

CMS would like to clarify and provide additional information on the FY 2005 labor share estimate presented in Table 11. The published numbers in Table 11 for FY 2005 represent the most recent estimate of the labor share for FY 2005 based on the 2nd quarter 2005 projection. Though these numbers are correct and represent the most recent estimate of the FY 2005 labor share, CMS has typically provided the labor share estimate published for the previous fiscal year (for FY 2005, the estimate was based on the most recent projection at that time, the 2nd quarter 2004 projection). We have provided an additional table below that includes the labor share estimate for FY 2005 based on the 2nd quarter 2004 projection so that a direct comparison can be made between the labor share used to establish rates for FY 2005 against the labor share used to establish rates for FY 2006.

Table 11 - Labor-related Relative Importance, FY2005 and FY2006

	Relative Importance,* labor-related, FY2005 (97 index)	Relative importance, ** Labor-related, FY2006 (97 index)
Wages and salaries	54.720	54.391
Employee benefits	11.595	11.648
Nonmedical professional fees	2.688	2.739
Labor-intensive services	4.125	4.128
Capital-related	3.094	3.016
Total	76.222	75.922

* Source: Global Insights, Inc., formerly DRI-WEFA, 2nd Quarter, 2004.

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