



HFS Provider User Meeting 2021 Wage Index

BKD National Health Care Group

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BKD



Today's Topics

- Wage Index Overview
- Wage Index Benchmarks
- 2019 Occupational Mix Survey
- FFY 2022 Changes
- Wage Index Strategies



Wage Index Overview



Wage Index Overview

- Section 1886(d)(3)(E) of *Social Security Act*
 - “For area differences in hospital wage levels by a factor”
- Areas defined by Core-Based Statistical Areas (CBSAs)
 - Office of Management & Budget (OMB)
 - Geographic reclassifications



Wage Index Overview

- Wage index required to be updated annually
 - Short-term, acute care hospital info
- CMS applies a methodology to compute average hourly wage (AHW) compared to national AHW based on
 - Worksheets S-3, Part II, III, IV & V Form 2552-10

Wage Index Overview

- Review process after cost report is filed
- Federal fiscal year (FFY) 2023
 - Cost reports beginning during FFY 2019 (9/30/2019, 12/31/2019, 6/30/20)
 - As filed data released mid-May, 2021
 - Revisions due to Medicare Administrative Contractor (MAC) in early September, 2021
 - MAC desk reviews in November, 2021
 - Preliminary Public Use File (PUF) in January, 2022
 - Basis for proposed Federal Register
 - Proposed Rule April - May, 2022
 - Final Rule August – September, 2022

Wage Index Overview

- CBSA AHW/National AHW = Wage Index
 - Average is aggregate of all hospitals in the area
 - There are multiple issues—midpoint adjustment factor, occupational mix adjustment factor, budget neutrality adjustment
- The wage index is used to adjust the following Medicare payments
 - Hospital inpatient DRG
 - Hospital outpatient APCs
 - Skilled nursing facility
 - Hospice
 - Home health
 - Rehab
 - Psych

Wage Index Overview



Wage Index Salaries - Worksheet S-3, Part II, Column 2

- From Worksheet A Column 1
- Should include
 - Regular pay
 - Vacation
 - Sick pay
 - Paid time off
 - Severance
 - Bonus

Wage Index Salaries - Worksheet S-3, Part II, Column 4

- Include

- Regular hours
- Paid overtime at 1.0 factor
- Holiday pay
- Vacation & sick leave
- Paid time off
- Hours associated with severance

- Exclude

- On-call hours
- Pay in lieu of time off hours
- Shift differential units
- Vacation & sick leave

Wage Index Salaries - Worksheet S-3, Part II, Column 4

EARNINGS	HOURS	AMOUNT
REG	826,113	21,124,433
TRANS	-	71,839
HIM HRS	987	13,409
OT	22,255	805,438
OT-HOL	5,828	204,482
OT-CB	6,218	258,624
SEVER	840	80,769
SB	9,212	235,586
TTM	19	2,967
PTO	99,482	2,421,183
EIH	5,263	144,321
STERMDIS	13,448	211,196
ORIENT	17,762	372,605
EDUCAT	11,651	351,008
LEAN	692	20,646
6.0 CON	3,284	95,030
JURY	206	4,412
OTHER	162	5,032
OTHER	-	1,460,382
BONUS	-	324,395
SDIFF	254,258	583,498
OTSDIFF	21,432	101,039
STRANS	-	1,617
R/LPN IN	44,550	66,827
PRECEPT	8,124	6,093
CHARGE	5,448	4,086
PCS	1,180	3,246
1,358,415	28,974,165	

AHW 21.33

EARNINGS	HOURS	AMOUNT	AHW
REG	826,113	21,124,433	25.57
TRANS	-	71,839	-
HIM HRS	987	13,409	13.58
OT	22,255	805,438	36.19
OT-HOL	5,828	204,482	35.09
OT-CB	6,218	258,624	41.59
SEVER	840	80,769	96.15
SB	9,212	235,586	25.57
TTM	19	2,967	156.16
PTO	99,482	2,421,183	24.34
EIH	5,263	144,321	27.42
STERMDIS	13,448	211,196	15.70
ORIENT	17,762	372,605	20.98
EDUCAT	11,651	351,008	30.13
LEAN	692	20,646	29.83
6.0 CON	3,284	95,030	28.93
JURY	206	4,412	21.42
OTHER	162	5,032	31.06
OTHER	-	1,460,382	-
BONUS	-	324,395	-
SDIFF	254,258	583,498	2.29
OTSDIFF	21,432	101,039	4.71
STRANS	-	1,617	-
R/LPN IN	44,550	66,827	1.50
PRECEPT	8,124	6,093	0.75
CHARGE	5,448	4,086	0.75
PCS	1,180	3,246	2.75
1,358,415	28,974,165		

EARNINGS	HOURS	AMOUNT	AHW
REG	826,113	21,124,433	25.57
TRANS	-	71,839	-
HIM HRS	987	13,409	13.58
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OTHER	162	5,032	31.06
OTHER	-	1,460,382	-
BONUS	-	324,395	-
SDIFF	-	583,498	-
OTSDIFF	-	101,039	-
STRANS	-	1,617	-
R/LPN IN	-	66,827	-
PRECEPT	-	6,093	-
CHARGE	-	4,086	-
PCS	-	3,246	-
1,023,423	28,974,165		

