted standardized rates, the hospital-specific rates, and the target rate-of-increase limits are increased by one-half of one percent for cost reporting periods beginning in or discharges occurring in FY 1986, as applicable. Section 9101(e) of the law further specifies the following:

- For prospective payment hospitals, the update to the adjusted standardized rates of one-half of one percent is effective for discharges occurring on or after May 1, 1986. The hospital-specific rates are increased by zero percent for discharges occurring during the first seven months of a hospital's cost reporting period beginning in FY 1986 and by one-half of one percent for discharges occurring during the remaining five months of that cost reporting period.
- For hospitals excluded from the prospective payment system, the hospital's target amount for cost reporting periods beginning in FY 1986 is the previous year's target amount increased by five-twenty-fourths of one percent (that is, an increase of one-half of one percent for five months of the 12-month cost reporting period.
- For purposes of determining update percentages for discharges occurring on or after October 1, 1986 or cost reporting periods beginning on or after October 1, 1986, as appropriate, the applicable percentage increase for both prospective payment hospitals and excluded hospitals, for discharges occurring in FY 1986 or cost reporting periods beginning in FY 1986, as appropriate, is deemed to have been one-half of one percent.

In accordance with the provisions of section 9101(b) and (e) of Pub. L. 99–272, the adjusted standardized amounts that were published in the September 3, 1985 final rule (which reflected a zero percent update) are updated by one-half of one percent effective for discharges on or after May 1, 1986. The revised standardized amounts are set forth in Table 1, below.

The amendment made to section 1886(b)(3)(B) of the Act by section 9101(b) of Pub. L. 99–272 also sets forth the methodology the Secretary is to use to update the prospective payment adjusted standardized amounts, the hospital-specific rates and the target rate-of-increase limits for excluded hospitals for discharges occurring or cost reporting periods beginning on or after October 1, 1986, as applicable. The provisions are as follows:

- Beginning with FY 1987, the standardized amounts are to be updated

by the percentage determined by the Secretary under section 1886(e)(4) of the Act; that is, the percentage determined by the Secretary that takes into account amounts the Secretary believes are necessary for the efficient and effective delivery of medically appropriate and necessary care of high quality. For FY 1987 and FY 1988, this percentage cannot exceed the percentage change in the hospital market basket.

- For cost reporting periods beginning on or after October 1, 1986, the hospital-specific rates are to be updated by the percentage determined by the Secretary under section 1886(e)(4) of the Act. As with the standardized amounts, the update percentage for cost reporting periods beginning in FY 1987 and FY 1988 is limited by the percentage change in the market basket.
- Starting with cost reporting periods beginning on or after October 1, 1986, the target rate-of-increase limits are to be updated by the percentage determined by the Secretary under section 1886(e)(4) of the Act. Once again, the rate-of-increase update percentage for cost reporting periods beginning in FY 1987 and FY 1988 is limited by the percentage change in the hospital market basket.

We are revising §§ 405.463, 412.63, and 412.73 to implement sections 9101 (b) and (e) of Pub. L. 99–272.

B. Extension of the Prospective Payment System Transition Period

Section 9102 of Pub. L. 99–272 revises sections 1886(b)(1) (A), (C), and (D) of the Act to extend the three-year transition to a fully national prospective payment system by one additional year. During the transition period, payment to hospitals is based on a combination of the Federal prospective payment rates and hospital-specific rates. The Federal and hospital-specific portions change with the hospital's cost reporting period. In addition, during that period, the Federal rate is a combination of regional and national rates, the proportions of which change with the Federal fiscal year. The two tables set forth below demonstrate the composition of a hospital's payment rate prior to the enactment of Pub. L. 99–272.

SUMMARY OF HOSPITAL-SPECIFIC AND FEDERAL PERCENTAGES

Cost reporting period beginning on or after	Hospital-specific percentage	Federal percentage
Oct. 1, 1983	75	25
Oct. 1, 1984	50	50
Oct. 1, 1985	25	75
Oct. 1, 1986	0	100

SUMMARY OF REGIONAL AND NATIONAL PERCENTAGES OF THE FEDERAL PORTION

Federal fiscal year beginning	Regional percentage	National percentage
Oct. 1, 1983	100	0
Oct. 1, 1984	75	25
Oct. 1, 1985	50	50
Oct. 1, 1986	0	100

The provisions concerning the transition period are set forth in regulations at § 412.70.

Section 9102 of Pub. L 99–272 extends the transition by making the following changes:

- For cost reporting periods beginning on or after October 1, 1985 and before October 1, 1986, the blend of hospital-specific and Federal portions is 50 percent hospital-specific and 50 percent Federal for the first seven months of the cost reporting period and 45 percent hospital-specific and 55 percent Federal for the remaining five months of the cost reporting period. For cost reporting periods beginning in FY 1987, the blend is 25 percent hospital-specific and 75 percent Federal. Starting with cost reporting periods beginning in FY 1988, the payment rate is based exclusively on the Federal portion.
- For discharges occurring in FY 1986, the Federal portion is made up of 25 percent national and 75 percent regional. For discharges occurring in FY 1987, the combined rate is 50 percent national and 50 percent regional. The Federal portion is based exclusively on the national rate beginning in FY 1988.

Therefore, the revised transition prospective payment rates are determined as follows:

SUMMARY OF HOSPITAL-SPECIFIC AND FEDERAL PERCENTAGES

Cost reporting period beginning on or after	Hospital-specific percentage	Federal percentage
Oct. 1, 1983	75	25
Oct. 1, 1984	50	50
Oct. 1, 1985:		
—The first seven months of the cost reporting period	50	50
—The remaining five months of the cost reporting period	45	55
Oct. 1, 1986	25	75
Oct. 1, 1987	0	100

SUMMARY OF REGIONAL AND NATIONAL PERCENTAGES OF THE FEDERAL PORTION

Federal fiscal year beginning	Regional percentage	National percentage
Oct. 1, 1983	100	0
Oct. 1, 1984	75	25
Oct. 1, 1985	75	25
Oct. 1, 1986	50	50
Oct. 1, 1987	0	100

We are revising the following sections to reflect the change in the transition period: §§ 412.1, 412.70, 412.80, 412.82, and 412.115.

Under the provisions set forth in section 9102 (d)(4) of Pub. L. 99–272, all hospitals subject to the prospective payment system that are located in the State of Oregon are excepted from the changes made to the transition period by sections 9102(a), (b), (c), and (d)(1) through (d)(3) of Pub. L. 99–272. Section 9102(d)(4) of Pub. L. 99–272 further specifies that for those hospitals located in Oregon, the following applies:

- *Hospital-specific/Federal blend.* Section 9102(d)(4)(B) states that for the first seven months of a cost reporting period beginning in FY 1986, the payment rate consists of a blend of 50 percent of the hospital-specific rate and 50 percent of the Federal rate. For the remaining five months of a cost reporting period beginning in FY 1986, the blend is 25 percent of the hospital-specific rate and 75 percent of the Federal rate. For cost reporting periods beginning on or after October 1, 1986, the payment rate is comprised solely of the Federal rate.
- *Regional/National blend of Federal rate.* For discharges occurring on or after October 1, 1985 and before May 1, 1986, section 9102(d)(4)(C) provides that the Federal rate consists of 75 percent of the regional rate and 25 percent of the national rate. In the absence of a special provision applicable to Oregon beginning May 1, 1986, the provisions of section 1886(d)(1)(D) of the Act would apply.

However, section 1886(d)(1)(D) of the Act applies in its form prior to the enactment of Pub. L. 99–272 since section 9102(d)(4)(A) makes the amendments of that law to section 1886(d)(1)(D) of the Act inapplicable to Oregon. Therefore, for discharges occurring on or after May 1, 1986 and before October 1, 1986, the Federal rate consists of 50 percent of the regional rate and 50 percent of the national rate. For discharges occurring on or after October 1, 1986, the Federal rate is comprised solely of the national rate.

C. Hospital Wage Index

Section 1886(d)(2)(C)(ii) of the Act requires that we standardize the average cost per case of each hospital used to develop the separate urban and rural standardized amounts for differences in wage levels. Section 1886(d)(2)(H) of the Act requires that the standardized amounts be adjusted for hospital area wage levels as part of the methodology for determining prospective payments to hospitals. To

fulfill both of these requirements, we constructed a wage index to eliminate variations in the average cost per case.

For purposes of determining the prospective payments to hospitals in FY 1984 and FY 1985, we used calendar year 1981 hospital wage and employment data obtained from the Bureau of Labor Statistics' (BLS's) ES 202 Employment, Wages and Contributions file for hospital workers to construct the wage index. However, the September 3, 1985 final rule set forth a revised hospital wage index that is based on an HCFA survey of hospital wage and salary data as well as data on paid hours in hospitals. This wage index was developed in an attempt to overcome the limitation of the BLS data with regard to full-time and part-time employment.

This revised wage index was not implemented because of the provisions of the Emergency Extension Act of 1985 (Pub. L. 99–107) and the succeeding amendments to that Act. Section 9103(a) of Pub. L. 99–272 specifies that, for discharges occurring on or after May 1, 1986, prospective payments to hospitals are to be adjusted to reflect the changes made in the September 3, 1985 final rule relating to the hospital wage index. The retroactive application of the revised wage index to cost reporting periods beginning on or after October 1, 1983 is repealed.

We are making adjustments to the wage index published in the September 3, 1985 final rule to correct data errors. These changes are similar to those that we made between the publication of the June 10, 1985 proposed rule (50 FR 24366) and the September 3, 1985 final rule, which are described in the final rule (50 FR 35663). By making these corrections, we can ensure that the wage index used to determine payment for discharges occurring on or after May 1, 1986 is as accurate as possible. The wage index is set forth in Tables 4a and 4b, below.

D. Payment for Medical Education

1. Indirect Costs of Medical Education

Section 1886(d)(5)(B) of the Act provides that prospective payment hospitals receive an additional payment for the indirect costs of medical education computed in the same manner as the adjustment for those costs under regulations in effect as of January 1, 1983. Under those regulations, we provided that the indirect costs of medical education incurred by teaching hospitals are the increased operating costs (that is, patient care costs) that are associated with approved intern and resident programs. These increased costs may reflect a number of factors; for example, an increase in the number of tests and procedures ordered by interns and residents relative to the number ordered by more experienced physicians or the need of hospitals with teaching programs to maintain more detailed medical records.

Because the indirect costs of medical education are defined in terms of increased operating costs, they are not separately identifiable on the cost report or in other financial or accounting records.

Rather, these incremental costs have been statistically estimated as function of teaching intensity, and a proxy measure (the hospital's ratio of the number of interns and residents to the number of beds) has been used to measure teaching intensity. The coefficient describing this statistical relationship has been expressed as a percentage and applied as the indirect medical eduction factor. This factor was first used as an adjustment to the routine operating cost limits and the total operating cost limits under the reasonable cost reimbursement system. The regulations governing this matter under the prospective payment system are found at § 412.118.

Currently, § 412.118(d) provides that each hospital's indirect medical education payment is determined by multiplying the following three factors:

(1) Total DRG revenue based on the Federal rates.

(2) A factor for each ten percent increment above zero in the hospital's ratio of full-time equivalent interns and residents to beds.

(3) An education adjustment factor, expressed as a percentage, that represents double the statistically-estimated effect of teaching activity on operating costs. The current adjustment factor is 11.59 percent.

