

Medicare Hospital Wage Index Data Analysis

Preliminary Data for the Development of the Federal Fiscal Year 2021 Wage Index

-Version 1-

Analysis Description

The Medicare Hospital Wage Index Data Analysis – preliminary data is intended to provide hospitals with a comparative review of the wage data that will be used to develop the federal fiscal year (FFY) 2021 Medicare hospital wage index.

The data analyzed is preliminary and is the first of three wage data public use files (PUFs) that Centers for Medicare and Medicaid Services (CMS) will issue to develop the hospital wage index for FFY 2021. Because this data is subject to revision, this analysis is not intended to be used to calculate hospital wage indexes, but to give hospitals a way to review the most recent wage data published by CMS.

It is extremely important that hospitals review these wage data. Under CMS' hospital wage index development timetable, hospitals have until September 3, 2019 to request revisions to this data. This is the only opportunity hospitals will have to request revisions to their data. Subsequent opportunities for correction can only address Medicare Administrative Contractor (MAC) mishandling of data. Requests and supporting documentation for revision requests must be submitted to the hospital's MAC by September 3, 2019.

Data Sources

This data comparison utilizes wage data files provided as PUFs by CMS. Preliminary 2017 data (FFY 2021 wage index) are from the May 17, 2019 wage data PUF while “final” 2016 data (FFY 2020 wage index) are from the April 30, 2019 PUF.

CMS' wage index PUFs and hospital wage index development timetable are both available online at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Wage-Index-Files-Items/FY2021-Wage-Index-Home-Page.html?DLPage=1&DLEntries=10&DLSort=1&DLSortDir=descending>

The preliminary wage data PUF is Worksheet S-3 wage data from Cost Reports for FFY 2017 (FFY being dates from October 1, 2016 to September 30, 2017) submitted to HCRIS.

Table 1

The first table includes all lines from Worksheet S-3 Part II of the cost report. This report is intended to provide a comparison of the preliminary 2017 and “final” 2016 wage data that each hospital submitted to CMS. This report can be used to review the preliminary 2017 data release and highlight any errors in the reporting of the Worksheet S-3 data.

The analysis of wage-related costs at the bottom of the table is intended to provide a general idea of how total salaries compare to wage-related costs. As a general rule, the ratio of wage-related costs (lines 17-25) to total salaries (Line 1) should be greater than 20%.

For cost reporting periods beginning on or after October 1, 2015, hospitals were instructed to no longer report on S-3 Part II line 14 but instead report on S-3 Part II lines 14.01 and/or 14.02. There should be no data on S-3 Part II line 14 for both the preliminary 2017 and “final” 2016 release of the wage index PUFs.

https://www.costreportdata.com/instructions/Instr_S302.pdf

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Table 2

The second table includes only lines relevant to the wage index calculation from Worksheet S-3 Part II of the cost report. This report is intended to provide a comparison of the preliminary 2017 wage data for the hospital, its Core-based Statistical Area (CBSA), State, and the Nation. This report will help in the review of the preliminary 2017 data release, allowing focus on the areas where the average hourly wage (AHW) or ratio of fringe benefits to salaries are significantly different from the CBSA, State, or Nation. For cost reporting periods beginning on or after October 1, 2015, S-3 Part II lines 14.01 and 14.02 are used in the wage index calculation instead of previously used S-3 Part II line 14.

CMS states that only 8 out of over 3,000 hospitals reporting “Other wage-related costs” on Line 18 of Cost Report Worksheet S-3 Part II for the FFY 2019 wage index actually met the 1% test for inclusion on that line (costs must exceed 1% of the total adjusted salaries net of excluded areas). Therefore, in the Inpatient Prospective Payment System FFY 2019 final rule, CMS will no longer include “Other wage-related costs” for FFY 2020 and subsequent years, in the wage-index calculation. Therefore, this analysis no longer includes S-3 Part II line 18 in the wage index calculation.

The last lines of the report include a comparison of the “final” 2016 and preliminary 2017 AHWs for the hospital, its CBSA, State, and the Nation. The AHW provided on these final lines (highlighted) is calculated using CMS’ methodology of total salaries and hours adjusted to remove teaching, Certified Registered Nurse Anesthetists (CRNA), Part B, and excluded areas. This AHW calculation does not take the final steps in CMS’ methodology to allocate overhead costs and overhead wage-related costs to areas excluded from the AHW calculation and does not incorporate the common period adjustment.

Notes:

- *Table 1 shows the changes to all lines from Worksheet S-3 Part II of the cost report, while Table 2 looks specifically at the Worksheet S-3 Part II lines used in CMS’ wage index calculation. Therefore, the percentage change in AHW shown on Line 1 of Table 1 may not be comparable to the percentage change in the AHW calculated on Table 2 due to the addition or subtraction of individual cost report lines.*
- *In the FFY 2020 IPPS Proposed Rule, CMS proposed the following adjustments to the calculation of the unadjusted wage index beginning FFY 2020 and subsequent years:*
 - *Modify the calculation of the Overhead Rate on the cost report Worksheet S-3 Part II by no longer subtracting the sum of the overhead contract hours from Revised Total Hours as they are not included in the calculation of Revised Total Hours.*
 - *Change the rounding methodology applied to the component values of the wage index calculation in order to reduce confusion and to better align the wage index calculations of CMS and stakeholders; and*
 - *Set the Wage index of hospitals in urban labor market areas for which CMS has no hospital data to the average urban wage index of the state in which these hospitals are located (i.e. total urban hospital wages divided by total urban hours, further divided by the national average hourly wage).*

These proposals on wage index adjustments are not included in this analysis.