



July 25, 2008

To: Alyssa Goduti, Vice President for Public Policy

From: Ashley Sales, Coordinator for Public Policy and Programs

Re: Descriptions of Indices Used by CCPA

Cost of Living Allowance:

The Cost of Living Allowance (COLA) or the Cost of Living Adjustment is a change in funding, wages, or benefits intended to mirror the difference in the cost of living over a period of time. It is determined by evaluating changes in the Consumer Price Index. More information on COLA is available at the [Bureau of Labor Statistics](#) website.

Home Health Market Basket:

The Centers for Medicare and Medicaid Services (CMS) administer the Home Health Market Basket, a fixed-weight index based on Medicare payments to home health agencies. Published quarterly in the Federal Register, the Home Health Market Basket is made up of a mix of goods and services including: personnel compensation; operations and management charges; administrative/general costs; transportation needs; and capital costs, such as insurance. Each spending category's proportion of the basket remains fixed for usually two years, which prevents changes in the volume of purchasing from being reflected as changes in price. Additional information on the Home Health Market Basket is available on the [Centers for Medicare and Medicaid Services](#) website.

Consumer Price Index:

The Consumer Price Index (CPI) is created by the Bureau of Labor Statistics. Like the Home Health Market Basket, CPI is a fixed-weight index made up of a mix of consumable goods and services with two-year fixed proportions to discern price changes. Also used as an economic indicator, the CPI assists in measuring inflation and determining the effectiveness of economic policy. CCPA has used the broadest, most comprehensive CPI here, "The Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100." More information is available on CPI at the [Bureau of Labor Statistics](#) website.

Medical Consumer Price Index:

The Medical Consumer Price Index is one of the eight major spending groups that make up CPI. It is broken into two large categories; medical care services (MCS) and medical care commodities (MCC). MCS is the larger of the two, incorporating the costs of professional services, hospital and related services, and health insurance. MCC includes prescription/nonprescription drug costs and other medical supplies. Further details on the Medical Consumer Price Index are available at the [Bureau of Labor Statistics](#) website.

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