



**Kansas Hospital  
ASSOCIATION**

TO: CEOs and CFOs of PPS Hospitals

FROM: Tish Hollingsworth, Vice President of Reimbursement

DATE: January 30, 2020

RE: FFY 2022 Area Wage Index Improvement Project

Attached you will find a detailed memo from BKD outlining the Federal Fiscal year (FFY) 2022 Area Wage Index Project for Kansas. As in previous years, this project is for all Prospective Payment System (PPS) hospitals excluding the Kansas City area, as they have been participating in a separate wage index improvement project. Sue Brammer, CPA, will continue to be our project coordinator.

Wage index is one of the factors used by the Centers for Medicare & Medicaid Services (CMS) to determine prospective payment to hospitals for the patient care they provide to Medicare recipients. It is intended to account for regional differences in the cost of wages in the Medicare reimbursement formula. The methodology to determine wage index compares an annual national hospital wage level with that of hospitals located within a defined geographical region known as a core-based statistical area (CBSA). To fully benefit from a wage index improvement project, high participation from all of the hospitals is needed to ensure the CBSA wage index is accurate and that the hospitals are receiving the reimbursement entitled to them.

The wage index is one of the few areas for which you have an opportunity submit corrections and additional documentation after the Medicare Cost Report has been filed. The wage index is applied to most Medicare payment systems, including inpatient and outpatient PPS, inpatient rehabilitation and psych, skilled nursing facilities, hospice and home health. Hospitals must carefully review their data to ensure accuracy. Even a marginal increase in the CBSA wage index can benefit your hospital and justify the associated fee for participation.

Every three years, CMS conducts an occupational mix survey, and applies for FFY 2022. This survey also influences the wage index. BKD can perform an occupational mix review in conjunction with the wage index if the hospital chooses. BKD will be hosting an educational occupational mix survey webinar on February 27 at 1:00 pm. Details on the webinar are outlined in the attached memo, with additional information to be provided upon receipt of the signed engagement letter.

If you have any questions or would like to discuss the wage index project further, please contact me at [thollingsworth@kha-net.org](mailto:thollingsworth@kha-net.org) or by calling 785-276-3132. Thanks!

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Attachment

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**To: Kansas Hospitals**  
**From: Sue Brammer and Chad Tysdahl**  
**Date: January 28, 2020**  
**Subject: FFY 2022 Wage Index and Occupational Mix Survey**

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### **What was the impact of the Wage Index Project in the Prior Year?**

The following memo outlines the significance of the wage index to various types of hospitals in Kansas. As you will note, all hospitals in Kansas are impacted.

### **Why is the Wage Index Important to My Hospital?**

As a Prospective Payment System (PPS) hospital, the Medicare wage index determines approximately 60% to 70% of the hospital's Medicare reimbursement. The data is used to establish not only the inpatient reimbursement, but also the outpatient, psychiatric, rehabilitation, home health, hospice and skilled nursing facility reimbursement. It impacts Sole Community Hospitals (SCHs), Medicare Dependent Hospitals (MDHs), reclassified hospitals and redesignated hospitals. No one is immune from the impact of the wage index except for critical access hospitals. Please see the last page of this memo further explaining how every hospital is impacted.

In addition, wage index is one of the few areas for which you have the opportunity to submit corrections and additional documentation after the cost report is filed. In fact, over 85% of hospitals across the country have changes to their as-filed information and over 99% of the hospitals we reviewed last year have changes. Wage index is a highly competitive, budget neutral process. If the hospitals in Kansas fail to carefully review their data, then Kansas' share of the Medicare reimbursement goes elsewhere across the country.

Based upon our experience in working with the hospitals in Kansas and our review of the public use file wage index data, many Kansas hospitals are not taking advantage of the opportunity to submit corrections. Some hospitals are even under the impression that no changes are needed to the as-filed data, which is highly unlikely. Furthermore, even if you believe your data to be correct, we urge you to remember that wage index is a collaborative process. If another hospital in the area does not have their wage index data correct, then your Medicare reimbursement is directly impacted.

## How could you Help your Hospital and Help Kansas?

First, we need every hospital to make arrangements to participate in the wage index review and occupational mix survey (OMS) reviews. The OMS is due July 1, 2020. This survey will be used in setting the occupational mix adjustment factor for Federal Fiscal Year (FFY) 2022, 2023 and 2024. **For those wishing to have their OMS reviewed, we will kick off this part of the project with a webinar on Thursday, February 27, 2020 at 1:00 PM. Call in information will be provided to the participants.**

Changes to the wage index for FFY 2022 are likely due again in early September 2020. As a result, it is important to start this process sooner than later.

Following the education, we will begin our scrub of the wage index data. We will provide a request list upon receipt of the engagement letter for those facilities which have not already submitted the signed engagement letter. Upon completion of our review, we will have a conference call to discuss specific opportunities and brainstorm about other strategies the hospital could consider. In addition, we will draft the letter and supporting documentation for your submission to WPS, handle the wage index questions upon review by WPS, file necessary wage index appeals and check that your hospital's data was properly included in the wage index PUFs.

Engagement letters for the project are attached. Below is a summary of the fees, which are tiered, based on the size of your hospital:

<b>Medicare Acute Discharges</b>	<b>Wage Index Review</b>	<b>Occupational Mix Review</b>
Less than 2,000	\$ 5,500	\$1,300
2,000 to 4,999	\$ 7,500	\$1,300
5,000 to 9,999	\$11,000	\$1,300
10,000 or Greater	\$17,000	\$1,300

If you are in need of assistance in preparing your OMS, please let us know as we are happy to assist you and will provide updated fees for the preparation of the OMS as opposed to the review of the OMS.

