

TABLE 20—Continued
(In millions)

	2002	2003
Medicare		
+Choice	5.005	4.689
Net	33.069	33.847
Percent Increase		2.4%

Our actuaries' estimate of the 2.8 percent change in the average number of fee-for-service enrollees, net of Medicare+Choice enrollment for 2003, compared to 2002 is different from our preliminary estimate (1.2 percent for 2003 from the December 31, 2002 final rule (67 FR 80029)) because the historical base from which our actuarial estimate is made has changed. We now have complete information on Medicare fee-for-service enrollment for 2002 that is different than the figure we used one year ago. Further, we now have information on actual fee-for-service enrollment for the first 8 months of 2003. We would caution that our estimate of fee-for-service enrollment for 2003 could change again once we have complete information for the entire year.

Factor 3—Estimated Real Gross Domestic Product Per Capita Growth in 2003

We estimate that the growth in real per capita GDP will be 1.4 percent in 2003. Our past experience indicates that there have also been large differences between our estimates of real per capita GDP growth made prior to the year's end and the actual change in this factor. Thus, it is likely that this figure will change further as complete actual information on 2003 economic performance becomes available to us in 2004.

Factor 4—Percentage Change in Expenditures for Physicians' Services Resulting From Changes in Law or Regulations in 2003 Compared With 2002

There were no statutory or regulatory changes that affected Medicare expenditures for services included in the SGR in 2003.

3. Detail on the 2002 SGR

A more detailed discussion of our revised estimates of the four elements of the 2002 SGR follows.

Factor 1—Changes in Fees for Physicians' Services (Before Applying Legislative Adjustments) for 2002

This factor was calculated as a weighted average of the 2002 fee increases that apply for the different types of services included in the

definition of physicians' services for the SGR.

Services paid using the physician fee schedule accounted for approximately 84.1 percent of total Medicare allowed charges included in the SGR in 2002, and are updated using the MEI. The MEI for 2002 was 2.6 percent. Diagnostic laboratory tests represent approximately 7.2 of total Medicare allowed charges included in the SGR, and are typically updated by the CPI-U. However, the BBA required a 0.0 percent update in 2002 for laboratory services. Drugs represented approximately 8.7 percent of total Medicare allowed charges included in the SGR in 2002. Pursuant to section 1842(o) of the Act, Medicare pays for drugs based on 95 percent of AWP. Using wholesale pricing information and Medicare utilization for drugs included in the SGR, we estimate a weighted average fee increase for drugs of 2.8 percent in 2002. Table 21 shows the weighted average of the MEI, laboratory and drug price increases for 2002:

TABLE 21

	Weight	Update
Physician	0.841	2.6
Laboratory	0.072	0.0
Drugs	0.087	2.8
Weighted Average	1.000	2.5

After taking into account the elements described in table 21, we estimate that the weighted-average increase in fees for physicians' services in 2002 under the SGR (before applying any legislative adjustments) was 2.5 percent.

Factor 2—The Percentage Change in the Average Number of Part B Enrollees from 2001 to 2002

We estimate the increase in the average number of fee-for-service enrollees (excluding beneficiaries enrolled in M+C plans) from 2001 to 2002 was 3.2 percent. Our calculation of this factor is based on complete data from 2002. Table 22 illustrates the calculation of this factor:

TABLE 22
(In millions)

	2001	2002
Overall	37.650	38.074
Medicare		
+Choice	5.608	5.005
Net	32.041	33.069
Percent Increase		3.2%

Factor 3—Estimated Real Gross Domestic Product Per Capita Growth in 2002

We estimate that the growth in real per capita GDP was 1.4 percent in 2002. This is a final figure based on complete data for 2002.

Factor 4—Percentage Change in Expenditures for Physicians' Services Resulting From Changes in Law or Regulations in 2002 Compared With 2001

Sections 101 through 104 of the BIPA added Medicare coverage for a variety of new services that will affect the 2002 SGR. In addition, section 112 of BIPA made changes that will result in additional Medicare coverage for certain drugs that will affect 2002 spending for services included in the SGR. Prior to the enactment of the BIPA, Medicare paid only for drugs that cannot be self-administered by the patient. BIPA allows Medicare to pay for drugs that can be, but are not usually, self-administered. Accordingly, we are accounting for the increased Medicare drug expenditures that will result from implementation of section 112 of the BIPA. We are also adjusting this factor to account for including screening mammography services in the SGR consistent with our discussion of this issue in the November 1, 2001 **Federal Register** (66 FR 55318). After taking these provisions into account, our final estimate of the percentage change in expenditures for physicians' services resulting from changes in law or regulations is 1.0 percent for 2002.

VIII. Anesthesia and Physician Fee Schedule Conversion Factors for Calendar Year 2004

The 2004 physician fee schedule CF will be \$35.1339. The 2004 national average anesthesia conversion factor is \$16.43.

The specific calculations to determine the physician fee schedule and anesthesia CFs for 2004 are explained below.

Detail on Calculation of the 2004 Physician Fee Schedule Conversion Factor

Physician Fee Schedule Conversion Factor

Under section 1848(d)(1)(A) of the Act, the physician fee schedule CF is equal to the CF for the previous year multiplied by the update determined under section 1848(d)(4) of the Act.

We are illustrating the calculation for the 2004 physician fee schedule CF in table 23: