

percent. Based on the lower than anticipated expenditures for screening mammography and nurse practitioners, clinical nurse specialists and physician assistants, we now estimate that the net

cost of these provisions increased the FY 1998 SGR by 0.3 percent.

*B. Revised Sustainable Growth Rate for FY 1999*

The revised SGR for FY 1999 is 4.2 percent for the purposes of determining

future physician fee schedule updates. Table 5 shows the estimated figures that we used to determine the FY 1999 SGR from the November 2, 1998, **Federal Register** (63 FR 59188), and the revised final figures.

TABLE 5

Statutory factors	11/2/98 estimate (percent)	Revised final (percent)
Fees .....	2.1 (1.021)	2.1 (1.021)
Enrollment .....	–4.3 (0.967)	–1.1 (0.989)
Real Per Capita GDP .....	1.3 (1.013)	3.3 (1.033)
Law and Regulation .....	0.7 (1.007)	–0.1 (0.999)
Total .....	–0.3 (0.997)	4.2 (1.042)

**Factor 1—Changes in Fees for Physicians' Services (Before Applying Legislative Adjustments) for FY 1999**

This factor was calculated as a weighted average of the FY 1999 fee increases for the different types of services included in the definition of physicians' services for the SGR that applied in FY 1999. Medical and other health services paid using the physician fee schedule accounted for approximately 92 percent of total allowed charges included in the SGR in FY 1999 and are updated using the MEI. The weighted average of the MEI that applied for the calendar years included in FY 1999 was 2.3 percent. Diagnostic laboratory tests represent approximately 8.0 percent of Medicare allowed charges included in the SGR in FY 1999. During FY 1999, section 1833(h)(2)(A)(ii)(IV) of the Act required a 0.0 percent update for laboratory services. We determined a weighted average of the MEI and the laboratory updates that applied in FY 1999 using the following information:

TABLE 6

	Weight	Update
MEI .....	0.920	2.3
Laboratory .....	0.080	0.0
Weighted Average ....	1.000	2.1

After taking into account the elements described in table 6, we now estimate that the weighted-average increase in fees for physicians' services in FY 1999 under the SGR (before applying any legislative adjustments) was 2.1 percent. This figure is unchanged from our original estimate of the weighted-average increase in fees for physicians' services in FY 1999.

**Factor 2—The Percentage Change in the Average Number of Part B Enrollees for FY 1999**

This factor is our estimate of the percent change in the average number of fee-for-service enrollees from FY 1998 to FY 1999. Our actuaries have now determined that the average number of Medicare Part B fee-for-service enrollees (net of M+C enrollees) actually decreased by 1.1 percent. Table 7 illustrates how this figure was determined:

TABLE 7

	FY 1998 (million)	FY 1999 (million)
Overall .....	36.685	36.951
Medicare+Choice .....	5.510	6.109
Net .....	31.175	30.841
Percent Increase ...	.....	–1.1

As indicated above, the difficulty in predicting growth in M+C enrollment before the beginning of the year explains the 3.2 percentage point difference between our 1998 estimate of this factor (–4.3 percent) and the actual measured decrease.

**Factor 3—Estimated Real Gross Domestic Product Per Capita Growth for FY 1999**

Actual growth in real per capita GDP from FY 1998 to FY 1999 was 3.3 percent or 2.0 percentage points higher than the 1.3 percent estimate we made in 1997. The large difference between our estimate and the actual growth in real per capita GDP reflects the difficulty 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 1999 Compared With FY 1998**

In the November 2, 1998, **Federal Register** (63 FR 59189) we increased the SGR by 0.7 percentage points to reflect the effects of the BBA on expenditures for physicians' services included in the SGR. However, we are now reducing the SGR by 0.1 percent for savings associated with BBA provisions. These savings are largely associated with the residual effects of the BBA's Medicare secondary payer provisions. We are also removing the costs associated with diabetes self-management training from the FY 1999 SGR because Medicare coverage associated with this service did not become effective until 2001.

*C. Revised Sustainable Growth Rate for 2002*

**Factor 4—Percentage Change in Expenditures for Physicians' Services Resulting from Changes in Law or Regulations in 2002 Compared to 2001 Changes**

Based on Medicare data from 2001, we have observed very little utilization of diabetes self-management training services. However, we believe it is likely that utilization of this new benefit increased in 2002 and are including an adjustment to the 2002 SGR for this factor. This adjustment will increase the law and regulation factor and the total SGR for 2002 by 0.2 percentage points relative to the figures included in the December 31, 2002, final rule (67 FR 80028). All other factors included in the 2002 SGR are unchanged at this time. As indicated earlier, we expect to make revisions to all figures included in the 2002 SGR for the final time later this year.