AHW 28.31

Wage Index Salaries & Hours

Worksheet S-3, Part II

		Wkst. A Line Number	Amount Reported	Reclassification of Salaries (from Wkst. A-6)	Adjusted Salaries (col.2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)
		1.00	2.00	3.00	4.00	5.00	6.00
PART II - WAGE DATA							
SALARIES							
1.00	Total salaries (see instructions)	200.00	-	-	-	-	-
2.00	Non-physician anesthetist Part A		-	-	-	-	-
3.00	Non-physician anesthetist Part B		-	-	-	-	-
4.00	Physician-Part A - Administrative		-	-	-	-	-
4.01	Physicians - Part A - Teaching		-	-	-	-	-
5.00	Physician and Non Physician-Part B		-	-	-	-	-
6.00	Non-physician-Part B for hospital-based RHC and FQHC services		-	-	-	-	-
7.00	Interns & residents (in an approved program)	21.00	-	-	-	-	-
7.01	Contracted interns and residents (in an approved programs)		-	-	-	-	-
8.00	Home office and/or related organization personnel		-	-	-	-	-
9.00	SNF	44.00	-	-	-	-	-
10.00	Excluded area salaries (see instructions)		-	-	-	-	-



CRNAs

- Line 2.00 – Non-physician Anesthetist who is
 - Employed or contracted
 - Hospital has an exemption (granted pass-through)
 - Exclude non-labor items (equipment, supplies, travel, etc.)
 - If contracted, also report on Line 11
- Line 3.00 – Non-physician Anesthetist salaries subject to fee sched



Physician Part A Salaries

- Line 4.00 – Physician Part A salaries included in Line 1 & Line 13.00 for Contracted Physicians
 - Medical directors
 - Administrative time
 - ER availability time
- Line 4.01 – Teaching Physician salaries

Physician Part B & Other Salaries

- Line 5.00 – direct patient care & billed under Part B time that's included in Line 1
 - *E.g.*, physician, PA, NP
 - *E.g.*, clinical nurse specialist
 - Physician salaries for patient care services for RHC & FQHC (Line 88's)
- Line 6.00 – for non-physician RHC & FQH



Interns & Residents

- Line 7.00 – Salaried I&R in approved program
 - If included on Worksheet A, Column 1, Line 21
- Line 7.01 – Contracted I&R
 - Also include on Line 11, but not on Line 13
 - Exclude equipment cost, supplies, travel, etc.
 - Don't include costs related to excluded areas reported on Lines 9 & 10.00

Adjustment to Salaries

- Line 8.00 – Home Office personnel
 - If included on Worksheet A, Column 1
 - This reduces salaries
 - If not on Worksheet A, Column 1, add Home Office on Line 14
- Line 9.00 – SNF salaries from Worksheet A, Column 1, Line 44
- Line 10.00 – Excluded area salaries from Worksheet A, Column

Excluded Area Salaries & Hours

- 20 – Nursing School
- 23 – Paramedic Education Program
- 40-42 - Subproviders
- 45 – Nursing Facility
- 45.01 ICF
- 46 – Other Long Term Care
- 94 – Home Program Dialysis
- 95 – Ambulance Services
- 98 – Other Nonreimbursable
- 99 - CMHC
- 99.10 - CORF
- 100 - I&R Services Not Approved Program
- 101 - Home Health Agency
- 105-112 - Organ Acquisition
- 114 - Utilization Review SNF
- 115 – Ambulatory Surgery Center
- 116 – Hospice
- 190-194 – Nonreimbursable cost centers

Contract Labor

Worksheet S-3, Part II

		Wkst. A Line Number	Amount Reported	Reclassification of Salaries (from Wkst. A-6)	Adjusted Salaries (col.2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)
		1.00	2.00	3.00	4.00	5.00	6.00
	OTHER WAGES & RELATED COSTS						
11.00	Contract labor: Direct Patient Care		-	-	-	-	-
12.00	Contract labor: Top level management and other management and administrative		-	-	-	-	-
13.00	Contract labor: Physician-Part A - Administrative		-	-	-	-	-
	OVERHEAD COSTS - DIRECT SALARIES						
28.00	Administrative & General under contract (see inst.)		-	-	-	-	-
33.00	Housekeeping under contract (see instructions)		-	-	-	-	-
35.00	Dietary under contract (see instructions)		-	-	-	-	-



Contract Labor

- Not just your general ledger “contract labor” accounts
- “The minimum requirement for supporting documentation is the contract itself”
- “Attestations or declarations from the vendor or hospital are not acceptable in lieu of supporting documentation for wages, hours, wage-related costs, and non-labor costs
- Must be grouped in the cost center to which you are seeking to include
 - A&G contract labor should be included in the A&G cost center

Contract Labor

- Line 11.00 – Direct patient care
 - Patient care services
 - Exclude non-labor-related expenses such as equipment, supplies, travel, etc.
 - Exclude costs applicable to excluded area cost centers Lines 9.00 & 10.00
- Line 13.00 – Physician Part A
 - Includes
 - Administrative time
 - ER physician availability
 - Supported by contracts and/or time studies



Contract Labor

- Line 12.00 – Management & Administrative
 - Contracted top level management
 - CEO, COO, CNO, CFO
 - Other contract management and administrative services
 - Patient care services department directors, administrators, managers
 - Includes ward clerks & medical secretaries

Overhead Contract Labor

- A&G – Line 28.00
 - Contract services that are included in Worksheet A, Line 5
 - Administrative and general functions
- Housekeeping – Line 33.00
- Dietary – Line 35.00

