

BKD
CPAs & Advisors

A2HA
Spring 2019 Update



Since we met last September

- › OIG report on wage index & CMS response
 - What is being written into the proposed IPPS rules
 - What has to be fixed via legislation
- › FFY 2020 wage index
 - MAC completed reviews of the wage index data
 - Released in January 31, 2019 public use file (PUF)
 - Appeals due February 15, 2019
 - Awaiting updated FFY 2020 data with appeals & omitted providers
- › FFY 2021 HCRIS data released with information for most hospitals

OIG Report—November 2018

What OIG Found

“We identified these significant vulnerabilities in the wage index system: (1) absent misrepresentation or falsification, CMS lacks the authority to penalize hospitals that submit inaccurate or incomplete wage data; (2) MAC limited reviews do not always identify inaccurate wage data; (3) the rural floor decreases wage index accuracy; and (4) hold-harmless provisions in Federal law and CMS policy pertaining to geographically reclassified hospitals’ wage data decrease wage index accuracy. As a result of these vulnerabilities, wage indexes may not always accurately reflect local labor prices and, therefore, Medicare payments to hospitals and other providers may not be appropriately adjusted to reflect local labor prices.”

What OIG Recommends and CMS’s Comments

“We recommend that (1) CMS and the Secretary of Health and Human Services revisit the possibility of comprehensive reform, including the option of a commuting-based wage index. In the absence of movement toward comprehensive reform, we recommend that (2) CMS seek legislative authority to penalize hospitals that submit inaccurate or incomplete wage data in the absence of misrepresentation or falsification; (3) seek legislation to repeal the law creating the rural floor; and (4) seek legislation to repeal the hold-harmless provisions in Federal law, allowing CMS to calculate each area wage index based on the wage data of hospitals that reclassify into the area and hospitals geographically located in the area provided that they do not reclassify out. Additionally, we recommend that (5) CMS rescind its hold-harmless policy relating to geographically reclassified hospitals’ wage data and (6) **work with the MACs to develop a program of in-depth wage data audits at a limited number of hospitals each year, focusing on hospitals whose wage data have high levels of influence on the wage index of their area.”**

CMS Response

- › Considering points 1-4, disagreed with 5, agreed with 6
- › Wage Index audits
- › Discussion on any recent updates

Ranking Data

- › FFY 2020 from January 31, 2019 PUF
- › FFY 2021 from HCRIS data
 - Prior year if no updated data in HCRIS
- › Adjusted Average Hourly Wage (AHW) does NOT consider occupational mix adjustment factor, budget neutrality, or midpoint factor
- › Where do the opportunities lie?

National Comparison Data

Category	FFY 2019 Final	FFY 2020 January PUF	FFY 2021 Increase
Increase in Unadjusted Total Salaries/Total Hours	2.6%	2.4%	2.8%
Wage Related Costs/Total Salaries	28.7%	28.0%	28.0%
Part A physicians (salaried & contracted)/Total Salaries	1.6%	1.6%	1.6%
Patient Care under contract (without I&R)/Total Salaries	3.4%	3.1%	3.2%
Administrative & General under contract/Total Salaries	1.4%	1.7%	1.4%

Questions?

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