As a part of the September 3, 1985 final rule, we revised § 412.118, effective for cost reporting periods beginning on or after October 1, 1984, to—

- Change the method used to determine the number of beds in a hospital for purposes of counting interns and residents;
- Provide for an annual report of the count, by specialty, of the number of interns and residents in each hospital on September 1 or the first business day after September 1 if that day falls on a weekend or Federal holiday (with an additional count on April 15, 1985 for hospitals with cost reporting periods beginning on or after October 1, 1984 and before July 1, 1985);
- Count as full-time all interns and residents assigned to the hospital on September 1 (or April 15, 1985, if applicable) except for those individuals splitting their time between prospective payment areas and one or more areas excluded from the prospective payment system or spending all their time in excluded areas; and
- Provide for intermediary reviews of hospital documentation to verify the hospital's intern and resident-to-bed ratio.

The following revisions (set forth at § 412.118(f)(2) and (3)) were to be effective for cost reporting periods beginning on or after October 1, 1985:

- Interns and residents assigned to the outpatient department of the hospital on the day the count of interns and residents is made are not counted as full-time equivalents. Only the percentage of time that these interns and residents spend in the portion of the hospital subject to the prospective payment system on the day of the count is used in determining the indirect medical education adjustment.
- The number of interns and residents assigned to ancillary departments of the hospital are apportioned between inpatient and outpatient settings based on the ratios of each ancillary department's inpatient and outpatient charges, respectively, to total department charges. Only the number of full-time equivalent interns and residents thus determined to be furnishing inpatient services is included in the count.

These last two changes did not become effective on October 1, 1985 because of the enactment of Pub. L. 99–107 and the amendment to that law, as we discussed earlier.

Section 9104(a) of Pub. L. 99–272 revises section 1886(d)(5)(B) of the Act of reduce the education adjustment factor used to determine the indirect medical education payment from 11.59 percent to 8.1 percent for discharges occurring on or after May 1, 1986 and before October 1, 1988. For discharges occurring on or after October 1, 1988, the adjustment factor is equal to 8.7 percent. In addition to being reduced, the adjustment factor is no longer applied on a linear basis, but rather on a curvilinear or variable basis. An adjustment made on a curvilinear basis reflects a nonlinear cost relationship; that is, each absolute increment in a hospital's ratio of interns and residents to beds does not result in an equal proportional increase in costs. Therefore, the adjustment factors are only approximately 8.1 percent and 8.7 percent.

We are revising § 412.118 to provide that for discharges occurring on or after May 1, 1986 and before October 1, 1988, the indirect medical education factor equals the following:

$$2 \times \left[\left(1 + \frac{\text{interns and residents}}{\text{beds}}\right)^{.045} - 1\right]$$

For Example: A hospital has an intern and resident to bed ratio of .2. Its adjustment factor is computed in the following way:

$2 \times [(1+.2)^{.405} - 1] = 2 \times [.07663] = .15327$

This hospital's indirect medical education adjustment factor is .1533. To determine the hospital's additional payment, this factor is multiplied by the hospital's total DRG revenue based on the DRG-adjusted prospective payment rates (for transition period payments, the Federal portion of the hospital's payment) including outlier payments but excluding any other additional payments such as the payment for hospitals that serve a disproportionate share of low-income patients as discussed below.

For discharges occurring on or after October 1, 1988, that factor equals the following:

$$1.5 \times \left[\left(1 + \frac{\text{interns and residents}}{\text{beds}}\right)^{.5795} - 1\right]$$

On February 26, 1986, we published a notice of proposed rulemaking in the **Federal Register** (51 FR 6755) to revise the application of the formula used to calculate payment for the indirect costs of medical education for prospective payment hospitals. We proposed to apply the education adjustment factor of 11.59 on a curvilinear basis.

Since the provisions of section 9104 of Pub. L. 99–272 supersede that proposal, we are withdrawing it from consideration.

Section 9104(a) of Pub. L. 99–272 also amended section 1886(d)(5)(B) of the Act to provide that, for discharges occurring on or after May 1, 1986, interns and residents assigned to outpatient departments of a hospital are included in the count of interns and residents for the purpose of determining the indirect medical education adjustment factor. Thus, we are deleting from the regulations the changes we made to § 412.118(f) in the September 3, 1985 final rule concerning the exclusion from the count of interns and residents of those individuals who are assigned to outpatient departments or are furnishing outpatient services in ancillary departments. Because of the provisions of Pub. L. 99–107, the changes we made to § 412.188(f) never became effective.

2. Direct Costs of Medical Education

We note here that Pub. L. 99–272 changes the way Medicare pays for the direct costs of medical education. Under section 1886(a)(4) of the Act, direct costs of medical education are excluded from the definition of inpatient operating costs that are covered by the prospective payment system. Thus, the direct costs of approved medical education programs (for example, salaries for interns and residents and overhead costs) are not included in hospital-specific, regional, or national payment rates to hospitals subject to the prospective payment system, but are reimbursed on a reasonable cost basis. The provisions governing reimbursement for the services of interns and residents appear at section 1832(a)(2)(B)(i) and 1861(b)(6) of the Act.

On July 5, 1985, we published a final rule in the **Federal Register** (50 FR 27722) that placed a one-year limit on the amount of reimbursement for providers for their direct costs of approved medical eduction activities for cost reporting periods beginning on or after July 1, 1985 and before July 1, 1986. Section 9202 of Pub. L. 99–272 specifies a different approach to reimbursement of direct medical education costs starting with cost reporting periods beginning on or after July 1, 1985. The provisions of this section of the law supersede the provisions set forth in the July 5, 1985 final rule, thus making that rule no longer effective. We plan to publish revised regulations to implement section 9202 of Pub. L. 99–272 in the near future.

E. Payments for Hospitals That Serve a Disproportionate Share of Low-Income Patients

Section 1886(d)(5)(C)(i) of the Act authorizes the Secretary to make adjustments to the prospective payment rates to take into account the special needs of certain classes of hospitals, including public or other hospitals that serve a significantly disproportionate number of low-income patients or Medicare Part A beneficiaries. We had not made special provisions for these hospitals in the Medicare regulations because, based on our past analyses (which are described in several **Federal Register** publications at 47 FR 43285, 48 FR 39416, 48 FR 39783, 49 FR 276–277, 50 FR 24384–24385 and 50 FR 35685–35686), we believed that there had not been sufficient evidence to demonstrate that an adjustment is warranted.

Section 9105 of Pub. L. 99–272 adds a new section 1886(d)(5)(F) to the Act to require that we make an additional payment for hospitals that serve a disproportionate share of low-income patients. Section 1886(d)(5)(F)(i) of the Act provides that for discharges occurring on or after May 1, 1986 and before October 1, 1988, an additional payment must be made for each prospective payment must be made for each prospective payment hospital that meets one of the following criteria:

- During the hospital's cost reporting period, the hospital has a disproportionate patient percentage that is at least equal to—

—15 percent if the hospital is located in an urban area and has 100 or more beds;

—40 percent, if the hospital is located in an urban area and has fewer than 100 beds; or

—45 percent if the hospital is located in an rural area. (Sections 1886(d)(5)(F)(i)(I) and (v) of the Act).

- The hospital is located in an urban area, has 100 or more beds, and can demonstrate that, during its cost reporting period, more than 30 percent of its total inpatient care revenues is derived from State and local government payments for indigent care furnished to patients not covered by Medicare or Medicaid. (Section 1886(d)(5)(F)(i)(II) of the Act).

For purposes of meeting the latter criterion, it is incumbent upon a hospital to demonstrate that more than 30 percent of its total inpatient care revenues are from State and local government sources and that these revenues are specifically earmarked for the care of indigents (that is, none of that money may be used for any purposes other than indigent care). The following are among the types of care that are not to be included by the hospital as indigent care:

- Free care furnished to satisfy the hospital's Hill-Burton obligation.
- Free care or care furnished at reduced rates made available by the hospital to its employees or by a government hospital to any category of public employees.
- Funds furnished to the hospital to cover general operating deficits.

For purposes of determining a hospital's bed size, we are using the same definition that is currently used for determining number of beds for purposes of calculating the indirect medical education adjustment (§ 412.118(b)). That is, the number of beds in a hospital is determined by counting the number of available bed days during the hospital's cost reporting period, not including beds assigned to newborns, custodial care, and excluded distinct part hospital units, and dividing that number by the number of days in the cost reporting period.

Section 1886(d)(5)(F)(vi) states that the term "disproportionate patient percentage," which is used in the criterion implementing section 1886(d)(5)(F)(i)(I) and (v) of the Act, which is described above, means the sum of the following two fractions, which is expressed as a percentage:

1. Patient days of those patients entitled to both Medicare Part A and Supplemental Security Income (SSI) (excluding *those patients receiving State supplementation only)*

Patient days of those patients entitled to Medicare Part A

2. Patient days of those patients entitled to *Medicaid but not to Medicare Part A*

Total number of patient days

The number of patient days of those patients entitled to both Medicare Part A and SSI will be determined by matching data from the Medicare Part A Tape Bill (PATBILL) file with the Social Security Administration's (SSA's) SSI file. This match will be done at least annually and will involve a match of the individuals who are SSI recipients for each month during the Federal fiscal year in which the hospital's cost reporting period begins with the Medicare Part A beneficiaries who received inpatient hospital services during the same month. Thus, if a Medicare beneficiary is eligible for SSI benefits (excluding State supplementation only) during a month in which the beneficiary is a patient in the hospital, the covered Medicare Part A inpatient days of hospitalization in that month will be counted for the purpose of determining the hospital's disproportionate patient percentage. The match of SSI eligibility records to Medicare inpatient hospital days for a hospital will consist of counting the days in which Medicare inpatient hospital services are furnished during each month to patients entitled to both Medicare Part A and SSI, summing those days, and dividing by the total number of days for which Medicare inpatient hospital services are furnished to all Medicare Part A beneficiaries in the hospital.

Although section 1886(d)(5)(F)(vi)(I) of the Act specifies that the match is done on a cost reporting period basis, we believe that matching Social Security numbers on a Federal fiscal year basis is the most feasible approach. A monthly match of SSI eligibility files to Medicare hospital records would be administratively more cumbersome and costly and could not be accomplished in a timely manner. Relying on Medicare billing records for the Federal fiscal year rather than the hospital cost reporting period avoids the problem of billing lag at the end of the cost reporting period. We do not believe that there are likely to be significant fluctuations from one year to the next in the percentage of patients served by the hospital who are dually entitled to Medicare Part A and SSI. Consequently, the percentage for a hospital's own experience during the Federal fiscal year should be reasonably close to the percentage specific to the hospital's cost reporting period.

However, we are affording all hospitals the option to determine their number of patient days of those dually entitled to Medicare Part A and SSI for their own cost reporting periods. A hospital that avails itself of this option must furnish to its fiscal intermediary, in a manner and format to be prescribed by HCFA, data on its Medicare patients for its cost reporting period. These data will then be matched by SSA to determine those patients dually entitled to Medicare and SSI for the hospital's cost reporting period. The full cost of this process, including the cost of verification by SSA, will be borne by the hospital.

The number of patient days of those patients entitled to Medicaid but not to Medicare Part A will be determined by the hospital's Medicare fiscal intermediary based on Medicaid statistical data reported on the hospital's Medicare cost report. Total Medicaid inpatient days will include all covered days attributable to Medicaid patients including any inpatient days for Medicaid patients who are members of a health maintenance organization.

Section 1886(d)(5)(F)(vi)(II) of the Act describes Medicaid patient days at those". . . which consist of patients who (for such days) were eligible for medical assistance under a State plan approved under title XIX . . . ." Therefore, Medicaid covered days will include only those days for which benefits are payable under title XIX. Any day of a Medicaid patient's hospital stay that is not payable by the Medicaid program will not be counted as a Medicaid patient day since the patient is not considered eligible for Medicaid coverage on those days. For example, if a patient is hospitalized for 15 days and is eligible for Medicaid benefits for 10 of those days, only the 10 covered days will be considered Medicaid patient days for purposes of determining a hospital's disproportionate patient percentage.

The process we will use for making payments to hospitals that serve a disporprotionate share of low-income patients will be similar to the process we use to make the additional payment for the indirect medical education costs; that is, we will make interim payments based on the latest available data subject to a year-end settlement on a cost reporting period basis. For purposes of making these interim payments, the initial determination of a hospital's eligibility for this payment will be made by the hospital's Medicare fiscal intermediary based on Medicaid statistical data as reported on the hospital's most recent cost report and the SSI and Medicare data to be supplied by HCFA central office. If a hospital disagrees with the intermediary's determination of its Medicaid patient days, it will be the hospital's responsibility to demonstrate to the intermediary that the Medicaid statistics reported on its cost report are incorrect or were improperly applied. Medicaid data submitted by the hospital, whether on the cost report or furnished subsequently, are subject to intermediary audit to ensure their accuracy.

Sections 1886(d)(5)(f) (ii) and (iv) of the Act specify that the additional payment adjustment for hospitals that meet the disproportionate patient percentage criterion (section 1886(d)(5)(F)(i)(I) of the Act) is determined as follows:

- For urban hospitals with 100 or more beds, the hospital's total DRG revenue (as defined below) is increased by 2.5 percent plus one-half the difference between the hospital's percentage of low-income patients and 15 percent, up to a maximum of 15 percent; that is, the disproportionate share adjustment factor is the lesser of 15 percent or $(P-.15)(.5)+.025$, where P equals the hospital's disproportionate patient percentage expressed as a decimal.
- For urban hospitals with fewer than 100 beds, the hospital's total DRG revenue is increased by five percent.

• For rural hospitals the hospital's total DRG revenue is increased by four percent.

As specified in sections 1886(d)(5)(F)(ii) and (iii) of the Act, for those hospitals that meet the indigent care revenue criterion (section 1886(d)(5)(F)(i)(II) of the Act), the payment adjustment is determined by increasing the hospital's total DRG revenue by 15 percent. A hospital's total DRG revenue is the revenue based on DRG-adjusted prospective payment rates (for transition period payments, the Federal portion of the hospital's payment rates) including outlier payments but excluding any other additional payments such as the indirect medical education payment.

The provisions for adjusting the prospective payment rates for hospitals serving a disproportionate share of low-income patients are set forth in regulations at a new §412.106.

F. Hospitals that Qualify for Waiver of Requirements Concerning Part A Billing

Section 602(k) of Pub. L. 98–21 authorizes a temporary waiver, in certain circumstances, of the requirement, set forth in sections 1862(a)(14) and 1866(a)(1)(H) of the Act, that hospitals bill for all nonphysician inpatient hospital services under Medicare Part A. This waiver authority is implemented through our regulations governing provider agreements (42 CFR Part 489). Essentially, a hospital qualifies for a waiver if it—

• Had traditionally followed the practice of allowing suppliers of items and services furnished to its inpatients to bill directly under Medicare Part B for those items and services; and

• This practice was so extensive that the hospital's immediate compliance with the new requirement would threaten the stability of patient care.

These provisions are set forth at §489.23.

Section 602(k) of Pub. L. 98–21 requires that we reduce the Medicare Part A payment to a hospital that has a waiver for the amount of Part B billings for nonphysician services furnished to the hospital's inpatients. Therefore, our regulations (§412.120(c)) state that payments for inpatient services are reduced to take into account 100 percent of the reasonable charges (before application of the Medicare Part B deductible and coinsurance amounts) for nonphysician services furnished by an outside supplier.

As mentioned earlier in section III.D.1. of this preamble, §412.118 provides that a hospital's indirect medical education payment is determined on the basis of the total DRG revenue based on the Federal rates received by the hospital. The DRG revenue received by hospitals that qualify for a waiver under §489.23 does not include the Part B reasonable charges for nonphysician services furnished by an outside supplier. Therefore, our policy for determining the amount of the indirect medical education payment for a hospital that has a waiver has been to base the payment on the DRG revenue based on Federal rates after it has been reduced for Part B billings.

Section 9112(a) of Pub. L. 99–272 amends section 602(k) of Pub. L. 98–21 by adding a provision that specifies that the indirect medical education payment for hospitals that have a waiver is to be computed as if the hospital were receiving under Part A all the payments that were made under Part B because of the waiver. That is, a hospital with a waiver under section 602(k) of Pub. L. 98–21 is treated as if the waiver is not in effect for purposes of computing the additional payment for the indirect costs of medical education. Section 9112(b) of Pub. L. 99–272 specifies that this amendment is effective for cost reporting periods beginning on or after January 1, 1986. Therefore, we are revising § 412.118(a)(2) to include in the computation of the additional payment for the costs of indirect medical education the payments made under Part B to hospitals that have a waiver.

In addition, section 9112(a) of Pub. L. 99–272 amended section 602(k) of Pub. L. 98–21 to specify that Part A services billed under Part B under a waiver will be paid at 100 percent of the reasonable charge (or other applicable basis of payment) and that in order to retain its waiver, the hospital must ensure that the supplier that bills for the services accepts this payment as payment in full (that is, the beneficiary is not responsible for payment of the coinsurance). In section 9112 of Pub. L. 99–272, Congress specifically stated that payment for Part A services billed under Part B is equal to 100 percent of the reasonable charge and that the entity furnishing the services must accept *this amount* as the full charge. Because there is no mention of a reduction of this amount by the Part B deductible, for administrative simplicity, we will not apply the deductible to these payments. We are revising § 489.23 to include this requirement, which is effective 10 days after the day of enactment of Pub. L. 99–272, that is, April 17, 1986.

V. Tables

This section contains the tables referred to in this preamble. For tables 2, 3a, and 3b, refer to the September 1, 1983 interim final rule (48 FR 39845). For Table 5, refer to the September 3, 1985 final rule (50 FR 35646).

TABLE 1.—ADJUSTED STANDARDIZED AMOUNTS, LABOR/NONLABOR

Region	Urban		Rural	
	Labor related	Nonlabor related	Labor related	Nonlabor related
1. New England (CT, ME, MA, NH, RI, VT)	2373.04	671.90	2143.01	509.76
2. Middle Atlantic (PA, NJ, NY)	2228.39	664.01	2177.08	516.97
3. South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV)	2366.53	615.20	1997.46	429.17
4. East North Central (IL, IN, MI, OH, WI)	2447.91	716.24	1981.59	481.18
5. East South Central (AL, KY, MS, TN)	2246.22	546.88	1987.01	401.85
6. West North Central (IA, KS, MN, MO, NB, ND, SD)	2271.87	636.26	1845.52	412.88
7. West South Central (AR, LA, OK, TX)	2319.16	602.67	1862.71	400.46
8. Mountain (AZ, CO, ID, MT, NV, NM, UT, WY)	2214.72	637.66	1828.56	447.96
9. Pacific (AK, CA, HI, OR, WA)	2219.61	749.07	1837.88	524.10
10. National	2319.83	667.48	1930.06	440.16

TABLE 4A.—WAGE INDEX FOR URBAN AREAS

Urban area (constituent counties or county equivalents)	Wage index
Abilene, TX Taylor, TX	.8936

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

Urban area (constituent counties or county equivalents)	Wage index
Akron, OH Portage, OH	1.0998

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

Urban area (constituent counties or county equivalents)	Wage index
Summit, OH	
Albany, GA	.8122
Dougherty, GA	
Lee, GA	
Albany-Schenectady-Troy, NY	.9180
Albany, NY	
Greene, NY	
Montgomery, NY	
Rensselaer, NY	
Saratoga, NY	
Schenectady, NY	
Albuquerque, NM	1.0997
Bernalillo, NM	
Alexandria, LA	.9101
Rapides, LA	
Allentown-Bethlehem, PA-NJ	1.0377
Warren, NJ	
Carbon, PA	
Lehigh, PA	
Northampton, PA	
Altoona, PA	.9948
Blair, PA	
Amarillo, TX	.9524
Potter, TX	
Randall, TX	
Anaheim-Santa Ana, CA	1.2523
Orange, CA	
Anchorage, AK	1.5732
Anchorage, AK	
Anderson, IN	.9701
Madison, IN	
Anderson, SC	.8307
Anderson, SC	
Ann Arbor, MI	1.2513
Washtenaw, MI	
Anniston, AL	.8456
Calhoun, AL	
Appleton-Oshkosh-Neenah, WI	1.0587
Calumet, WI	
Outagamie, WI	
Winnebago, WI	
Asheville, NC	.8779
Buncombe, NC	
Athens, GA	.8119
Clarke, GA	
Jackson, GA	
Madison, GA	
Oconee, GA	
Atlanta, GA	.9592
Barrow, GA	
Butts, GA	
Cherokee, GA	
Clayton, GA	
Cobb, GA	
Coweta, GA	
De Kalb, GA	
Douglas, GA	
Fayette, GA	
Forsyth, GA	
Fulton, GA	
Gwinnett, GA	
Henry, GA	
Newton, GA	
Paulding, GA	
Rockdale, GA	
Spalding, GA	
Walton, GA	
Atlantic City, NJ	1.0488

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

Urban area (constituent counties or county equivalents)	Wage index
Atlantic, NJ	
Cape May, NJ	
Augusta, GA-SC	.9531
Columbia, GA	
McDuffie, GA	
Richmond, GA	
Aiken, SC	
Aurora-Elgin, IL	1.0934
Kane, IL	
Kendall, IL	
Austin, TX	1.1094
Hays, TX	
Travis, TX	
Williamson, TX	
Bakersfield, CA	1.1970
Kern, CA	
Baltimore, MD	1.1068
Anne Arundel, MD	
Baltimore, MD	
Baltimore City, MD	
Carroll, MD	
Harford, MD	
Howard, MD	
Queen Annes, MD	
Bangor, ME	.9216
Penobscot, ME	
Baton Rouge, LA	.9753
Ascension, LA	
East Baton Rouge, LA	
Livingston, LA	
West Baton Rouge, LA	
Battle Creek, MI	1.0226
Calhoun, MI	
Beaumont-Port Arthur, TX	1.0008
Hardin, TX	
Jefferson, TX	
Orange, TX	
Beaver County, PA	1.0838
Beaver, PA	
Bellingham, WA	1.1387
Whatcom, WA	
Benton Harbor, MI	.8845
Berrien, MI	
Bergen-Passaic, NJ	1.0668
Bergen, NJ	
Passaic, NJ	
Billings, MT	1.0151
Yellowstone, MT	
Biloxi-Gulfport, MS	.8426
Hancock, MS	
Harrison, MS	
Binghamton, NY	.9488
Broome, NY	
Tioga, NY	
Birmingham, AL	.9592
Blount, AL	
Jefferson, AL	
Saint Clair, AL	
Shelby, AL	
Walker, AL	
Bismarck, ND	.9870
Burleigh, ND	
Morton, ND	
Bloomington, IN	.9826
Monroe, IN	
Bloomington-Normal, IL	.9772
McLean, IL	
Boise City, ID	1.0506

