



Medicare Hospital Wage Index AHW Criteria Analysis for FFY 2022 Reclassification Applications

-Version 1-

Analysis Description

This analysis is intended to allow hospitals to test their potential ability to obtain a federal fiscal year (FFY) 2022 Medicare hospital wage index reclassification.

Applications for FFY 2022 hospital wage index reclassifications are due to the Medicare Geographic Classification Review Board (MGCRB) by September 1, 2020. Applications not received by the MGCRB by this deadline will not be considered.

Applications, instructions, and other information regarding hospital wage index reclassifications are available on the Centers for Medicare and Medicaid Services (CMS) Website at: <http://www.cms.gov/MGCRB/>.

This analysis uses 3-year average hourly wage (AHW) data provided by CMS to perform the AHW threshold tests required for a hospital to achieve a wage index reclassification.

An individual hospital may reclassify from a rural area to an urban area, from a rural area to another rural area, or from an urban area to another urban area. An individual urban hospital that reclassified to rural through a process other than the MGCRB previously could not apply for reclassification through the MGCRB. However, beginning FFY 2018, CMS has amended the regulation applicable to the MGCRB that permits a hospital to acquire rural status and subsequently also apply for a reclassification under the MGCRB using distance and average hourly wage criteria designated for rural hospitals.

This analysis shows the hospital's 3-year AHW and the 3-year AHW for its permanent wage area (with and without inclusion of the hospital's own data). These data are used as the basis for determining individual hospital eligibility for reclassification. The workbook then allows the hospital to select up to three different CBSAs at one time, using drop-down menus, to test whether it might be eligible for reclassification to those areas, based solely on the wage criteria test set in regulation for FFY 2022. CBSAs for this test are listed in alphabetical order.

Note: In order to be eligible for a wage index reclassification, a hospital must meet both wage and proximity criteria. This model only allows the user to simulate the wage criteria.

Hospital Report

The wage criteria to achieve a wage index reclassification require the hospital to pass a “Geographic CBSA Test” first. If the hospital meets the first criterion, it must then also pass a second test, the “Desired CBSA Test.”

Current Wage Index Status: The first block of the report shows the hospital’s permanent geographic wage area (permanent CBSA) and, if applicable, the hospital’s FFY 2021 MGCRB reclassified CBSA.

Geographic CBSA Criterion: The Geographic CBSA test is analyzed in the second block. To meet this criterion, the hospital’s 3-year AHW must be at least 106% (for hospitals located in rural areas) or at least 108% (for hospitals located in urban areas) of the 3-year AHW for all other hospitals in the permanent wage area — excluding the hospital’s own data.

Desired CBSA Criterion: The Desired CBSA test is analyzed in the third block. If a hospital meets the first criterion, it must pass a second test. To meet this criterion, the hospital’s 3-year AHW must be at least 82% (for hospitals located in rural areas and RRCs) or at least 84% (for hospitals located in urban areas) or 85% for a group of hospitals (group reclassification tests are not shown in this analysis) of the 3-year AHW for the CBSA into which the hospital seeks to reclassify.

This section of the report allows a hospital to choose up to 3 CBSAs at one time for testing from three pull-down menu boxes. **The pull-down menus list all CBSAs nationwide; however, the Desired CBSA must also meet proximity and distance criteria. It is left to the discretion of the hospital to identify the CBSAs that meet the proximity and distance criteria.**

Data Source

CMS provides a file specifically for FFY 2022 wage index reclassification applications. This file contains the wages and hours, by hospital, used in the development of the wage index for FFYs 2019, 2020, and 2021 and is available on the CMS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Wage-Index-Files-Items/Three-Year-MGCRB-Reclassification-Data.html?DLPage=1&DLEntries=10&DLFilter=reclassification&DLSort=2&DLSortDir=ascending>.

Other factors taken into consideration by the MGCRB for wage index reclassifications may include special exceptions and exemptions to potential wage index reclassifications including alternative criteria for special rural status and group reclassifications.

Notes:

- *Hospitals that are now or have ever been designated as RRCs and hospitals that are the sole hospital in a CBSA are exempt from geographic CBSA criterion. Hospitals that pay at least 40 percent of the adjusted uninflated wages in its CBSA are also exempt from this criterion. This report indicates these exemptions and accounts for any RRC changes since FFY 2010.*
- *For FFY 2021, CMS is proposing in the FFY 2021 IPPS Proposed Rule 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 CBSA changes are reflected in this analysis.*
- *Due to CMS prioritizing and supporting efforts in containing and combating COVID-19 pandemic, the FFY 2021 IPPS Final Rule has been delayed and therefore, the wage index reclassification is provided with the FFY 2021 IPPS Proposed Rule files instead of the final rule files.*