

definitions of MSAs. The FY 2003 hospital wage index was the most current hospital wage data available when the FY 2004 wage index values were calculated. We used the pre-reclassified and pre-floor hospital area wage index data.

All wage index values are adjusted by a budget-neutrality factor of 1.061238 and are subject to the wage index floor adjustment, if applicable. We have completed all of the calculations described above and have included them in the wage index values reflected in both Tables A and B below. A detailed description of the method used to compute the hospice wage index is contained in both the September 4, 1996 proposed rule (61 FR 46579) and the August 8, 1997 final rule (62 FR 42860).

#### 1. Metropolitan Statistical Areas (MSA)

As explained in the September 4, 1996 hospice wage index proposed rule, each hospice's labor market area would be established by the MSA definitions issued by the Office of Management and Budget (OMB) on December 28, 1992 based on the 1990 census, and updated by OMB based on the decennial census. Any changes to the MSA definitions would be effective annually and announced in the notice updating the hospice wage index.

#### 2. MSA Wage Index Values Lower Than Rural Values

As explained above, any area not included in an MSA is considered to be nonurban and receives the statewide

rural rate. We are aware that in the past, a number of MSAs have had wage index values that were lower than their rural statewide value. This difference is due to variations in local wage data as compared to national wage data. The hospice wage index is computed by dividing the hourly wage rate for an MSA or nonurban area by a national hourly wage rate. Nonurban areas could receive a higher wage index value than urban areas in the same State if the hourly wage rate in the nonurban area increased at a greater rate.

#### *B. Tables*

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