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

Urban area (constituent counties or county equivalents)	Wage index
Ada, ID	
Boston-Lawrence-Salem-Lowell-Brockton, MA	1.1474
Essex, MA	
Middlesex, MA	
Norfolk, MA	
Plymouth, MA	
Suffolk, MA	
Boulder-Longmont, CO	1.1242
Boulder, CO	
Bradenton, FL	.9128
Manatee, FL	
Brazoria, TX	.8678
Brazoria, TX	
Bremerton, WA	.9740
Kitsap, WA	
Bridgeport-Stamford-Norwalk-Danbury, CT	1.1759
Fairfield, CT	
Brownsville-Harlingen, TX	.8911
Cameron, TX	
Bryan-College Station, TX	.9498
Brazos, TX	
Buffalo, NY	1.0608
Erie, NY	
Burlington, NC	.7867
Alamance, NC	
Burlington, VT	1.0056
Chittenden, VT	
Grand Isle, VT	
Canton, OH	1.0006
Carroll, OH	
Stark, OH	
Casper, WY	1.0982
Natrona, WY	
Cedar Rapids, IA	1.0099
Linn, IA	
Champaign-Urbana-Rantoul, IL	.9892
Champaign, IL	
Charleston, SC	.8846
Berkeley, SC	
Charleston, SC	
Dorchester, SC	
Charleston, WV	1.0405
Kanawha, WV	
Putnam, WV	
Charlotte-Gastonia-Rock Hill, NC-SC	.8925
Cabarrus, NC	
Gaston, NC	
Lincoln, NC	
Mecklenburg, NC	
Rowan, NC	
Union, NC	
York, SC	
Charlottesville, VA	.9276
Albermarle, VA	
Charlottesville City, VA	
Fluvanna, VA	
Greene, VA	
Chattanooga, TN-GA	.9967
Catoosa, GA	
Dade, GA	
Walker, GA	
Hamilton, TN	
Marion, TN	
Sequatchie, TN	
Cheyenne, WY	.9630

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

Urban area (constituent counties or county equivalents)	Wage index
Laramie, WY	
Chicago, IL	1.2260
Cook, IL	
Du Page, IL	
McHenry, IL	
Chico, CA	1.2371
Butte, CA	
Cincinnati, OH-KY-IN	1.0969
Deaborn, IN	
Boone, KY	
Campbell, KY	
Kenton, KY	
Clermont, OH	
Hamilton, OH	
Warren, OH	
Clarksville-Hopkinsville, TN-KY	.8123
Christian, KY	
Montgomery, TN	
Cleveland, OH	1.1479
Cuyahoga, OH	
Geauga, OH	
Lake, OH	
Medina, OH	
Colorado Springs, CO	1.0362
El Paso, CO	
Columbus, MO	1.0940
Boone, MO	
Columbia, SC	.9100
Lexington, SC	
Richland, SC	
Columbia, GA-AL	.7871
Russell, AL	
Chattanoochee, GA	
Muscogee, GA	
Columbus, OH	.9613
Delaware, OH	
Fairfield, OH	
Franklin, OH	
Licking, OH	
Madison, OH	
Pickaway, OH	
Union, OH	
Corpus Christi, TX	.9826
Nueces, TX	
San Patricio, TX	
Cumberland, MD-WV	.8930
Allegeny, MD	
Mineral, WV	
Dallas,TX	1.0654
Collin, TX	
Dallas, TX	
Denton, TX	
Ellis, TX	
Kaufman, TX	
Rockwall, TX	
Danville, VA	.8027
Danville City, VA	
Pittsylvania, VA	
Davenport-Rock Island-Moline, IA-IL	1.0582
Scott, IA	
Henry, IL	
Rock Island, IL	
Dayton-Springfield, OH	1.0859
Clark, OH	
Greene, OH	
Miami, OH	
Montgomery, OH	
Daytona Beach, FL	.9071
Volusia, FL	
Decatur, IL	.9521
Macon, IL	
Denver, CO	1.2770
Adams, CO	
Arapahoe, CO	
Denver, CO	
Douglas, CO	
Jefferson, CO	
Des Monies, IA	1.0478
Dallas, IA	
Polk, IA	
Warren, IA	
Detroit, MI	1.1639
Lapeer, MI	
Livingston, MI	
Macomb, MI	
Monroe, MI	
Oakland, MI	
Saint Clair, Mi	
Wayne, Mi	
Dothan, AL	.8395
Dale, AL	
Houston, AL	
Dubuque, IA	1.0512
Dubuque, IA	
Duluth, MN-WI	.9857
St. Louis, MN	
Douglas, WI	
Eau Claire, WI	.9427
Chippewa, WI	
Eau Claire, WI	
El Paso, TX	.9367
El Paso, TX	
Elkhart-Goshen, IN	.9579
Elkhart, IN	
Elmira, NY	.9669
Chemung, NY	
Enid, OK	.9555
Garfield, OK	
Erie, PA	.9917
Erie, PA	
Eugene-Springfield, OR	1.1080
Lane, OR	
Evansville, IN-KY	1.0142
Posey, IN	
Vanderburgh, IN	
Warrick, IN	
Henderson, KY	
Fargo-Moorhead, ND-MN	1.0565
Clay, MN	
Cass, ND	
Fayetteville, NC	.8268
Cumberland, NC	
Fayetteville-Springdale, AR	.8018
Washington, AR	
Flint, MI	1.2014
Genesee, MI	
Florence, AL	.7831
Colbert, AL	
Lauderdale, AL	
Florence, SC	.7629
Florence, SC	
Fort Collins-Loveland, CO	1.0766
Larimor, CO	
Fort Lauderdale-Hollywood-Pompano Beach, FL	1.1166
Broward, FL	
Fort Myers-Cape Coral, FL	.9463
Lee, FL	
Fort Pierce, FL	1.0140
Martin, FL	
St. Lucie, FL	
Fort Smith, AR-OK	.9175
Crawford, AR	
Sebastian, AR	
Sequoyah, OK	
Fort Walton Beach, FL	.8686
Okaloosa, FL	
Fort Wayne, IN	.9497
Allen, IN	
De Kalb, IN	
Whitley, IN	
Fort Worth-Arlington, TX	.9925
Johnson, TX	
Parker, TX	
Tarrant, TX	
Fresno, CA	1.1405
Fresno, CA	
Gadsden, AL	.8712
Etowah, AL	
Gainesville, FL	.9571
Alachua, FL	
Bradford, FL	
Galveston-Texas City, TX	1.1327
Galveston, TX	
Gary-Hammond, IN	1.0897
Lake, IN	
Porter, IN	
Glens Falls, NY	.9536
Warren, NY	
Washington, NY	
Grand Forks, ND	.9798
Grand Forks, ND	
Grand Rapids, MI	1.0585
Kent, MI	
Ottawa, MI	
Great Falls, MT	1.0642
Cascade, MT	
Greeley, CO	1.0683
Weld, CO	
Green Bay, WI	1.0250
Brown, WI	
Greensboro-Winston-Salem-High Point, NC	.9319
Davidson, NC	
Davie, NC	
Forsyth, NC	
Guilford, NC	
Randolph, NC	
Stokes, NC	
Yadkin, NC	
Greenville-Spartanburg, SC	.9062
Greenville, SC	
Pickens, SC	
Spartanburg, SC	
Hagerstown, MD	.9515
Washington, MD	
Hamilton-Middletown, OH	1.0138
Butler, OH	
Harrisburg-Lebanon-Carlisle, PA	.9795
Cumberland, PA	
Dauphin, PA	
Lebanon, PA	
Perry, PA	

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

Urban area (constituent counties or county equivalents)	Wage index
Hartford-New Middletown-Britian-Bristol, CT	1.1377
Hartford, CT	
Litchfield, CT	
Middlesex, CT	
Tolland, CT	
Hickory, NC	.8915
Alexander, NC	
Burke, NC	
Catawba, NC	
Honolulu, HI	1.1933
Honolulu, HI	
Houma-Thibodaux, LA	.9161
Lafourche, LA	
Terrebonne, LA	
Houston, TX	1.0589
Fort Bend, TX	
Harris, TX	
Liberty, TX	
Montgomery, TX	
Waller, TX	
Huntington-Ashland, WV-KY-OH	.9439
Boyd, KY	
Carter, KY	
Greenup, KY	
Lawrence, OH	
Cabell, WV	
Wayne, WV	
Huntsville, AL	.8597
Madison, Al	
Indianapolis, IN	1.0516
Boone, IN	
Hamilton, IN	
Hancock, IN	
Hendricks, IN	
Johnson, IN	
Marion, IN	
Morgan, IN	
Shelby, IN	
Iowa City, IA	1.2988
Johnson, IA	
Jackson, MI	1.0130
Jackson, MI	
Jackson, MS	.9285
Hinds, MS	
Madison, MS	
Rankin, MS	
Jackson, TN	.7857
Madison, TN	
Jacksonville, FL	.9410
Clay, FL	
Duval, FL	
Nassau, FL	
St. Johns, FL	
Jacksonville, NC	.7907
Onslow, NC	
Janesville-Beloit, WI	.9352
Rock, WI	
Jersey City, NJ	1.1026
Hudson, NJ	
Johnson City-Kingsport-Bristol, TN-VA	.8553
Carter, TN	
Hawkins, TN	
Sullivan, TN	
Unicoi, TN	
Washington, TN	
Bristol City, VA	
Scott, VA	
Washington, VA	
Johnstown, PA	.9456
Cambria, PA	
Somerset, PA	
Joliet, IL	1.1170
Grundy, IL	
Will, IL	
Joplin, MO	.9135
Jasper, MO	
Newton, MO	
Kalamazoo, MI	1.2250
Kalamazoo, MI	
Kankakee, IL	.9439
Kankakee, IL	
Kansas City, KS-MO	1.0581
Johnson, KS	
Leavenworth, KS	
Miami, KS	
Wyandotte, KS	
Cass, MO	
Clay, MO	
Jackson, MO	
Lafayette, MO	
Platte, MO	
Ray, MO	
Kenosha, WI	1.0795
Kenosha, WI	
Killeen-Temple, TX	.8784
Bell, TX	
Coryell, TX	
Knoxville, TN	.8930
Anderson, TN	
Blount, TN	
Grainger, TN	
Jefferson, TN	
Knox, TN	
Sevier, TN	
Union, TN	
Kokomo, IN	.9797
Howard, IN	
Tipton, IN	
LaCrosse, WI	1.0092
LaCrosse, WI	
Lafayette, LA	1.0040
Lafayette, LA	
St. Martin, LA	
Lafayette, IN	.9096
Tippecanoe, IN	
Lake Charles, LA	.9962
Calcasieu, LA	
Lake County, IL	1.1551
Lake IL	
Lakeland-Winter Haven, FL	.8785
Polk, FL	
Lancaster, PA	1.0319
Lancaster, PA	
Lansing-East Lansing, MI	1.0690
Clinton, MI	
Eaton, MI	
Ingham, MI	
Laredo, TX	.8103
Webb, TX	
Las Cruces, NM	.8702
Dona Ana, NM	
Las Vegas, NV	1.1171
Clark, NV	
Lawrence, KS	1.0105
Douglas, KS	
Lawton, OK	.9399
Comanche, OK	
Lewiston-Auburn, ME	.9356
Androscoggin, ME	
Lexington-Fayette, KY	.9800
Bourbon, KY	
Clark, KY	
Fayette, KY	
Jessamine, KY	
Scott, KY	
Woodford, KY	
Lima, OH	.9793
Allen, OH	
Auglaize, OH	
Lincoln, NE	.9639
Lancaster, NE	
Little Rock-North Little Rock, AR	1.1053
Faulkner, AR	
Lonoke, AR	
Pulaski, AR	
Saline, AR	
Longview-Marshall, TX	.8348
Gregg, TX	
Harrison, TX	
Lorain-Elyria, OH	1.0204
Lorain, OH	
Los Angeles-Long Beach, CA	1.3192
Los Angeles, CA	
Louisville, KY-IN	1.0007
Clark, IN	
Floyd, IN	
Harrison, IN	
Bullitt, KY	
Jefferson, KY	
Oldham, KY	
Shelby, KY	
Lubbock, TX	1.0053
Lubbock, TX	
Lynchburg, VA	.9147
Amherst, VA	
Campbell, VA	
Lynchburg City, VA	
Macon-Warner Robins, GA	.9256
Bibb, GA	
Houston, GA	
Jones, GA	
Peach, GA	
Madison, WI	1.0821
Dane, WI	
Manchester-Nashua, NH	.9506
Hillsboro, NH	
Merrimack, NH	
Mansfield, OH	.9846
Richland, OH	
McAllen-Edinburg-Mission, TX	.8045
Hidalgo, TX	
Medford, OR	1.0279
Jackson, OR	
Melbourne-Titusville, FL	.9309
Brevard, FL	
Memphis, TN-AR-MS	1.0416
Crittenden, AR	
De Soto, MS	
Shelby, TN	
Tipton, TN	
Miami-Hialeah, FL	1.0624
Dade, FL	