### Timeline

#### February 2020

Please plan to return your signed engagement letter by February 12, 2020.

For those electing to participate in the OMS review, we will host a webinar on **February 27 at 1:00 PM**. Call in information and materials will be provided upon receipt of your signed engagement letter.

#### March 2020

We will provide to participating hospitals a dashboard comparison of each hospital's specific areas of opportunity for improvement and a ranking in terms of salaries, hours, employee benefit percentage, overhead costs, etc. We will also supply a documentation request. The documentation request will include an electronic wage index checklist to help identify areas for improvement.

### **April through June 2020**

Following the completion of the analytical reviews and upon receipt of the data request, we will perform a detailed review of your data. We will perform a detailed review of the data compared to what was reported on the wage index. We will prepare a draft report of our findings and schedule a time to discuss our findings and recommendations with you, as well as to obtain any outstanding items. These meetings will occur through a conference call.

### **July and August 2020**

OMS will be due to the MAC by July 1, 2020. Upon completion of the wage index work, we will issue a final report that will identify findings as well as recommendations or strategies for changes in current or future cost reporting periods. We also will provide a draft letter and the underlying documentation to be submitted to the Medicare Administrative Contractor (MAC) to request changes to the submitted wage index data. Typically, corrections are required to be submitted to the MAC by early September of each year.

### **Fall 2020**

As the MAC reviews the wage index information, we will assist the participating hospitals in working with it to accept the adjustments requested and to respond to various requests or additional documentation requests. The scope of this project includes this assistance and, if warranted, the first level of appeal to the MAC and the second level of appeal to the Centers for Medicare and Medicaid Services (CMS). Based upon our experience, most issues are typically resolved prior to the need for a formal appeal.

### **Upon Release**

Review the releases of the CMS public use wage index files to verify the proper data is reflected for the participating hospitals.

### **Areas of Emphasis**

We will perform a detail review of the data reported on the various lines of Worksheet S-3, Part II through IV. Based on the analytical review, we will identify for each hospital specific areas of emphasis. Overall project areas of emphasis will include looking at the following areas:

- Self-insured health insurance
- Defined benefit pension plan
- Contract labor
- Part A physician time
- Reporting of hours

Upon review of the as-filed FFY 2022 data, we may identify additional areas of opportunity.

If you have any questions or would like to discuss further, please contact Tish Hollingsworth, KHA (785.233.7436 or [thollingsworth@kha-net.org](mailto:thollingsworth@kha-net.org)) or us. We would welcome the opportunity to answer any questions or concerns.

## How Does a Wage Index Apply to Specially Designated Hospitals?

Clearly, wage index impacts PPS hospitals that are in an urban area. Many hospitals in rural areas that are SCHs, MDHs or reclassified, however, are also impacted directly by the wage index. To address specific concerns that you may be asking yourself as to how a wage index review applies to your hospital, we have addressed the following scenarios that may be applicable to your hospital:

- ✓ ***Reclassified Hospitals:*** When a hospital is reclassified into another CBSA, this reclassification applies to the inpatient and outpatient reimbursement. It does not apply to psychiatric units, rehabilitation units, home health agencies, skilled nursing, hospice, etc. For each of these other programs, approximately 60% of the Medicare reimbursement is adjusted by the rural Kansas wage index, not the wage index for which you are reclassified. Therefore, small changes in the wage index impact the Medicare reimbursement. In addition, it is important that reclassified hospitals need to continue to have high enough average hourly wage to meet the criteria for reclassification. Furthermore, to compute the reclassified wage index, the data from the hospitals within that CBSA as well as the reclassified hospitals' data are added together. The higher the hospital's average hourly wage, the higher the reclassified wage index. Finally, it is important to consider that the CMS dislikes the reclassification process and could eliminate this option in the future, which would make the hospital's individual wage index even more important.
- ✓ ***Sole Community Hospitals (SCH):*** Most of the SCHs in rural Kansas are paid on their hospital specific rate. Therefore, the wage index does not impact their inpatient reimbursement. However, outpatient reimbursement is directly impacted since there are no longer hold harmless provisions. Furthermore, the rural Kansas wage index does impact psychiatric units, rehabilitation units, home health agencies, skilled nursing units, hospice programs, etc. For each of these other programs, approximately 60% of the Medicare reimbursement is adjusted by the base wage index. Therefore, small changes in the wage index impact the Medicare reimbursement.
- ✓ ***Medicare Dependent Hospitals (MDH):*** The same commentary as noted under SCHs above could apply to MDHs. Add to that would be the fact that only 75% of the hospital specific rate is considered. The remaining 25% is based on the federal rates. Therefore, for MDHs, the wage index does impact the inpatient reimbursement. Furthermore, the rural Kansas wage index impacts outpatient reimbursement. If the hospital was eligible for hold harmless payments in the past, this expired on December 31, 2012. Therefore, the FFY 2022 wage index will influence the final outpatient reimbursement. Furthermore, the rural Kansas wage index does impact psychiatric units, rehabilitation units, home health agencies, skilled nursing units, hospice programs, etc. For each of these other programs, approximately 60% of the Medicare reimbursement is adjusted by the rural Kansas wage index. Therefore, small changes in the wage index impact the Medicare reimbursement.
- ✓ ***Redesignated Rural Kansas Hospitals:*** Hospitals that are redesignated as rural are included in the wage index of the CBSA to which they reside. All these hospitals are either an SCH or MDH. The CBSA they are located within has a direct impact on the outpatient reimbursement as well as subproviders as explained above.