

As with the work GPCIs, the employee wage portion of the practice expense GPCIs were also based on decennial census data. For the same reasons discussed above pertaining to the work GPCIs, we made no changes in the employee wage indices during the 1998 through 2000 GPCI update. The average change from the 1992 through 1994 to 1995 through 1997 employee wage indices across States was about 6 percent. Since the employee wage index has a weight of about 16 percent in the GPCI cost shares, this translates into a 1 percent average change in payments. The maximum payment change in any payment area resulting from changes from the 1992 through 1994 to 1995 through 1997 employee wage indices was about 3.2 percent. Payment changes in over two-thirds of the payment areas were less than 1 percent.

(2) Rent Indices.

The office rental indices were again based on HUD residential rent data. The rental indices were based on 1996 HUD data as opposed to 1994 HUD data in the 1995 through 1997 GPCIs. HUD made two small methodological changes in developing the data. First, HUD used the 40th percentile of area rents rather than the 45th percentile. This did not materially affect the GPCIs, which measure relative rents among areas. Second, HUD established a rental floor for rural counties at the statewide rural average. This had the effect of raising the office rental indices slightly in rural areas.

We made one methodological change in the rent indices. HUD publishes FMRs only for metropolitan areas as a whole. For the 1995 through 1997 GPCIs, HUD used a special tabulation of the 1990 census data to allocate rents by county within CMSAs. In some metropolitan areas, this had the effect of reducing the central city index below the suburban index, probably because of lower unmeasured housing quality in central cities than in suburbs. We did not feel that this was a representative indicator of relative physician rents, since the GPCIs are intended to measure rental costs for offices of similar quality in different areas. The metropolitan-wide rent was most appropriate for measuring the cost of space of an average quality across the metropolitan area, which is why HUD publishes only metropolitan-wide FMRs. Also, the census county adjustments can be updated only once every 10 years. For this reason, we believed that the county-specific adjustment should not be made for all large metropolitan areas but should be retained only for the New York City Primary Metropolitan Statistical Area. Available evidence

suggests that rents vary substantially among the boroughs of New York City and that, given the current locality configuration, the county-specific rental adjustment appropriately reflects these patterns in the New York City area, especially the higher rents in Manhattan.

(3) Medical Equipment, Supplies, and Miscellaneous Expenses. As with the 1992 through 1994 and 1995 through 1997 GPCIs, this component was given a national value of 1,000, indicating no measurable difference among areas in costs.

c. Malpractice Geographic Practice Cost Indices.

Again, malpractice premium data were collected for a mature "claims made" policy with \$1 million to \$3 million limits of coverage, with adjustments made for mandatory patient compensation funds. As with the 1995 through 1997 GPCIs, data were collected for the 20 largest Medicare-billing physician specialties. The premium data represent at least 50 percent of the market in each State. Again, we used an average of the 3 most recent premium years to smooth out the considerable year-to-year fluctuations that can occur in malpractice premiums. The revised 1998 through 2000 malpractice indices were based on 1992 through 1994 premium data, the latest years available when this revision was being conducted in 1995 through 1996, compared to the 1990 through 1992 data used in the current 1995 through 1997 indices. Another change from the 1995 through 1997 indices is that the specialty shares of the 20 specialties were weighted by fee schedule RVUs rather than allowed charges.

Detailed discussions of the methodology and data sources of the 1998 through 2000 GPCIs may be obtained by requesting the following study from NTIS by calling 1-800-533-NTIS, or, for residents of Springfield, Virginia, (703) 487-4650: "Second Update of the Geographic Practice Cost Index." Gregory C. Pope and Killard W. Adamache.

7. Revised 2001–2003 Geographic Practice Cost Indices

The same data sources and methodology used for the 1998 through 2000 GPCIs were used for the 2001 through 2003 GPCIs. No acceptable additional data sources were found. The only changes from the 1998 through 2000 GPCI were in the cost shares and RVU weighting. As shown in the cost share table in the discussion of the development of the GPCIs, the cost shares were changed to reflect the

revisions in the MEI. This does not affect the work or malpractice GPCIs since they are stand-alone indices (not composed of multiple indices). This cost share revision has a slight effect on the practice expense GPCIs because it changes slightly the weights among the employee wage, rents and miscellaneous components of the practice expense index. We used more recent RVU data, 1998 rather than 1994, in the county, locality, and national mapping in the proposed GPCIs. The payment effect of this was generally negligible.

a. Work Geographic Practice Cost Indices.

For the same reasons discussed in the section on the 1998 through 2000 work GPCIs, no changes were proposed in the work GPCIs, other than the generally negligible changes resulting from the use of 1998 rather than 1994 RVUs for weighting, because we were unable to find acceptable data for use between the decennial census.

b. Practice Expense Geographic Practice Cost Indices

(1) Employee Wage Indices.

As with the work GPCIs, the employee wage indices were based on decennial census data. For the same reasons discussed above pertaining to the work GPCIs, we proposed no changes in the employee wage indices during this GPCI update.

(2) Rent Indices.

The office rental indices were again based on HUD residential rent data. No changes were made in the methodology. The proposed rental indices were based on 2000 rather than 1994 HUD data.

(3) Medical Equipment, Supplies, and Miscellaneous Expenses. As with all previous GPCIs, this component is given a national value of 1,000, indicating no measurable differences among areas in costs.

c. Malpractice Geographic Practice Cost Indices

The same methodology described in the 1998 through 2000 malpractice GPCI section was used in the revision of malpractice GPCIs section for 2001 through 2003, the only difference being the use of more recent data. The malpractice indices were based on 1996 through 1998 malpractice premium data rather than the 1992 through 1994 malpractice premium data that was used in the previous GPCI update.

8. Proposed 2004 through 2007 Geographic Practice Cost Indices

The main criticism of the 2001 through 2003 GPCIs was that they were