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

Urban area (constituent counties or county equivalents)	Wage index
Middlesex-Somerset-Hunterdon NJ	1.0273
Hunterdon, NJ	
Middlesex, NJ	
Somerset, NJ	
Midland, TX	1.1221
Midland, TX	
Milwaukee, WI	1.1327
Milwaukee, WI	
Ozaukee, WI	
Washington, WI	
Waukesha, WI	
Minneapolis-St. Paul, MN-WI	1.1685
Anoka, MN	
Carver, MN	
Chisago, MN	
Dakota, MN	
Hennepin, MN	
Isanti, MN	
Ramsey, MN	
Scott, MN	
Washington, MN	
Wright, MN	
St. Croix, WI	
Mobile, AL	.8862
Baldwin, AL	
Mobile, AL	
Modesto, CA	1.2013
Stanislaus, CA	
Monmouth-Ocean, NJ	.9851
Monmouth, NJ	
Ocean, NJ	
Monroe, LA	.9274
Ouachita, LA	
Montgomery, AL	.8810
Autauga, AL	
Elmore, AL	
Montgomery, AL	
Muncie, IN	.9991
Delaware, IN	
Muskegon, MI	.9838
Muskegon, MI	
Naples, FL	1.0371
Collier, FL	
Nashville, TN	.9345
Cheatham, TN	
Davidson, TN	
Dickson, TN	
Robertson, TN	
Rutherford, TN	
Sumner, TN	
Williamson, TN	
Wilson, TN	
Nassau-Suffolk, NY	1.3300
Nassau, NY	
Suffolk, NY	
New Bedford-Fall River-Attleboro, MA	.9723
Bristol, MA	
New Haven-West Haven-Waterbury-Meriden, CT	1.1193
New Haven, CT	
New London-Norwich, CT	1.1021
New London, CT	
New Orleans, LA	.9275
Jefferson, LA	
Orleans, LA	
St. Bernard, LA	
St. Charles, LA	

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

Urban area (constituent counties or county equivalents)	Wage index
St. John The Baptist, LA	
St. Tammany, LA	
New York, NY	1.3707
Bronx, NY	
Kings, NY	
New York City, NY	
Putnam, NY	
Queens, NY	
Richmond, NY	
Rockland, NY	
Westchester, NY	
Newark, NJ	1.1319
Essex, NJ	
Morris, NJ	
Sussex, NJ	
Union, NJ	
Niagara Falls, NY	.8896
Niagara, NY	
Norfolk-Virginia Beach-Newport News, VA	.9620
Chesapeake City, VA	
Gloucester, VA	
Hampton City, VA	
James City Co., VA	
Newport News City, VA	
Norfolk City, VA	
Poquoson, VA	
Portsmouth City, VA	
Suffolk City, VA	
Virginia Beach City, VA	
Williamsburg City, VA	
York, VA	
Oakland, CA	1.4783
Alameda, CA	
Contra Costa, CA	
Ocala, FL	.8670
Marion, FL	
Odessa, TX	.9548
Ector, TX	
Oklahoma City, OK	1.0849
Canadian, OK	
Cleveland, OK	
Logan, OK	
McClain, OK	
Oklahoma, OK	
Pottawatomie, OK	
Olympia, WA	1.0707
Thurston, WA	
Omaha, NE-IA	1.0432
Pottawattamie, IA	
Douglas, NE	
Sarpy, NE	
Washington, NE	
Orange County, NY	.9230
Orange, NY	
Orlando, FL	1.0113
Orange, FL	
Osceola, FL	
Seminole, FL	
Owensboro, KY	.8183
Daviess, KY	
Oxnard-Ventura, CA	1.2756
Ventura, CA	
Panama City, FL	.8292
Bay, FL	
Parkersburg-Marietta, WV-OH	.9053
Washington, OH	
Wood, WV	

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

Urban area (constituent counties or county equivalents)	Wage index
Pascagoula, MS	.9606
Jackson, MS	
Pensacola, FL	.8677
Escambia, FL	
Santa Rosa, FL	
Peoria, IL	1.0506
Peoria, IL	
Tazewell, IL	
Woodford, IL	
Philadelphia, PA-NJ	1.1696
Burlington, NJ	
Camden, NJ	
Gloucester, NJ	
Bucks, PA	
Chester, PA	
Delaware, PA	
Montgomery, PA	
Philadelphia, PA	
Phoenix, AZ	1.0721
Maricopa, AZ	
Pine Bluff, AR	.7950
Jefferson, AR	
Pittsburgh, PA	1.0930
Allegheny, PA	
Fayette, PA	
Washington, PA	
Westmoreland, PA	
Pittsfield, MA	1.0170
Berkshire, MA	
Portland, ME	.9807
Cumberland, ME	
Sagadahoc, ME	
York, ME	
Portland, OR	1.1985
Clackamas, OR	
Multnomah, OR	
Washington, OR	
Yamhill, OR	
Portsmouth-Dover-Rochester, NH	.9304
Rockingham, NH	
Strafford, NH	
Poughkeepsie, NY	.9978
Dutchess, NY	
Providence-Pawtucket-Woonsocket, RI	1.0424
Bristol, RI	
Kent, RI	
Newport, RI	
Providence, RI	
Statewide, RI	
Washington, RI	
Provo-Orem, UT	.9785
Utah, UT	
Pueblo, CO	1.1127
Pueblo, CO	
Racine, WI	.9928
Racine, WI	
Raleigh-Durham, NC	.9648
Durham, NC	
Franklin, NC	
Orange, NC	
Wake, NC	
Rapid City, SD	.9552
Pennington, SD	
Reading, PA	1.0172
Berks, PA	
Redding, CA	1.2304
Shasta, CA	

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

Urban area (constituent counties or county equivalents)	Wage index
Reno, NV	1.1751
Washoe, NV	
Richland-Kennewick, WA	1.0180
Benton, WA	
Franklin, WA	
Richmond-Petersburg, VA	.9494
Charles City Co., VA	
Chesterfield, VA	
Colonial Heights City, VA	
Dinwiddie, VA	
Goochland, VA	
Hanover, VA	
Henrico, VA	
Hopewell City, VA	
New Kent, VA	
Petersburg City, VA	
Powhatan, VA	
Prince George, VA	
Richmond City, VA	
Riverside-San Bernardino, CA	1.2424
Riverside, CA	
San Bernardino, CA	
Roanoke, VA	.8930
Botetourt, VA	
Roanoke, VA	
Roanoke City, VA	
Salem City, VA	
Rochester, MN	1.0208
Olmsted, MN	
Rochester, NY	1.0151
Livingston, NY	
Monroe, NY	
Ontario, NY	
Orleans, NY	
Wayne, NY	
Rockford, IL	1.1270
Boone, IL	
Winnebago, IL	
Sacramento, CA	1.2873
Eldorado, CA	
Placer, CA	
Sacramento, CA	
Yolo, CA	
Saginaw-Bay City-Midland, MI	1.0989
Bay, MI	
Midland, MI	
Saginaw, MI	
St. Cloud, MN	.9944
Benton, MN	
Sherburne, MN	
Stearns, MN	
St. Joseph, MO	.9417
Buchanan, MO	
St. Louis, MO–IL	1.0747
Clinton, IL	
Jersey, IL	
Madison, IL	
Monroe, IL	
St. Clair, IL	
Franklin, MO	
Jefferson, MO	
St. Charles, MO	
St. Louis, MO	
St. Louis City, MO	
Salem, OR	1.0890
Marion, OR	
Polk, OR	
Salinas-Seaside-Monterey, CA	1.2478
Monterey, CA	
Salt Lake City-Ogden, UT	1.0277
Davis, UT	
Salt Lake, UT	
Weber, UT	
San Angelo, TX	.8654
Tom Green, TX	
San Antonio, TX	.8877
Bexar, TX	
Comal, TX	
Guadalupe, TX	
San Diego, CA	1.3007
San Diego, CA	
San Francisco, CA	1.6395
Marin, CA	
San Francisco, CA	
San Mateo, CA	
San Jose, CA	1.4696
Santa Clara, CA	
Santa Barbara-Santa Maria-Lompoc, CA	1.1734
Santa Barbara, CA	
Santa Cruz, CA	1.2341
Santa Cruz, CA	
Santa Fe, NM	.9737
Los Alamos, NM	
Santa Fe, NM	
Santa Rosa-Petaluma, CA	1.3015
Sonoma, CA	
Sarasota, FL	.9568
Sarasota, FL	
Savannah, GA	.8851
Chatham, GA	
Effingham, GA	
Scranton-Wilkes Barre, PA	.9908
Columbia, PA	
Lackawanna, PA	
Luzerne, PA	
Monroe, PA	
Wyoming, PA	
Seattle, WA	1.1493
King, WA	
Snohomish, WA	
Sharon, PA	.9685
Mercer, PA	
Sheboygan, WI	.9812
Sheboygan, WI	
Sherman-Denison, TX	.8556
Grayson, TX	
Shreveport, LA	.9542
Bossier, LA	
Caddo, LA	
Sioux City, IA–NE	.9988
Woodbury, IA	
Dakota, NE	
Sioux Falls, SD	1.0135
Minnehaha, SD	
South Bend-Mishawaka, IN	1.0012
St. Joseph, IN	
Spokane, WA	1.1473
Spokane, WA	
Springfield, IL	1.0585
Menard, IL	
Sangamon, IL	
Springfield, MO	.9790
Christian, MO	
Greene, MO	
Springfield, MA	.9986
Hampden, MA	
Hampshire, MA	
State College, PA	1.0692
Centre, PA	
Steubenville-Weirton, OH–WV	.9584
Jefferson, OH	
Brooke, WV	
Hancock, WV	
Stockton, CA	1.2776
San Joaquin, CA	
Syracuse, NY	1.0225
Madison, NY	
Onondaga, NY	
Oswego, NY	
Tacoma, WA	1.0971
Pierce, WA	
Tallahassee, FL	.9439
Gadsden, FL	
Leon, FL	
Tampa-St. Petersburg-Clearwater, FL	.9758
Hernando, FL	
Hillsborough, FL	
Pasco, FL	
Pinellas, FL	
Terre Haute, IN	.8393
Clay, IN	
Vigo, IN	
Texarkana-TX-Texarkana, AR	.8586
Miller, AR	
Bowie, TX	
Toledo, OH	1.2176
Fulton, OH	
Lucas, OH	
Wood, OH	
Topeka, KS	1.0554
Shawnee, KS	
Trenton, NJ	1.0241
Mercer, NJ	
Tucson, AZ	1.0015
Pima, AZ	
Tulsa, OK	1.0056
Creeks, OK	
Osage, OK	
Rogers, OK	
Tulsa, OK	
Wagoner, OK	
Tuscaloosa, AL	1.0097
Tuscaloosa, AL	
Tyler, TX	.9961
Smith, TX	
Utica-Rome, NY	.8775
Herkimer, NY	
Oneida, NY	
Vallejo-Fairfield-Napa, CA	1.3298
Napa, CA	
Solano, CA	
Vancouver, WA	1.1573
Clark, WA	
Victoria, TX	.8144
Victoria, TX	
Vineland-Millville-Bridgeton, NJ	.9856
Cumberland, NJ	
Visalia-Tulare-Porterville, CA	1.0564
Tulare, CA	
Waco, TX	.9049
McLennan, TX	
Washington, D.C.-MD-VA	1.1876

