



Medicare Hospital Wage Index Data Analysis

“Final” Data for the Development of the Federal Fiscal Year 2021 Wage Index

-Version 1-

Analysis Description

The Medicare Hospital Wage Index Data Analysis – “Final” Data (April 30, 2020 Release) 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 “final” and is the third of three wage data public use files (PUFs) that the 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 May 29, 2020 to verify their data and submit correction requests with supporting documentation to both CMS and their Medicare Administrative Contractor (MAC) to:

- ***Correct errors due to CMS or MAC mishandling of the “final” wage data posted in the April 30, 2020 PUF.***
- ***Dispute data corrections made by CMS of which the hospital has been notified between March 20, 2020 and May 15, 2020 that do not arise from a hospital’s request for revisions.***

Data corrections made by CMS of which the hospital has been notified on or after May 16, 2020 may be appealed to the Provider Reimbursement Review Board (PRRB).

Changes to the data will be limited to situations involving errors by CMS or the MAC that the hospital could not have known about before review of the “final” April PUFs. Data that were incorrect in the preliminary or revised wage index data PUFs, but for which no correction requests were received by the February 14, 2020 deadline, will not be changed at this stage for inclusion in the wage index.

Data Sources

This data comparison utilizes wage data files provided as PUFs by CMS. Revised 2017 data (FFY 2021 wage index) are from the January 31, 2020 wage data PUF while “final” data (FFY 2021 wage index) are from the April 30, 2020 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 "final" 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 the Healthcare Cost Report Information System (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 revised and "final" 2017 wage data that each hospital submitted to CMS. This report can be used to review the "final" 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.

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 revised and "final" 2017 release of the wage index PUFs.

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

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 "final" 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 "final" 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.

The last lines of the report include a comparison of the revised and "final" 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.*
- *For FFY 2021, CMS is proposing to update the Core-Based Statistical Areas (CBSA) for all providers based on the delineations published in the Office of Budget and Management (OMB) Bulletin No. 18-04 released on September 14, 2018. Included in this bulletin are new CBSAs, urban counties that become rural, rural counties that become urban, and existing CBSAs which are split apart or otherwise changed. CMS believes that these delineations better represent current rural and urban areas. These changes CBSA changes are reflected in the "final" 2017 data.*