Home Office & Related Parties

Worksheet S-3, Part II

		Wkst. A Line Number	Amount Reported	Reclassification of Salaries (from Wkst. A-6)	Adjusted Salaries (col.2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)
		1.00	2.00	3.00	4.00	5.00	6.00
	OTHER WAGES & RELATED COSTS						
14.00	Home office and/or related organization salaries and wage-related costs		-	-	-	-	-
14.01	Home office salaries		-	-	-	-	-
14.02	Related organization salaries		-	-	-	-	-
15.00	Home office: Physician Part A - Administrative		-	-	-	-	-
16.00	Home office and Contract Physicians Part A - Teaching		-	-	-	-	-
16.01	Home office Physicians Part A - Teaching		-	-	-	-	-
16.02	Home office contract Physicians Part A - Teaching		-	-	-	-	-
	WAGE-RELATED COSTS						
25.50	Home office wage-related (core)		-	-	-	-	-
25.51	Related organization wage-related (core)		-	-	-	-	-
25.52	Home office: Physician Part A - Administrative - wage-related (core)		-	-	-	-	-
25.53	Home office: Physicians Part A - Teaching - wage-related (core)		-	-	-	-	-

Home Office & Related Parties

- Line 14.01 Home office salaries and hours
- Line 14.02 Related organizations salaries and hours
- Line 15 Home office Part A physicians
- Line 16.01 Home office physician Part A – Teaching
- Line 16.02 Home office contract physician Part A - Teaching
- Line 25.50 Home office benefits
 - Benefit allocations apply to Home Office
- Line 25.51 Related party benefits
- Line 25.52 Home office physician Part A benefits
- Line 25.53 Home office physician Part A teaching benefits

Wage Related Costs

Worksheet S-3, Part II

		Wkst. A Line Number	Amount Reported	Reclassification of Salaries (from Wkst. A-6)	Adjusted Salaries (col.2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)
		1.00	2.00	3.00	4.00	5.00	6.00
	WAGE-RELATED COSTS						
17.00	Wage-related costs (core) (see instructions)		-	-	-	-	-
18.00	Wage-related costs (other) (see instructions)		-	-	-	-	-
19.00	Excluded areas		-	-	-	-	-
20.00	Non-physician anesthetist Part A		-	-	-	-	-
21.00	Non-physician anesthetist Part B		-	-	-	-	-
22.00	Physician Part A - Administrative		-	-	-	-	-
22.01	Physician Part A - Teaching		-	-	-	-	-
23.00	Physician Part B		-	-	-	-	-
24.00	Wage-related costs (RHC/FQHC)		-	-	-	-	-
25.00	Interns & residents (in an approved program)		-	-	-	-	-
25.50	Home office wage-related (core)		-	-	-	-	-
25.51	Related organization wage-related (core)		-	-	-	-	-
25.52	Home office: Physician Part A - Administrative - wage-related (core)		-	-	-	-	-
25.53	Home office: Physicians Part A - Teaching - wage-related (core)		-	-	-	-	-

Wage Related Costs

- Detail reported on Worksheet S-3, Part IV
- Core benefits: Preprinted lines
- Lines 17 - 25 should match with types of salaries on Lines 1 – 10
- Line 18 wage related costs other is not completed on or after October 1, 2018
- Allocation basis is important
 - Salaries
 - FTEs
 - Combination
 - Direct assignment by department / cost center

Wage Related Costs Core

- 401K Employer Contributions
- Tax Sheltered Annuity Employer Contribution
- Nonqualified Defined Benefit Plan Cost
- Qualified Defined Benefit Plan
- 401K/TSA Plan Administration Fee
- Legal/ Accounting/ Management Fees Pension Plan
- Employee Managed Care Program Administration Fees
- Health Insurance (Purchased or Self Funded)
- Health Insurance (Self Funded without a TPA)
- Health Insurance (Self Funded with a TPA)
- Health Insurance (Purchased)
- Prescription Drug Plan
- Dental, Hearing, and Vision Plan
- Life Insurance
- Accident Insurance
- Disability Insurance
- Long-Term Care Insurance
- Workers Compensation Insurance
- Retirement Health Care Cost
- FICA
- Medicare Taxes
- Unemployment Insurance
- State or Federal Unemployment Taxes
- Executive Deferred Compensation
- Day Care Costs
- Tuition Reimbursement

Defined Benefit Pensions

- Pension costs equal the 3-year average of cash basis contributions
 - Two prior years
 - Current year
- 1/10th of prefunding balance through FFY 2022
- Pension cost schedule from CMS's website
- Pension plan fees reported separately

Health Insurance

- Self-insurance must be reasonable & in accordance with GAAP
- For health insurance, discount must be reasonable compared to other discounts accepted
- Added lines to indicate the type of health insurance
 - Line 8.01 Self-funded without a TPA
 - Line 8.02 Self-funded with a TPA
 - Line 8.03 Purchased health insurance

Overhead

Worksheet S-3, Part II

		Wkst. A Line Number	Amount Reported	Reclassification of Salaries (from Wkst. A-6)	Adjusted Salaries (col.2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)
		1.00	2.00	3.00	4.00	5.00	6.00
	OVERHEAD COSTS - DIRECT SALARIES						
26.00	Employee Benefits Department	4.00	-	-	-	-	-
27.00	Administrative & General	5.00	-	-	-	-	-
28.00	Administrative & General under contract (see inst.)		-	-	-	-	-
29.00	Maintenance & Repairs	6.00	-	-	-	-	-
30.00	Operation of Plant	7.00	-	-	-	-	-
31.00	Laundry & Linen Service	8.00	-	-	-	-	-
32.00	Housekeeping	9.00	-	-	-	-	-
33.00	Housekeeping under contract (see instructions)		-	-	-	-	-
34.00	Dietary	10.00	-	-	-	-	-
35.00	Dietary under contract (see instructions)		-	-	-	-	-
36.00	Cafeteria	11.00	-	-	-	-	-
37.00	Maintenance of Personnel	12.00	-	-	-	-	-
38.00	Nursing Administration	13.00	-	-	-	-	-
39.00	Central Services and Supply	14.00	-	-	-	-	-
40.00	Pharmacy	15.00	-	-	-	-	-
41.00	Medical Records & Medical Records Library	16.00	-	-	-	-	-
42.00	Social Service	17.00	-	-	-	-	-
43.00	Other General Service	18.00	-	-	-	-	-