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

Urban area (constituent counties or county equivalents)	Wage index
District of Columbia, DC	
Calvert, MD	
Charles, MD	
Frederick, MD	
Montgomery, MD	
Prince Georges, MD	
Alexandria City, VA	
Arlington, VA	
Fairfax, VA	
Fairfax, City, VA	
Falls Church City, VA	
Loudoun, VA	
Manassas City, VA	
Manassas Park City, VA	
Prince William, VA	
Stafford, VA	
Waterloo-Cedar Falls, IA	.9919
Black Hawk, IA	
Bremer, IA	
Wausau, WI	.9798
Marathon, WI	
West Palm Beach-Boca Raton-Delray Beach, FL	9899
Palm Beach, FL	
Wheeling, WV-OH	.9699
Belmont, OH	
Marshall, WV	
Ohio, WV	
Wichita, KS	1.1504
Butler, KS	
Sedgwick, KS	
Wichita Falls, TX	.8711
Wichita, TX	
Williamsport, PA	.8981
Lycoming, PA	
Wilmington, DE-NJ-MD	1.0509
New Castle, DE	
Cecil, MD	
Salem, NJ	
Wilmington, NC	.9520
New Hanover, NC	
Worcester-Fitchburg-Leominster, MA	1.0020
Worcester, MA	
Yakima, WA	1.0312
Yakima, WA	
York, PA	.9780
Adams, PA	
York, PA	
Youngstown-Warren, OH	1.0403
Mahoning, OH	
Trumbull, OH	
Yuba City, CA	1.0383
Sutter, CA	
Yuba, CA	

TABLE 4b.—WAGE INDEX FOR RURAL AREAS

Non-urban area	Wage index
Alabama	.7411
Alaska	1.4878
Arizona	.9254
Arkansas	.7646
California	1.1372
Colorado	.9257

TABLE 4b.—WAGE INDEX FOR RURAL AREAS—Continued

Non-urban area	Wage index
Connecticut	1.0382
Delaware	.8581
Florida	.8750
Georgia	.7721
Hawaii	1.0082
Idaho	.9062
Illinois	.8851
Indiana	.8621
Iowa	.8654
Kansas	.8418
Kentucky	.7977
Louisiana	.8542
Maine	.8591
Maryland	.8709
Massachusetts	1.0470
Michigan	.9518
Minnesota	.8723
Mississippi	.7648
Missouri	.8264
Montana	.9086
Nebraska	.8249
Nevada	1.0719
New Hampshire	.9183
New Jersey*	
New Mexico	.9145
New York	.8666
North Carolina	.8070
North Dakota	.8994
Ohio	.9033
Oklahoma	.8399
Oregon	1.0702
Pennsylvania	.9357
Rhode Island*	
South Carolina	.7769
South Dakota	.8202
Tennessee	.7675
Texas	.8120
Utah	.9435
Vermont	.8823
Virginia	.8133
Washington	1.0197
West Virginia	.8751
Wisconsin	.8928
Wyoming	.9673

*All counties within the State are classified urban.

VI. Regulatory Impact Statement

A. Executive Order 12291

Section 3(a) of Executive Order 12291 (E.O. 12291) requires us to prepare and publish a regulatory impact analysis for regulations that meet the criteria of a "major rule". Under section 1(b) of E.O. 12291, a major rule is a regulation that would be likely to result in—

1. An annual effect on the economy of $100 million or more;

2. A major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions; or

3. Significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

Generally, the consequences of the provisions contained in this interim final rule flow from the statute, not the regulation itself. Nonetheless, their magnitude is substantial, and, in such cases, we voluntarily prepare a regulatory impact analysis, even if the rule, in itself, may not meet the definition of a major rule. It is unpractical for us either to determine whether or not this rule is a major rule or to prepare and consider a regulatory impact analysis within the time allowed by Pub. L. 99-272 for implementation of its provisions. Section 8 of E.O. 12291 provides for exemption from the requirements for impact analysis in cases in which compliance with the terms of E.O. 12291 would conflict with deadlines imposed by statute. Therefore, we have sought and received an exemption from the Director of the Executive Office of Management and Budget (EOMB).

We are in the process of preparing a proposed rule setting forth the FY 1987 prospective payment rates, which will include a regulatory impact analysis in accordance with the E.O. 12291. We plan to include in that impact analysis an analysis of the provisions of this interim final rule. By so doing, we will adhere to the requirements of E.O. 12291 as closely as is feasible in view of the statutory deadline.

B. Regulatory Flexibility Act

We prepare and publish a regulatory flexibility analysis, consistent with the Regulatory Flexibility Act of 1980 (RFA) (5 U.S.C. 601 through 612), for regulations unless the Secretary certifies that implementation of the regulations would not have a significant economic impact on a substantial number of small entities. We treat all hospitals under the prospective payment system as small entities for purposes of the RFA. Therefore, this rule clearly affects a substantial number of small entities.

Preparation of a regulatory flexibility analysis is not feasible for this rule in view of the time allowed under Pub. L. 99-272. Moreover, section 608 of the RFA authorizes the Secretary to delay completion of a regulatory flexibility analysis under certain conditions. However, a final regulatory flexibility analysis must be prepared no later than 180 days after the date of publication in the **Federal Register** of a final rule.

The Secretary finds that, due to the necessity for the timely implementation of sections 9101 through 9105 and 9112 of Pub. L. 99-272, an emergency exists

that makes timely preparation of a regulatory flexibility analysis impracticable. However, we propose to prepare and publish a regulatory flexibility analysis, including an analysis of the provisions of this interim final, in the forthcoming proposed rule setting forth the proposed FY 1987 prospective payment rates.

VII. Other Required Information

A. Waiver of Proposed Rulemaking

We ordinarily publish a notice of proposed rulemaking in the **Federal Register** for substantive rules to afford a period for public comment. However, we may waive that procedure if we find good cause that notice and comment are impractical, unnecessary, or contrary to the public interest. When we do so, we incorporate an explanation of our findings in the rule to be issued.

Section 9115(b) of Pub. L. 99–272 provides that we may issue the regulations that implement sections 9101 through 9105 and 9112 of Pub. L. 99–272 on an interim of other basis as may be necessary. The statute, which was enacted on April 7, 1986, provided that these provisions are generally effective on May 1, 1986. It is clear, therefore, that undergoing a proposed rulemaking process for this rule, which is effective May 1, 1986, would be impactical and, in terms of notifying affected parties of final implementing regulations as soon as possible, would not be in the public interest. Therefore, we find good cause to waive proposed rulemaking and to issue these regulations as final. Nonetheless, we are providing a 30-day comment period as indicated at the beginning of this preamble.

Because of the large number of items of correspondence we normally receive on regulations, we cannot acknowledge or respond to them individually. However, we will consider all comments that are received by the date and time specified in the "Dates" section of this preamble and we will respond to those comments in the preamble to the final rule that announces the FY 1987 prospective payment rates

B. Effective Dates

Based on the provisions of Pub. L. 99–272, the effective date of this interim final rule is May 1, 1986. Changes to the regulation are effective as follows:

- May 1, 1986:

§ 400.310 Display of currently valid OMB control numbers.
§ 405.463 Rate of increase limits.
§ 412.1 Scope of part.
§ 412.63 Federal rates for fiscal years after Federal fiscal year 1984.
§ 412.70 General description.
§ 412.73 Determination of the hospital-specific rate.
§ 412.80 General provisions.
§ 412.82 Payment for extended length-of-stay cases (day outliers).
§ 412.90 General rules.
§ 412.106 Special treatment: Hospitals that serve a disproportionate share of low-income patients.
§ 412.113 Payments determined on a reasonable cost basis.
§ 412.118 Determination of indirect medical education costs.

The changes affecting the determination of indirect medical education costs are all effective on May 1, 1986 except that the provision under which HCFA will no longer offset the total DRG revenue used to compute the payment for indirect medical education costs for payments made to outside suppliers under a section 602(k) waiver (§ 412.118(a)(2)) is effective for cost reporting periods beginning on or after January 1, 1986.

- April 17, 1986:

§ 489.23 Special provisions for waiver of certain inpatient hospital services requirements.

- Cost reporting periods beginning on or after January 1, 1986:

§ 412.118(a)(2)—Calculation of a hospital's total DRG revenue for purposes of determining the payment for the indirect medical education costs.

C. Waiver of 30-Day Delay in Effective Dates

We normally provide a delay of 30 days in the effective date of all final rules. However, the effective dates of the provisions of sections 9101, 9102, 9103, 9104, 9105, and 9112 of Pub. L. 99–272 that are being implemented by these regulations are specified in those sections of the law. The provisions of these interim final regulations conform to the clear direction provided in the law. For this reason, and also for purposes of placing the regulations into operation as soon as possible, a delayed effective date is both impractical and unnecessary. Therefore, we find good cause to waive the usual 30-day delay.

D. Paperwork Reduction Act

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501–3511) requires that any information collection requirements included in a regulatory document must be submitted to and approved by the EOMB before the public is required to comply with those requirements. However, section 9115(a) of Pub. L. 99–272 specifies that the Paperwork Reduction Act of 1980 does not apply to information required for purposes of carrying out Subpart A, Part 1, Subtitle A, Title IX of Pub. L. 99–272 (that is, sections 9101 through 9115). Therefore, any information collection requirements that stem from the changes made by this interim final rule, which implements sections 9101, 9102, 9103, 9104, 9105, and 9112 of Pub. L. 99–272, are not subject to EOMB approval.

