Medicare Hospital Wage Index and Occupational Mix Data Analysis
Revised Data for the Development of the Federal Fiscal Year 2022 Wage Index
-Version 1-

Analysis Description

The Medicare Hospital Wage Index and Occupational Mix Data Analysis – Revised Data (January 29, 2021 release) is intended to provide hospitals with a comparative review of the wage and occupational mix data that will be used to develop the federal fiscal year (FFY) 2022 Medicare hospital wage index.

The data analyzed is revised and is the second of three public use files (PUFs) that the Centers for Medicare and Medicaid Services (CMS) will issue to develop the hospital wage index for FFY 2022. 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 <u>February 16, 2021</u> to submit requests for either corrections to errors in the January PUFs due to CMS or Medicare Administrative Contractor (MAC) mishandling of the data, or for revisions of desk review adjustments to wage index data as included in the PUFs. Since this is the second release, there is not enough time for MACs to process new data, therefore no new data requests will be addressed. Requests and supporting documentation for revision requests must be submitted to the hospital's MAC.

Data Sources

This data comparison utilizes wage and occupational mix data files provided as PUFs by CMS. Preliminary 2018 wage data (FFY 2022 wage index) are from the May 18, 2020 wage data PUF while revised 2018 wage data (FFY 2022 wage index) are from the January 29, 2021 PUF. The occupational mix data uses PUFs from the same dates.

CMS' wage index/occupational mix PUFs and hospital wage index development timetable are both available at: https://www.cms.gov/medicaremedicare-fee-service-paymentacuteinpatientppswage-index-files/fy-2022-wage-index-home-page.

The revised wage data PUF is Worksheet S-3 wage data from Cost Reports for FFY 2018 (FFY being dates from October 1, 2017 to September 30, 2018) submitted to the Healthcare Cost Report Information System (HCRIS).

The hospitals analyzed include all hospitals that were included in the preliminary/revised wage data and occupational mix. A special note is provided for hospitals that were not in the wage data PUFs.

This analysis will only show available data. If a hospital is missing revised data, only the preliminary columns will appear, and vice-versa. If a hospital is missing both preliminary and revised data for either wage or occupational mix, the table will be blank.

Table 1 – Wage Data
The first table includes <u>all lines from Worksheet S-3 Part II of the cost report</u>. This report is intended to provide a comparison of the preliminary 2018 and revised 2018 wage data that each hospital submitted to CMS. This report can be used to review the revised 2018 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.

Table 2 – Wage Data
The second table includes <u>only lines relevant to the wage index calculation from Worksheet S-3 Part II of the cost report</u>. This report is intended to provide a comparison of the revised 2018 wage data for the hospital, its Core-based Statistical Area (CBSA), State, and the Nation. This report will help in the review of the revised 2018 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.

The last lines of the report include a comparison of the preliminary 2018 and revised 2018 AHWs for the hospital, its CBSA, State, and the Nation. The AHW provided on these last 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 <u>does not</u> 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 <u>all lines</u> from Worksheet S-3 Part II of the cost report, while Table 2 looks specifically at 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.*

Table 1 – Occupational Mix
The first table is intended to provide a review of the occupational mix survey data that was submitted to CMS.

This report is intended to provide a comparison of the preliminary occupational mix data used for the FFY 2022 wage index and revised occupational mix data to be used for the FFY 2022 wage index. This report can be used to review and highlight any errors in the reporting.

This table also provides benchmark comparisons to the hospital's CBSA and the Nation. These comparisons are included to give hospitals an indication of how their average hourly wage (AHW) by occupational mix category compares to the CBSA and Nation. Hospitals should focus their benchmark review on the "Total Nursing Reported" line. In general, if the hospital AHW reported here is greater than the CBSA amount, the hospital's data may cause the CBSA to be disadvantaged when calculating the occupational mix adjustment.

Table 2 – Occupational Mix
The second table is intended to provide an idea of how the occupational mix data, as currently reported, could affect a hospital when compared to the nation. While the occupational mix adjustment is made on a CBSA level, a hospital-specific factor is provided to show how the hospital's occupational mix data compares to the nation. A hospital-specific occupational mix factor greater than 1.0 indicates that the hospital has a less expensive mix of employees than the U.S. If the occupational mix factor at the CBSA level (reflecting data from

all hospitals in the CBSA) is greater than 1.0, the occupational mix adjustment will increase the CBSA wage index. A comparison to the current hospital-specific occupational mix factor is also provided.

Notes:
- *The Registered Nurse (RN) occupational mix categories tend to drive the occupational mix calculation and hospitals should ensure that data reported in these categories are correct. In general, hospitals that report RN AHWs at a level lower than the Nation tend to receive a positive occupational mix adjustment. RN hours as a percent of total nursing hours is provided to support review of the RN occupational mix category.*