Overhead

From Worksheet A general service cost centers

Follow same hours & salaries concepts

Grouping on Worksheet A is important

Allocated based upon the ratio of excluded hours to total hours

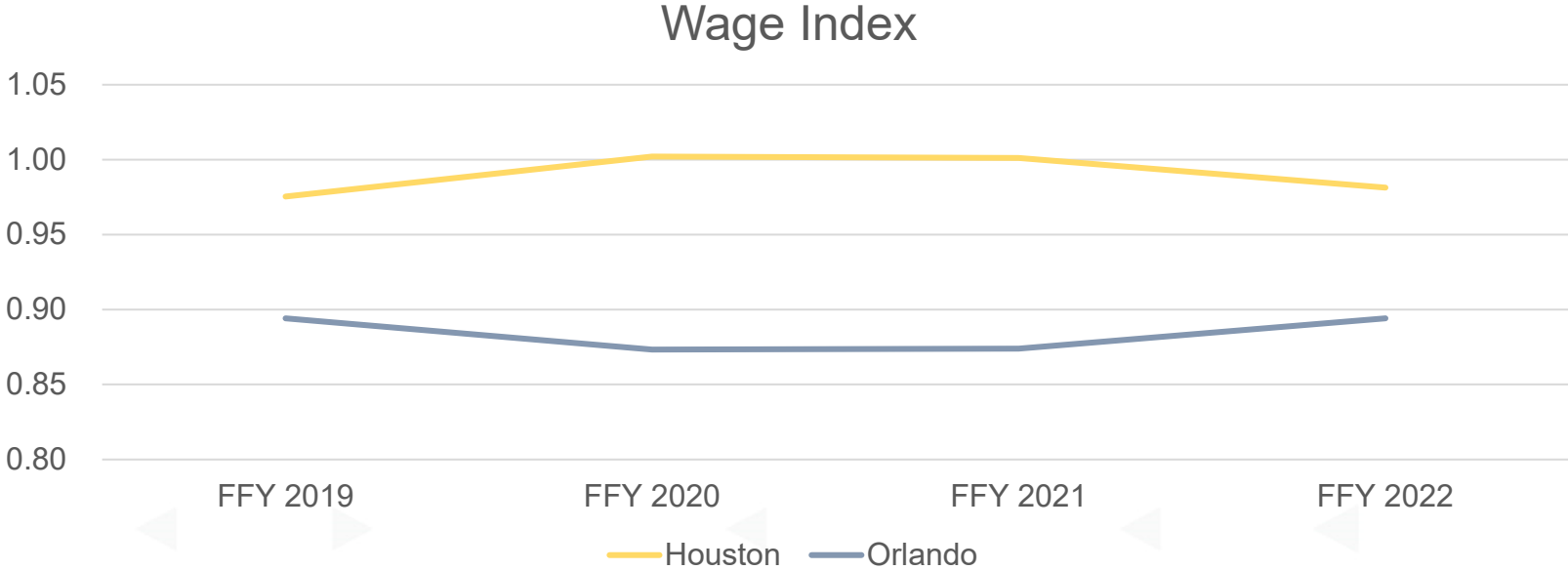
Wage Index Calculation

- Is the wage index average hourly wage reported on Worksheet S-3, Part III?
- AHW adjusted by cost report mid-point factor to inflate the cost report year to the current federal year
- AHW adjusted by occupational mix adjustment factor to account for labor pools available to providers
 - Occupational Mix Survey completed every three years
 - FFY 2022, 2023, & 2024 based upon 2019 OMS
- CBSA Adjusted Average Hourly Wage / National Average Hourly Wage