List of Subjects

42 CFR Part 405

Administrative practice and procedure, Health facilities, Health professions, Kidney diseases, Laboratories, Medicare, Nursing homes, Reporting and recordkeeping requirements, Rural areas, X-rays.

42 CFR Part 412

Health facilities. Medicare.

42 CFR Part 489

Health facilities, Medicare.

42 CFR Chapter IV is amended as set forth below:

CHAPTER IV—HEALTH CARE FINANCING ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES

I. Part 400, Subpart C is amended as follows:

PART 400—INTRODUCTION; DEFINITIONS

Subpart C—OMB Control Numbers for Approved Collections of Information

A. The authority citation for Part 400 continues to read as follows:

Authority: Secs. 1102 and 1871 of the Social Security Act (42 U.S.C. 1302 and 1395hh) and 44 U.S.C. Chapter 35.

§ 400.310 [Amended]

B. In § 400.310, the line that reads "412.118(d)(2) . . . 0938–0337" is revised to read "412.118(f)(2) . . . 0938–0337".

B. II. Part 405, Subpart D is amended as follows:

PART 405—FEDERAL HEALTH INSURANCE FOR THE AGED AND DISABLED

Subpart D—Principles of Reimbursement for Providers, Outpatient Maintenance Dialysis, and Services by Hospital-Based Physicians

A. The authority citation for Subpart D continues to read as follows:

Authority: Secs. 1102, 1814(b), 1815, 1833(a), 1861(v), 1871, 1881, 1886, and 1887 of the Social Security Act as amended (42 U.S.C. 1302, 1395f(b), 1395g, 1395l(a), 1395x(v), 1395hh, 1395rr, 1395ww, and 1395xx).

B. In § 405.463, paragraph (c)(3)(i) is revised to read as follows:

§ 405.463 Ceiling on rate of hospital cost increases.

* * * * *

(c) *Procedure for establishing the ceiling (target amount).* * * *

(3) *Target rate percentage.* (i) The applicable target rate percentage is determined as follows:

(A) *Federal fiscal year 1986.* The applicable target rate percentage for cost reporting periods beginning on or after October 1, 1985 and before September 30, 1986 is five-twenty-fourths of one percent. For purposes of determining the target amount for cost reporting periods beginning on or after October 1, 1986, the applicable percentage increase with respect to cost reporting periods beginning during Federal fiscal year 1986 is deemed to have been one-half percent.

(B) *Federal fiscal years 1987 and following.* Subject to the limitation set forth in paragraph (c)(3)(i)(C) of this section, the applicable target rate percentage for cost reporting periods beginning during fiscal year 1987 and in all fiscal years thereafter is determined using the methodology set forth in §412.63 (e)(1) through (e)(3).

(C) *Limitation for Federal fiscal years 1987 and 1988.* For cost reporting periods beginning in fiscal years 1987 and 1988, the applicable percentage determined under paragraph (c)(3)(i)(B) of this section is not to exceed the prospectively estimated increase in the market basket index for the cost reporting period.

* * * * *

III. Part 412 is amended as follows:

PART 412—PROSPECTIVE PAYMENT SYSTEM FOR INPATIENT HOSPITAL SERVICES

A. The authority citation for Part 412 continues to read as follows:

Authority: Secs. 1102, 1871, and 1886 of the Social Security Act (42 U.S.C. 1302, 1395hh, and 1395ww).

B. The table of contents of Part 412 is amended by adding the title of a new § 412.106 to Subpart G to read as follows:

Subpart G—Special Treatment of Certain Facilities

Sec.

* * * * *

412.106 Special treatment: Hospitals that serve a disproportionate share of low-income patients.

* * * * *

§ 421.1 [Amended]

C. In Subpart A, § 412.1, in the fifth sentence of paragraph (b), "Three years" is changed to read "four years".

D. In Subpart D, § 412.63, the introductory language of paragraphs (c)(2) and (c)(3) is reprinted without change for the convenience of the reader; paragraphs (c)(2)(iv) and (c)(3)(i) are revised; current paragraphs (d), (e), (f), and (g) are redesignated as paragraphs (e), (f), (g), and (h), respectively; a new paragraph (d) is added; and newly redesignated paragraphs (e) and (h) are revised to read as follows:

Subpart D—Basic Methodology for Determining Federal Prospective Payment Rates

§ 412.63 Federal rates for fiscal years after Federal fiscal year 1984.

* * * * *

(c) *Updating previous standardized amounts.* * * *

(2) Each of those amounts is equal to the respective adjusted average standardized amount computed for fiscal year 1984 under § 412.62(g)—

* * * * *

(iv) Adjusted for budget neutrality under paragraph (f) of this section.

(3) For fiscal year 1986 and thereafter, HCFA computes, for urban and rural hospitals in the United States and for urban and rural hospitals in each region, average standardized amounts equal to the respective adjusted average standardized amounts computed for the previous fiscal year—

(i) Increased by the applicable percentage increase determined under paragraph (e) of this section;

* * * * *

(d) *Applicable percentage change for fiscal year 1986.*

(1) The applicable percentage change for fiscal year 1986 is—

(i) For discharges occurring on or after October 1, 1985 and before May 1, 1986, zero percent; and

(ii) For discharges occurring on or after May 1, 1986, one-half of one percent.

(2) For purposes of determining the standardized amounts for discharges occurring on or after October 1, 1986, the applicable percentage increase for fiscal year 1986 is deemed to have been one-half of one percent.

(e) *Determining applicable percentage changes for fiscal years 1987 and following.*

(1) Subject to the limitations described in paragraph (e)(4) of this section, beginning with fiscal year 1987, the Secretary determines for each fiscal year the applicable percentage change that applies for purposes of paragraph (c)(3) of this section as the applicable percentage increase for discharges in that fiscal year.

(2) The percentage change takes into account amounts the Secretary believes necessary for the efficient and effective delivery of medically appropriate and necessary care of high quality.

(3) In making this determination, the Secretary considers the recommendations of the Prospective Payment Assessment Commission.

(4) For fiscal years 1987 and 1988, the applicable percentage change is not to exceed the prospectively estimated increase in the market basket index (as described in § 405.463 of this chapter) for the fiscal year.

* * * * *

(h) *Adjusting for different area wage levels.* HCFA adjusts the proportion (as estimated by HCFA from time to time) of Federal rates computed under paragraph (g) of this section that are attributable to wages and labor-related costs for area differences in hospital wage levels by a factor (established by HCFA) reflecting the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage level.

E. Subpart E is amended as follows:

Subpart E—Determination of Transition Period Payment Rates

1. Section 412.70 is revised to read as follows:

§ 412.70 General description.

(a) *Basic rules.* (1) During the initial four-year transition period, payments to all hospitals paid under the prospective payment system are based on a combination of the Federal prospective payment rates, as determined under Subpart D of this part, and hospital-specific rates determined under this subpart.

(2) For the first two years of the transition period, both portions of the payment rates are also adjusted to ensure budget neutrality.

(3) At the end of the transition period (that is, for cost reporting periods beginning on or after October 1, 1987, payments are based on the national prospective payment rates determined under Subpart D of this part, except for payments that may be made under the special treatment provisions of Subpart G of this part.

(b) *Payment amounts based on the hospital-specific portion and the Federal portion.* For discharges occurring in cost reporting periods beginning on or after October 1, 1983

and before October 1, 1987, the Medicare transition payment rate for a particular covered discharge equals a blend of the applicable portion of the hospital-specific rate, as determined under § 412.73, plus the applicable portions of the Federal national and regional prospective payment rates, as described in paragraph (c) of this section, and summarized in the Table. Payments to new hospitals are based on the Federal national and regional prospective payment rates, as described in paragraph (d) of this section.

(c) *Amount of blended portions.*[1] The blends of hospital-specific and Federal portions are as follows:

(1) For cost reporting periods beginning on or after October 1, 1983 and before October 1, 1984, the blend is—

(i) 75 percent of the hospital-specific rate; and

(ii) 25 percent of the appropriate Federal prospective payment rate.

(2) For cost reporting periods beginning on or after October 1, 1984 and before October 1, 1985, the blend is—

(i) 50 percent of the hospital-specific rate; and

(ii) 50 percent of the appropriate Federal prospective payment rate.

(3) For cost reporting periods beginning on or after October 1, 1985 and before October 1, 1986, the blend is as follows:

(i) For the first seven months of the cost reporting period, the blend is—

(A) 50 percent of the hospital-specific rate; and

(B) 50 percent of the appropriate Federal prospective payment rate.

(ii) For the remaining five months of the cost reporting period, the blend is—

(A) 45 percent of the hospital-specific rate; and

(B) 55 percent of the appropriate Federal prospective payment rate.

(4) For cost reporting periods beginning on or after October 1, 1986 and before October 1, 1987, the blend is—

(i) 25 percent of the hospital-specific rate; and

(ii) 75 percent of the appropriate Federal prospective payment rate.

(5) The appropriate Federal prospective payment rate is a combined regional and national rate and changes with the Federal fiscal year. For Federal fiscal year 1984, which begins October 1, 1983, the Federal prospective payment rate is 100 percent regional. For Federal fiscal years 1985 and 1986, which begin October 1, 1984 and October 1, 1985, respectively, the combined rate is 75 percent regional and 25 percent national. For Federal fiscal year 1987, which begins October 1, 1986, the combined rate is 50 percent regional and 50 percent national. Effective with Federal fiscal year 1988, which begins October 1, 1987, the Federal prospective payment rate is 100 percent national.

TABLE—SUMMARY OF HOSPITAL-SPECIFIC AND FEDERAL PORTION PERCENTAGES FOR DETERMINING TRANSITION PAYMENT RATES

Cost reporting period beginnng on or after	Hospital-specific portion percentage	Federal portion percentage*
October 1, 1983	75	25
October 1, 1984	50	50
October 1, 1985—		
The first seven months of the cost reporting period	50	50
The remaining five months of the cost reporting period	45	55
October 1, 1986	25	75
October 1, 1987	0	100

* NOTE: The Federal portion percentages are applied to the combined national or regional prospective payment rates, as appropriate, as determined under Subpart D of this part for the Federal fiscal year in which the discharge occurs.

(d) *Blended portions for new hospitals.* The prospective payment rates for new hospitals are a blend of the Federal regional and national rates as follows:

(1) For discharges occurring on or after October 1, 1983, and before October 1, 1984, the prospective payment rate equals the appropriate Federal regional rate.

(2) For discharges occurring on or after October 1, 1984 and before October 1, 1986, the prospective payment rate is a blend of—

(i) 75 percent of the appropriate Federal regional prospective payment rate; and

(ii) 25 percent of the appropriate Federal national rate.

(3) For discharges occurring on or after October 1, 1986 and before October 1, 1987, the prospective payment rate is a blend of—

(i) 50 percent of the appropriate Federal regional prospective payment rate; and

(ii) 50 percent of the appropriate Federal national prospective payment rate.

(4) For discharges occurring on or after October 1, 1987, the prospective payment rate equals the appropriate Federal national rate.

2. In § 412.73, paragraph (c)(3) is revised and new paragraphs (c)(4) and (c)(5) are added to read as follows:

§ 412.73 Determination of the hospital-specific rate.

* * * * *

(c) *Updating base-year costs.* * * *

(3) *For Federal fiscal year 1986.* (i) The amount determined under paragraph (c)(2) of this section is updated by—

(A) Zero percent for the first seven months of the hospital's cost reporting period; and

(B) One-half of one percent for the remaining five months of the hospital's cost reporting period.

(ii) For purposes of determining the updated base-year costs for cost reporting periods beginning in Federal fiscal year 1987 (that is, on or after October 1, 1986 and before October 1, 1987), the update factor for the previous cost reporting period is deemed to have been one-half of one percent.

(4) *For Federal fiscal year 1987.* The amount determined under paragraph (c)(3)(ii) of this section is updated by the target rate percentage determined under § 405.463(c)(3) of this chapter.

(5) *For Federal fiscal years 1988 and following.* For purposes of determining the prospective payment rates for sole community hospitals under § 412.92(d), the base-year cost per discharge continues to be updated for each Federal fiscal year after Federal fiscal year 1987 by the target rate percentage determined under § 405.463(c)(3) of this chapter.

* * * * *

F. Subpart F is amended as follows:

Subpart F—Payment for Outlier Cases

§ 412.80 [Amended]

1. In § 412.80, the chart in paragraph (a)(1)(ii)(B) is revised to read as follows:

Federal fiscal year	Regional rate percentage	National rate percentage
October 1, 1983	100	0
October 1, 1984	75	25
October 1, 1985	75	25
October 1, 1986	50	50
October 1, 1987	0	100

§ 412.82 [Amended]

2. In § 412.82, the chart in paragraph (c) is revised to read as follows:

Cost reporting periods beginning on or after	Federal portion (percent)
October 1, 1983	25
October 1, 1984	50
October 1, 1985—	
The first seven months of the cost reporting period	50
The remaining five months of the cost reporting period	55
October 1, 1986	75
October 1, 1987	100

[1] For purposes of this paragraph and §§ 412.80(a)(1)(ii)(B) and 412.82(c), see section 9102(d)(4) of Pub. L. 99-272 for special provisions concerning the transition period applicable to hospitals in the State of Oregon.

G. Subpart G is amended as follows:

Subpart G—Special Treatment of Certain Facilities

1. In § 412.90, a new paragraph (h) is added to read as follows:

§ 412.90 General rules.

* * * * *

(h) *Hospitals that serve a disproportionate share of low-income patients.* For discharges occurring on or after May 1, 1986 and before October 1, 1988, HCFA makes an additional payment to hospitals that serve a disproportionate share of low-income patients. The criteria for this additional payment are set forth in § 412.106.

2. A new § 412.106 is added to read as follows:

§ 412.106 Special treatment: Hospitals that serve a disproportionate share of low-income patients.

(a) *Basic rule.* (1) Unless a hospital elects the option concerning the period of time used for counting the number of patient days (that is, the hospital's cost reporting period rather than the Federal fiscal year), as described in paragraph (a)(2) of this section, a hospital's disproportionate patient percentage is the sum of the following, expressed as a percentage:

(i) Number of covered patient days during each month of the Federal fiscal year in which the hospital's cost reporting period begins of those patients who are entitled during that month to both Medicare Part A and Supplemental Security Income benefits under title XVI of the Act (excluding those patients receiving State supplementation only), summed for the months of the Federal fiscal year, and divided by the number of patient days during that same Federal fiscal year of those patients entitled to Medicare Part A.

(ii) Number of patient days during the hospital's cost reporting period of those patients who are entitled to Medicaid but not to Medicare Part A divided by the total number of patient days in that same period.

(2) For purposes of making the calculation in paragraph (a)(1)(i) of this section, a hospital may elect to have the count of the number of patient days made on the basis of its cost reporting period, rather than by Federal fiscal year, if the following conditions are met:

(i) The hospital furnishes to its intermediary, in a manner and format prescribed by HCFA, data on its Medicare Part A patients for its cost reporting period.

(ii) The hospital bears the full cost of preparing its submittal as described in paragraph (a)(2)(i) of this paragraph and the cost incurred by SSA in determining the number of beneficiaries entitled to both Medicare Part A and Supplemental Security Income benefits for each month of the cost reporting period.

(3) The number of beds in a hospital is determined as specified in § 412.118(b).

(4) The definitions for urban and rural areas are the same as those set forth in § 412.62(f).

(6) *Criteria for classification.* For discharges occurring on or after May 1, 1986 and before October 1, 1988, a payment adjustment (as described in paragraph (c) of this section) is made for each hospital that meets one of the following criteria:

(1) During the hospital's cost reporting period, the hospital has a disproportionate patient percentage that is at least equal to—

(i) 15 percent, if the hospital is located in an urban area and has 100 or more beds;

(ii) 40 percent, if the hospital is located in an urban area and has fewer than 100 beds; or

(iii) 45 percent, if the hospital is located in a rural area.

(2) The hospital is located in an urban area, has 100 or more beds, and can demonstrate that, during its cost reporting period, more than 30 percent of its total inpatient care revenues are derived from State and local government payments for indigent care furnished to patients who are not covered by Medicare or Medicaid.

(c) *Payment adjustment.* If a hospital meets one of the criteria in paragraph (b) of this section, the hospital's total DRG revenue based on DRG–adjusted prospective payment rates (for transition period payments, the Federal portion of the hospital's payment rates), including outlier payments determined under Subpart F of this part but excluding additional payments made under the provisions of this subpart or § 412.118, is increased by the disproportionate share payment adjustment factor, determined as follows:

(1) If the hospital meets the criteria of paragraph (b)(1) (i) of this section, the disproportionate share payment adjustment factor is the lesser of—

(i) 15 percent; or

(ii) 2.5 percent plus one-half the difference between the hospital's disproportionate patient percentage and 15 percent.

(2) If the hospital meets the criteria of paragraph (b)(1)(ii) of this section, the disproportionate share payment adjustment factor is five percent.

(3) If the hospital meets the criteria of paragraph (b)(1)(iii) of this section, the disproportionate share payment adjustment factor is four percent.

(4) If the hospital meets the criteria of paragraph (b)(2) of this section, the disproportionate share payment adjustment factor is 15 percent.

F. Subpart H is amended as follows:

Subpart H—Payments to Hospitals under the Prospective Payment System

§ 412.113 [Amended]

1. In § 412.113, paragraph (b) is amended by revising the date in the third sentence from "Ootober 1, 1986" to "October 1, 1987".

2. Section 412.118 is amended by revising the introductory language; revising paragraphs (a) and (c); redesignating current paragraphs (d), (e), (f), and (g) as paragraphs (e), (f), (g), and (h), respectively; adding a new paragraph (d); and revising newly redesignated paragraphs (e) and (g) to read as follows:

§ 412.118 Determination of indirect medical education costs.

To determine the indirect medical education costs, HCFA uses the following procedures:

(a) *Basic data.* HCFA determines the following for each hospital:

(1) The hospital's ratio of full-time equivalent interns and residents, except as limited under paragraph (g) of this section, to number of beds (as determined in paragraph (b) of this section).

(2) The hospital's total DRG revenue based on DRG-adjusted prospective payment rates (for transition period payments, the Federal portion of the hospital's payment rates), including outlier payments determined under Subpart F of this part but excluding additional payments made under the provisions of Subpart G of this Part. For cost reporting periods beginning on or after January 1, 1986, for purposes of this section, the total DRG revenue is not offset for payments made to outside suppliers under § 489.23 of this chapter for nonphysician services furnished to beneficiaries entitled to Medicare Part A.

* * * * *

(c) *Measurement for teaching activity.* The factor representing the effect of teaching activity on inpatient operating costs is equal to the following:

(1) For discharges occurring on or after May 1, 1986 and before October 1, 1988, the factor equals .405.

(2) For discharges occurring on or after October 1, 1988, the factor is equal to .5795.

(d) *Determination of education adjustment factor.* (1) For discharges occurring on or after May 1, 1986 and before October 1, 1988, each hospital's education adjustment factor is calculated as follows:

(i) *Step one*—A factor representing the sum of 1.00 plus the hospital's ratio of full-time equivalent interns and residents to beds, as determined under paragraph (a)(1) of this section, is raised to an exponential power equal to the factor set forth in paragraph (c)(1) of this section.

(ii) *Step two*—The factor derived from step one is reduced by 1.00.

(iii) *Step three*—The factor derived from completing steps one and two is multiplied by 2.00.

(2) For discharges occurring on or after October 1, 1988, each hospital's education adjustment factor is calculated as follows:

(i) *Step one*—A factor representing the sum of 1.00 plus the hospital's ratio of full-time equivalent interns and residents to beds, as determined under paragraph (a)(1) of this section, is raised to an exponential power equal to the factor set forth in paragraph (c)(2) of this section.

(ii) *Step two*—The factor derived from step one is reduced by 1.00.

(iii) *Step three*—The factor derived from completing steps one and two is multiplied by 1.50.

(e) *Determination of payment amount.* Each hospital's indirect medical education payment is determined by multiplying the total DRG revenue, as determined under paragraph (a)(2) of this section, by the applicable education adjustment factor derived in paragraph (d) of this section.

* * * * *

(g) *Limits on count of interns and residents.* (1) Interns and residents who are assigned to a freestanding family practice center or an excluded distinct part hospital unit on the day that the count of interns and residents (as described in paragraph (f)(2)(i) of this section) is made are not counted as full-time equivalents. Only the percentage of time that these interns and residents spend in the portion of the hospital subject to the prospective payment system on the day the count is made is used to determine the indirect medical education adjustment.

(2) Interns and residents in anesthesiology who are employed to replace anesthetists are not counted as full-time equivalents.

* * * * *

IV. Part 489, Subpart B is amended as follows:

PART 489—PROVIDER AGREEMENTS UNDER MEDICARE

Subpart B—Essentials of Provider Agreements

1. The authority citation for Part 489 is revised to read as follows:

Authority: Secs. 1102, 1861, 1864, 1866, and 1871 of the Social Security Act as amended (42 U.S.C. 1302, 1395x, 1395aa, 1395cc, and 1395hh); section 602(k) of Pub. L. 98–21 (42 U.S.C. 1395ww note).

2. Section 489.23 is amended by adding a new paragraph (d) to read as follows:

§ 489.23 Special provisions for waiver of certain inpatient hospital services requirements.

* * * * *

(d) *Special waiver criteria effective April 17, 1986.* (1) For items and services furnished on or after April 17, 1986, a hospital that has received a waiver under this section must show that outside supplier's furnishing the items and services to the hospital's Medicare inpatients under the waiver have agreed to accept the amount paid under paragraph (d)(2) of this section as the full charge for the items and services.

(2) For items and services furnished on or after April 17, 1986, the Medicare Part B payment for items and services furnished by outside suppliers to beneficiaries who are inpatients of a hospital that has a waiver under this section is equal to 100 percent of the reasonable charge or other applicable Medicare Part B payment for the items and services and is not subject to the deductible amounts specified in § 405.245 of this chapter.

(Catalog of Federal Domestic Assistance Program No. 13.773, Medicare—Hospital Insurance)

Dated: April 24, 1986.

Henry R. Desmarais,

Acting Administrator, Health Care Financing Administration.

Approved: April 30, 1986.

Otis R. Bowen,

Secretary.

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