

TABLE 8.—WAGE INDEX FOR RURAL AREAS—Continued

Rural area	Wage index
New Jersey ¹	0.8872
New Mexico	0.8542
New York	0.8669
North Carolina	0.7788
North Dakota	0.8613
Ohio	0.7590
Oklahoma	1.0259
Oregon	0.8462
Pennsylvania	0.4356
Puerto Rico	0.8607
Rhode Island ¹	0.7815
South Carolina	0.7877
South Dakota	0.7821
Tennessee	0.9312
Texas	0.9345
Utah	0.8504
Vermont	0.7845
Virginia	1.0179
Virgin Islands	0.7975
Washington	0.9162
West Virginia	0.9007
Wisconsin	
Wyoming	

¹ All counties within the State are classified urban.

D. Updates to the Federal Rates

In accordance with section 1888(e)(4)(E) of the Act, the proposed payment rates listed here reflect an update equal to the full SNF market basket, which equals 2.9 percent. We will continue to publish the rates, wage index, and case-mix classification methodology in the **Federal Register** before August 1 preceding the start of each succeeding fiscal year. We discuss the Federal rate update factor in greater detail in section III.B of this preamble.

E. Relationship of RUG—III Classification System to Existing Skilled Nursing Facility Level-of-Care Criteria

As discussed in § 413.345, we include in each update of the Federal payment rates in the **Federal Register** the designation of those specific RUGs under the classification system that represent the required SNF level of care, as provided in § 40930. This designation reflects an administrative presumption under the current 44-group RUG—III classification system. Our presumption is that any beneficiary who is correctly assigned to one of the upper 26 RUG—III groups in the initial 5-day, Medicare-required assessment is automatically classified as meeting the SNF level of care definition up to the assessment reference date for that assessment.

Any beneficiary assigned to any of the lower 18 groups is not automatically classified as either meeting or not meeting the definition, but instead receives an individual level of care determination using the existing administrative criteria. This presumption recognizes the strong likelihood that beneficiaries assigned to one of the upper 26 groups during the immediate post-hospital period require a covered level of care, which would be significantly less likely for those beneficiaries assigned to one of the lower 18 groups.

In this proposed rule, we are continuing the existing designation of the upper 26 RUG—III groups for purposes of this administrative presumption. Accordingly, we are designating the following RUG—III classifications:

- All groups within the Ultra High Rehabilitation category;

- All groups within the Very High Rehabilitation category;
- All groups within the High Rehabilitation category;
- All groups within the Medium Rehabilitation category;
- All groups within the Low Rehabilitation category;
- All groups within the Extensive Services category;
- All groups within the Special Care category; and
- All groups within the Clinically Complex category.

F. Initial Three-Year Transition Period

As noted previously, the rates that we now propose are for the sixth year of the SNF PPS. As a result, the PPS is no longer operating under the initial three-year transition period from facility-specific to Federal rates; therefore, payment now equals 100 percent of the adjusted Federal per diem rate.

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

Using the model SNF (XYZ) described in Table 9, the following shows the adjustments made to the Federal per diem rate to compute the provider's actual per diem PPS payment. XYZ's 12-month cost reporting period begins October 1, 2004. XYZ's total PPS payment would equal \$20,017. The Labor and Non-labor columns are derived from Table 5. In addition, the adjustments for certain specified RUG—III groups enacted in section 101(a) of the BBRA (as amended by section 314 of the BIPA) remain in effect, and are reflected in Table 9.

TABLE 9.—SNF XYZ: LOCATED IN STATE COLLEGE, PA

[Wage Index: 0.8941]

RUG group	Labor	Wage index	Adj. labor	Non-labor	Adj. rate	Percent adjustment	Medicare days	Payment
RVC	\$258.51	0.8941	\$231.13	\$79.70	\$310.83	¹ \$331.66	14	\$4,643
RHA	199.77	0.8941	178.61	61.59	240.20	¹ 256.29	16	4,101
SSC	166.41	0.8941	148.79	51.30	200.09	² 240.11	30	7,203
IA2	112.84	0.8941	100.89	34.79	135.68	135.68	30	4,070
Total							90	20,017

¹ Reflects a 6.7 percent adjustment from section 314 of the BIPA.

² Reflects a 20 percent adjustment from section 101(a) of the BBRA.

III. The Skilled Nursing Facility Market Basket Index

Section 1888(e)(5)(A) of the Act requires us to establish an SNF market basket index (input price index) that reflects changes over time in the prices of an appropriate mix of goods and services included in the SNF PPS. This

proposed rule incorporates the latest available projections of the SNF market basket index. The final rule will incorporate updated projections based on the latest available projections at that time. Accordingly, we have developed an SNF market basket index that encompasses the most commonly used

cost categories for SNF routine services, ancillary services, and capital-related expenses. In the July 31, 2001 **Federal Register** (66 FR 39562), we included a complete discussion on the rebasing of the SNF market basket to FY 1997. There are 21 separate cost categories and respective price proxies. These cost