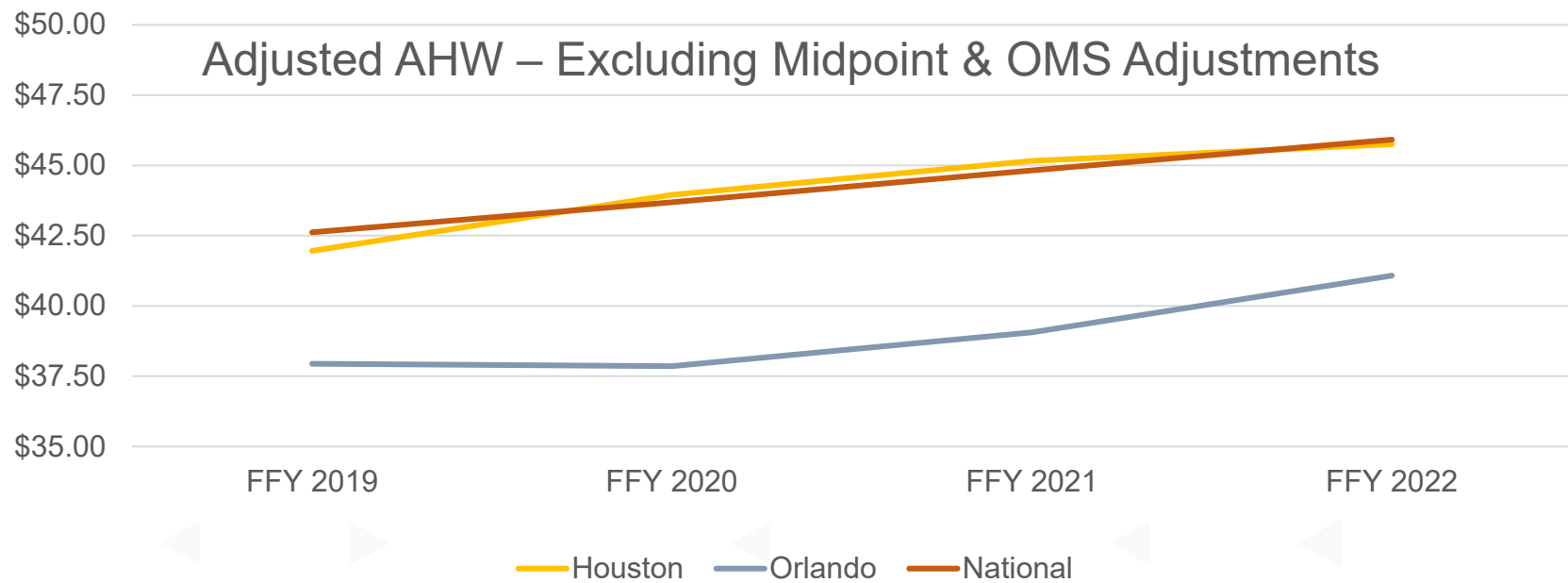


Wage Index Benchmarks

Wage Index Benchmarks

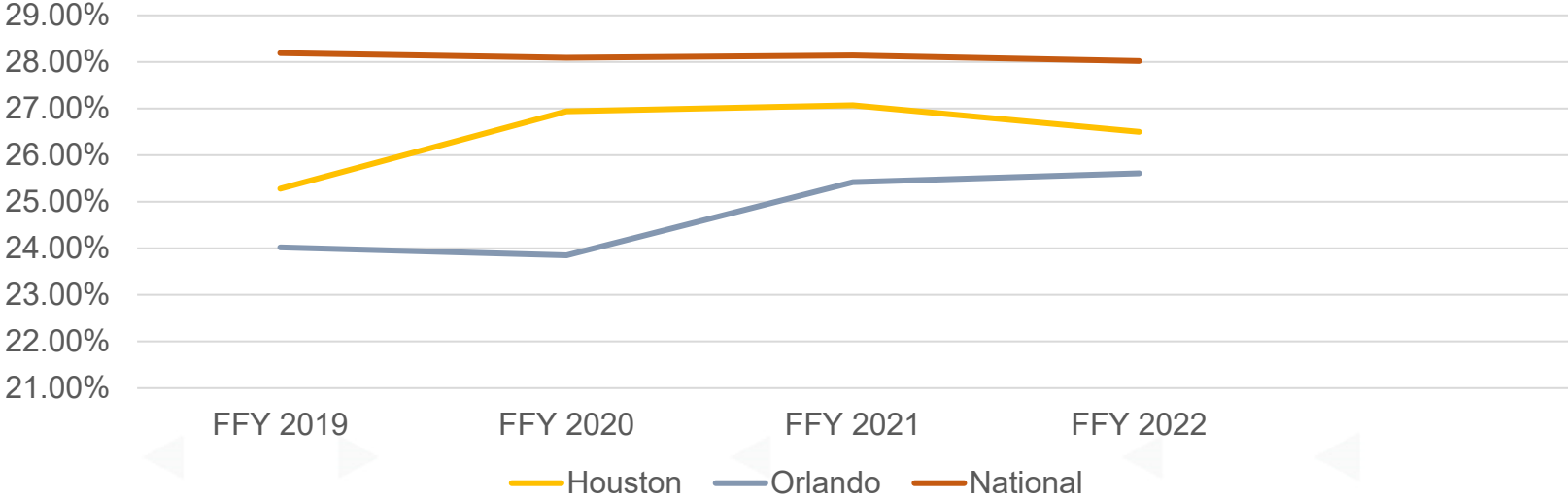


Wage Index Benchmarks



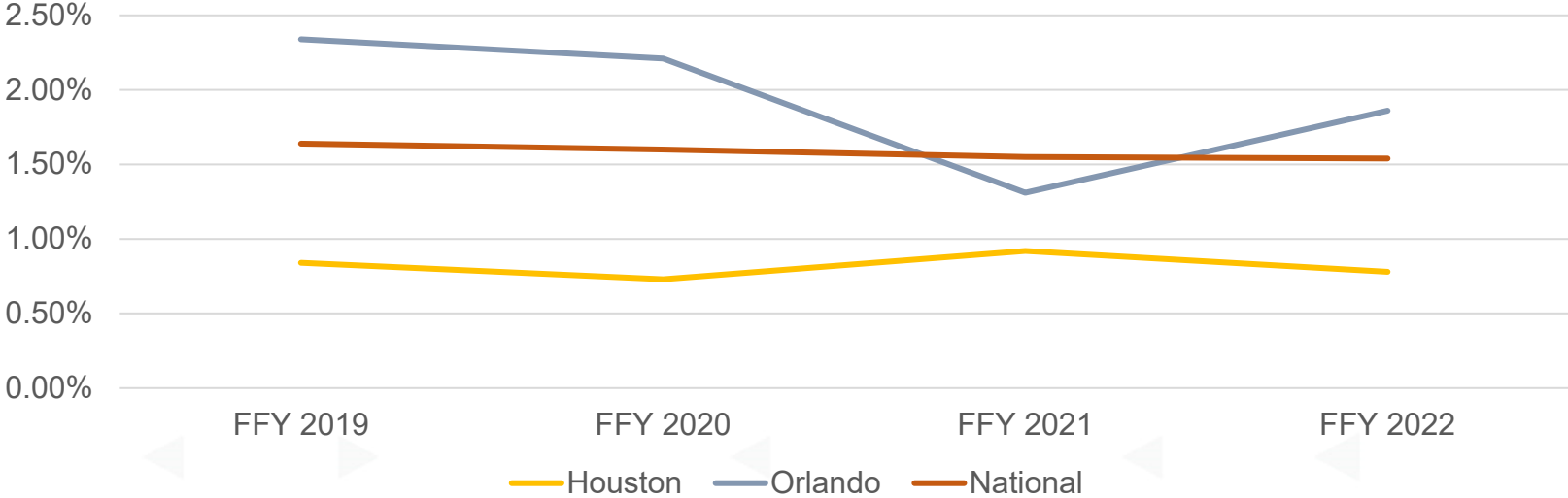
Wage Index Benchmarks

Wage Related Costs



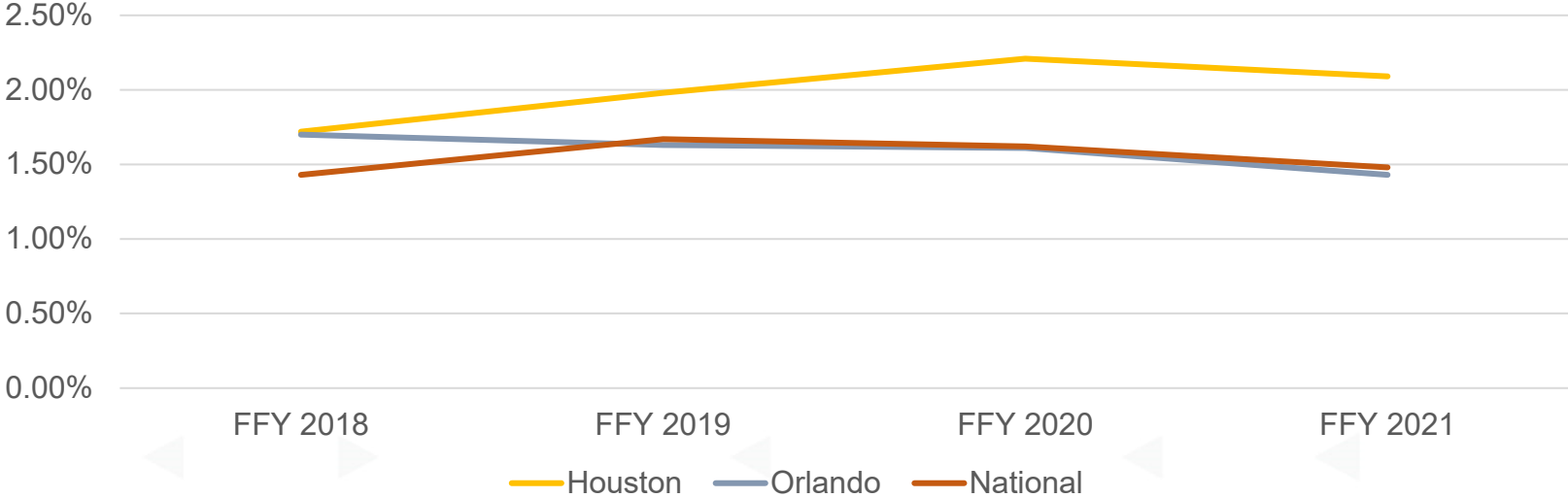
Wage Index Benchmarks

Physician Part A Salary & Contract Labor



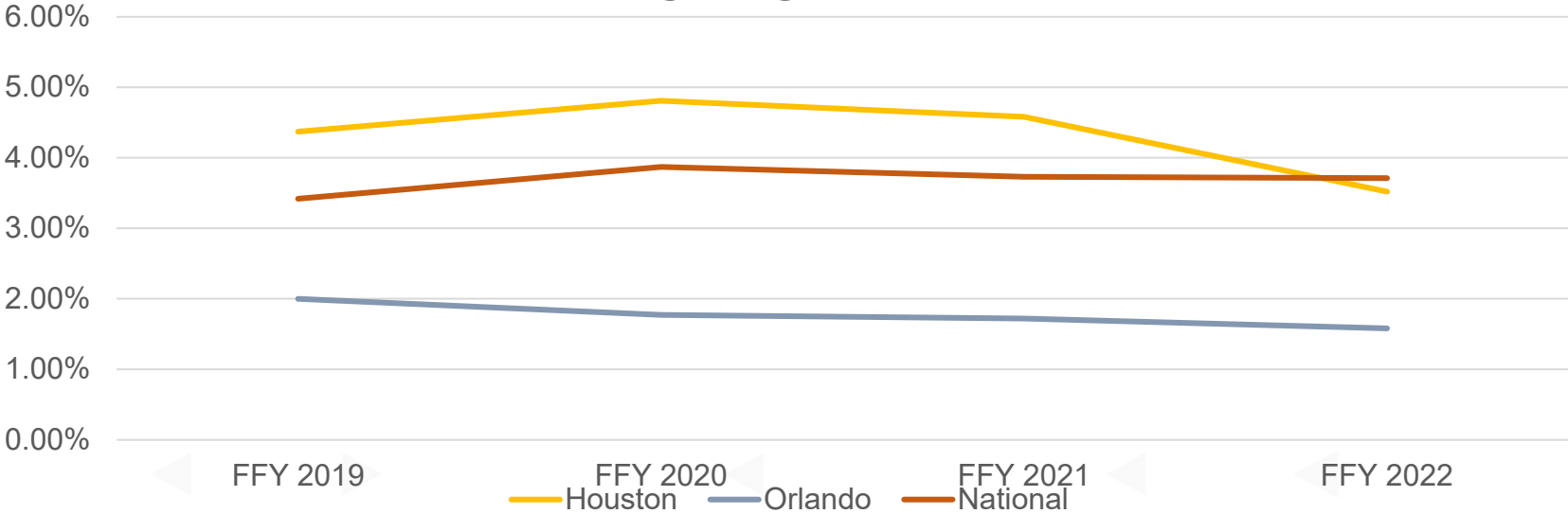
Wage Index Benchmarks

Administrative & General Contract Labor



Wage Index Benchmarks

Patient Care Contract Labor



FFY 2022 Wage Index Rankings

- Rural

- Lowest – Alabama – 0.6484
- Median – 0.8535
- Highest – Massachusetts – 1.3221

- Urban

- Lowest – Decatur, AL – 0.6839
