

TABLE 2

Statutory factors	10/31/97 estimate (percent)	Revised final (percent)
Fees	2.3 (1.023)	2.0 (1.020)
Enrollment	-2.4 (0.976)	-2.3 (0.977)
Real Per Capita GDP	1.1 (1.011)	3.2 (1.032)
Law and Regulation	0.6 (1.006)	0.3 (1.003)
Total	1.5 (1.015)	3.2 (1.032)

Factor 1—Changes in Fees for Physicians' Services (Before Applying Legislative Adjustments) for FY 1998

This factor was calculated as a weighted average of the FY 1998 fee increases for the different types of services included in the definition of physicians' services for the SGR that applied in FY 1998. Medical and other health services paid using the physician fee schedule accounted for approximately 91.5 percent of total allowed charges included in the SGR in FY 1998 and are updated using the MEI. The weighted average of the MEI that applied for the calendar years included in FY 1998 was 2.2 percent. ("Incident to" drugs, which are also included in the SGR, are paid using the average wholesale price methodology. Consistent with the methodology used prior to 2003, we used the MEI as a proxy for growth in "incident to" drug prices for both the FY 1998 and FY 1999 SGRs). Diagnostic laboratory tests represent approximately 8.5 percent of Medicare allowed charges included in the SGR in FY 1998. The costs of these

tests are typically updated by the CPI-U. Although section 1833(h)(2)(A)(ii)(IV) of the Act required a 0.0 percent update for laboratory services for 1998 to 2002, we used a 3.0 percent update for laboratory services in 1998 to determine the estimated SGR. We are now using a 0.0 percent update for laboratory services for the 9 months of calendar year 1998 that are included in FY 1998. The weighted average of the laboratory update applied in the calendar years included in FY 1998 was 0.8 percent. We determined a weighted average of the MEI and the laboratory updates that applied in FY 1998 using the following information:

TABLE 3

	Weight	Update
MEI	0.915	2.2
Laboratory	0.085	0.8
Weighted Average	1.000	2.0

After taking into account the elements described in table 3, we now estimate that the weighted-average increase in

fees for physicians' services in FY 1998 under the SGR (before applying any legislative adjustments) was 2.0 percent. This figure is 0.3 percentage points lower than the estimate we made of this factor in the October 31, 1997, **Federal Register** (62 FR 59265) because of the revision we have made to the update for laboratory services.

Factor 2—The Percentage Change in the Average Number of Part B Enrollees for FY 1998

This factor is our estimate of the percent change in the average number of fee-for-service enrollees from FY 1997 to FY 1998. Services provided to Medicare+Choice (M+C) plan enrollees are outside the scope of the SGR and are excluded from this estimate. Our actuaries have now determined that the average number of Medicare Part B fee-for-service enrollees actually decreased by 2.3 percent from FY 1997 to FY 1998. Table 4 illustrates how this figure was determined:

TABLE 4

	FY 1998	FY 1999
Overall	36.368 million	36.685 million
Medicare+Choice	4.463 million	5.510 million
Net	31.905 million	31.175 million
Percent Increase	-2.3 percent

As we have stated repeatedly, an important factor affecting fee-for-service enrollment is beneficiary enrollment in M+C plans. Because it is difficult to estimate the size of the M+C enrollee population before the start of a calendar year, we cannot predict how actual enrollment in M+C plans during the year will compare to our Actuary's estimates. Despite the difficulty in predicting these figures, the actual decrease in Medicare fee-for-service enrollment of 2.3 percent was almost identical to the Actuary's estimate in 1997 (-2.4 percent).

Factor 3—Estimated Real Gross Domestic Product Per Capita Growth for FY 1998

Actual growth in real per capita GDP from FY 1997 to FY 1998 was 3.2 percent or 2.1 percentage points higher than the 1.1 percent estimate we made in 1997. The large difference between our estimate and the actual growth in real per capita GDP reflects the difficulty in predicting economic growth before the beginning of a year.

Factor 4—Percentage Change in Expenditures for Physicians' Services Resulting From Changes in Law or Regulations in FY 1998 Compared With FY 1997

The Balanced Budget Act (BBA) of 1997 established or changed coverage for screening mammography, colorectal cancer screening, and screening PAP smears. The BBA also included payment provisions related to nurse practitioners, clinical nurse specialists and physician assistants, Medicare secondary payer, and clinical diagnostic laboratory services. In 1997, we estimated that the net cost of these provisions would increase the FY 1998 SGR by 0.6