

CHART 3.—EXCLUDED HOSPITAL WITH CAPITAL INPUT PRICE INDEX<sup>1 2</sup> (FY 1992 AND PROPOSED FY 1997) STRUCTURE AND WEIGHTS—Continued

Cost category	Price wage variable	Weights (%) base-year 1992	Proposed weights (%) base-year 1997
Capital-Related Costs .....	.....	9.080	8.968
Depreciation .....	.....	5.611	5.586
Fixed Assets .....	Boeckh-Institutional Construction: .....	3.570	3.503
Movable Equipment .....	WPI—Machinery & Equipment: 11 Year Useful Life .....	2.041	2.083
Interest Costs .....	.....	3.212	2.682
Non-profit .....	Avg. Yield Municipal Bonds: 23 Year Useful Life .....	2.730	2.280
For-profit .....	Avg. Yield AAA Bonds: 23 Year Useful Life .....	0.482	0.402
Other Capital-Related Costs .....	CPI-U—Residential Rent .....	0.257	0.699

<sup>1</sup> The operating cost category weights in the excluded hospital market basket described in the August 1, 2002 **Federal Register** (67 FR 50442 through 50444) add to 100.0.

<sup>2</sup> Due to rounding, weights sum to 1.000.

When we add an additional set of cost category weights (total capital weight = 8.968 percent) to this original group, the sum of the weights in the new index must still add to 100.0. Because capital

costs account for 8.968 percent of the market basket, then operating costs account for 91.032 percent. Each weight in the 1997-based excluded hospital market basket from the IPPS final rule

published in the August 1, 2002 **Federal Register** (67 FR 50442–50444) was multiplied by 0.91032 to determine its weight in the 1997-based excluded hospital with capital market basket.

CHART 4.—PROPOSED EXCLUDED HOSPITAL WITH CAPITAL INPUT PRICE INDEX (FY 1997) VINTAGE WEIGHTS

Year from farthest to most recent	Fixed assets (23-year weights)	Movable as- sets (11-year weights)	Interest: cap- ital-related (23-year weights)
1 .....	0.018	0.063	0.007
2 .....	0.021	0.068	0.009
3 .....	0.023	0.074	0.011
4 .....	0.025	0.080	0.012
5 .....	0.026	0.085	0.014
6 .....	0.028	0.091	0.016
7 .....	0.030	0.096	0.019
8 .....	0.032	0.101	0.022
9 .....	0.035	0.108	0.026
10 .....	0.039	0.114	0.030
11 .....	0.042	0.119	0.035
12 .....	0.044	.....	0.039
13 .....	0.047	.....	0.045
14 .....	0.049	.....	0.049
15 .....	0.051	.....	0.053
16 .....	0.053	.....	0.059
17 .....	0.057	.....	0.065
18 .....	0.060	.....	0.072
19 .....	0.062	.....	0.077
20 .....	0.063	.....	0.081
21 .....	0.065	.....	0.085
22 .....	0.064	.....	0.087
23 .....	0.065	.....	0.090
Total* .....	1.0000	1.0000	1.0000

\* Due to rounding, weights sum to 1.000.

Chart 5 “Percent Changes in the 1992-based and proposed 1997-based Excluded Hospital with Capital Market Baskets, FY 1999–2004” compares the 1992-based excluded hospital with capital market basket to the proposed 1997-based excluded hospital with capital market basket. As is shown, the rebased and revised market basket grows slightly faster over the 1999–2001 period than the 1992-based market

basket. The major reason for this was the switching of the wage and benefit proxy to the ECI for hospital workers from the previous occupational blend. We believe that the ECI is the most appropriate price proxy for measuring changes in wage data facing IRFs. This wage series reflects actual wage data reported by civilian hospitals to the Bureau of Labor Statistics. The ECIs are fixed-weight indexes and strictly

measure the change in wage rates and employee benefits per hour. They are appropriately not affected by shifts in skill mix. This differs from the proxy used in the FY 1992-based index in which a blended occupational wage index was used. The blended occupational wage proxy used in the FY 1992-based index and the ECI for wages and salaries for hospitals both reflect a fixed distribution of occupations within