- Median – 0.9174
- Highest – Santa Cruz, CA 1.8889



2019 Occupational Mix Survey

2019 Occupational Mix Survey

	2019 OMS	2016 OMS
National RN	\$ 44.45	\$ 41.63
National LPN and Surgical Technician	26.83	24.66
National Nurse Aide, Orderly, and Attendant	18.53	16.96
National Medical Assistant	19.50	18.21
National Nurse Category	37.42	34.97

2019 Occupational Mix Survey

	Provider Occ Mix Hours	Provider Occ Mix Salaries	Provider % by Subcategory	FFY 2022 National AHWs by Subcategory	Provider Adjusted AHW	FFY 2022 National Adjusted Nurse AHW	Nurse Occ Mix Adjustment Factor	Provider % by Total
RN	4,316,155	\$ 201,243,529	73.55%	\$ 44.45	\$ 32.69			
LPN and Surgical Technicians	196,456	6,472,931	3.35%	26.83	0.90			
National Nurse Aides, Orderlies, and Attendants	1,343,248	25,021,472	22.89%	18.53	4.24			
Medical Assistants	12,196	272,282	0.21%	19.50	0.04			
Total Nurse Hours and Salaries	5,868,055	\$ 233,010,214			\$ 37.87	\$ 37.42	0.9880	39.47%
All Other	10,341,108	\$ 357,339,842						60.53%
Total	16,209,163	\$ 590,350,056						

Wage Data from Cost Report	
Wages (From S-3, Parts II and III)	\$ 719,970,517
Hours (From S-3, Parts II and III)	15,034,373
Unadjusted AHW	\$ 47.89 <

Nurse Occ Mix Wages	\$ 280,757,864
All Other Unadjusted Occ Mix Wages	\$ 435,799,316
Total Occ Mix Wages	\$ 716,557,180
Unadjusted AHW	\$ 47.66 <



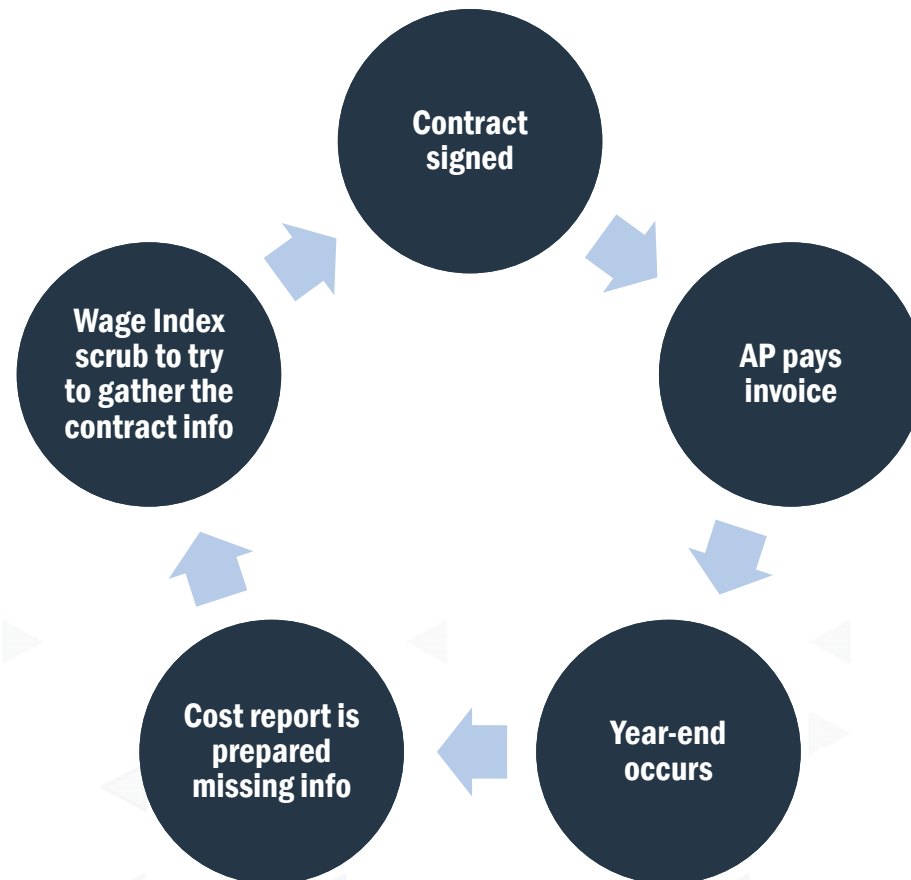
Wage Index Strategies



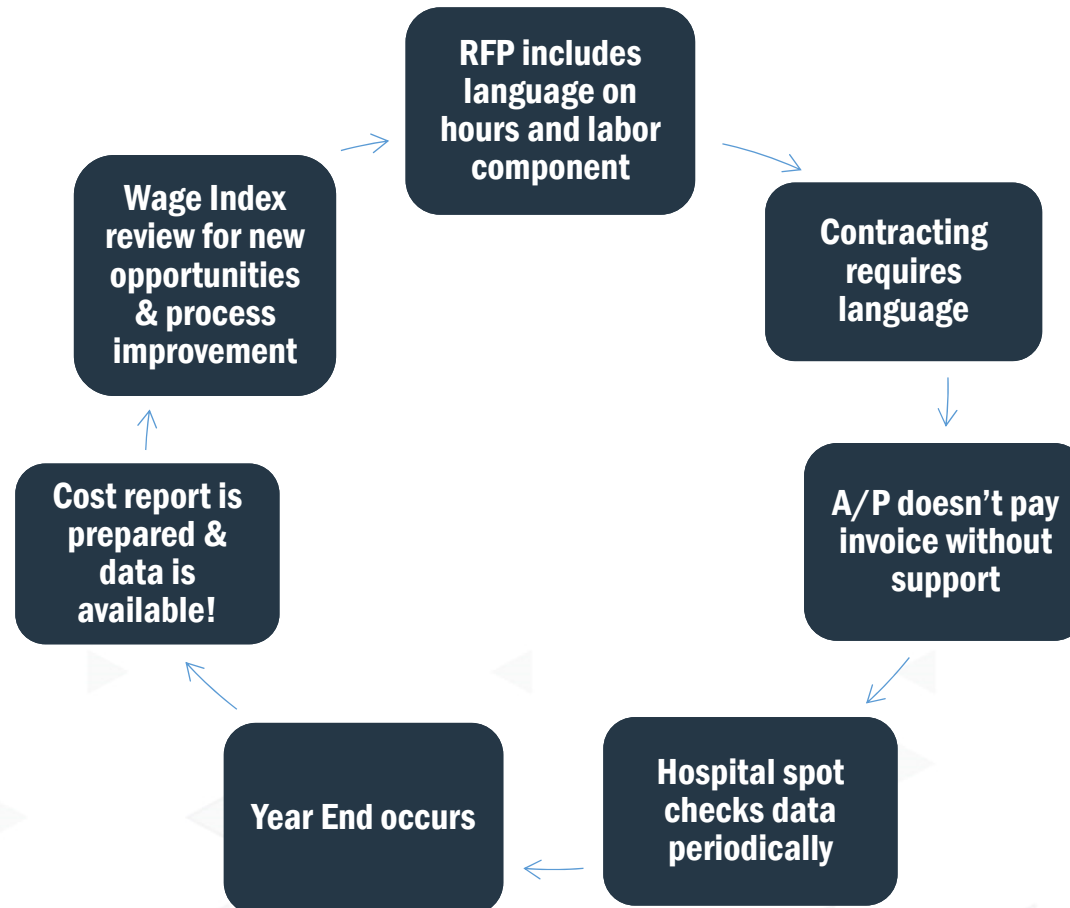
Wage Index Strategies

- What data is corrected every year?
- What adjustments did the MAC make?
- What data is omitted every year due to lack of support?
- Work on the process

Current Process in Many Hospitals



Example of Properly Functioning Cycle



Wage Index Strategies

- More than just contract labor
 - Hours
 - Physicians
 - Wage related costs
 - Pension
 - Health insurance
 - Allocation or direct assignment
 - Home office

Wage Index Strategies

- Involve payroll, human resource, accounts payable, and finance department
- Consider the impact of Worksheet A groupings
- Consider the treatment of Worksheet A-8 offsets versus nonreimbursable cost centers
- Determine what is taxed on W-2 and where it is recorded in the general ledger
- Get actual payroll hours by pay code and gain an understanding of pay codes
- Review vendor listing, not just general ledger review



Wage Index Strategies

- Contact vendors early and be persistent
- Incorporate contract labor hours into contracts
- Update physician agreements or contracts to state hours and dollars for services provided (Part A and/or Part B)
- Monitor physician time studies for completeness
- Obtain buy in from management for contract labor and physician time studies
- Include employee health expenses
- Evaluate employee benefit allocations or direct assignment

Impact of COVID -19 Pandemic

- Federal fiscal year (FFY) 2024
 - Cost reports beginning during FFY 2020 (9/30/2020, 12/31/2020, 6/30/21)
 - Higher wages
 - Overtime
 - Increased nursing salaries
 - Increased patient care contract labor and dollars
 - COVID-19 impacted different CBSAs at different time frames
 - How will CMS respond in calculating the wage index?

Questions?

Thank You!

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BKD