Wage and Occupational Mix Analysis Training Video

Version 1

Hello and thank you for listening. Today we will be going over DataGen's Wage and Occupational Mix analysis that you receive through your State Hospital Association or corporate health system. For those who are not familiar, DataGen is a for-profit subsidiary of the Healthcare Association of New York State that analyzes Medicare fee-for-service reimbursement for hospitals throughout the country.

The Medicare Hospital Wage Index Analysis is intended to provide hospitals with a comparative review of the wage data that will be used to develop the upcoming federal fiscal year Medicare hospital wage index. CMS uses both data from the Hospital Medicare Cost Report Worksheet S-3 Part II and hospital Occupational Mix Surveys in development of hospital wage indexes. While the cost report data is updated annually, the occupational mix survey data is only collected once every three years. It is extremely important that hospitals review wage and occupational mix data each year as the Medicare wage index adjusts hospital Medicare payments based on geographic area.

Each year CMS releases a wage index development timetable. Under this timetable, hospitals typically have around three weeks to verify their data. CMS releases three public use files to develop the hospital wage indexes throughout the year that hospitals can review and report issues with - preliminary, revised, and "final". The "final" release is a final draft of what CMS plans to use, and hospitals still have the opportunity to request revisions.

For the preliminary release of the wage index and occupational mix files, hospitals can submit correction requests with supporting documentation to their Medicare Administrative Contractor, otherwise known as MAC.

For the revised release, hospitals can submit either corrections to errors in the revised public use files due to CMS or MAC mishandling of the data or for revisions of desk review adjustments to wage index data as included in the public use file.

For the “final” release, hospitals can only submit requests to verify their data and submit correction requests with supporting documentation to both CMS and their MAC to correct errors due to CMS or MAC mishandling of the “final” wage data or dispute data corrections made by CMS of which the hospital has been notified in a specific period that do not arise from a hospital’s request for revisions.

For these subsequent releases, there is not enough time for MACs to process new data, therefore no new data requests are addressed. There are some other specific examples within the DataGen analysis description for the revised and "final" releases as to additional corrections that can be made.

Due to data being subject to revision with each of these releases, this analysis is not intended to be used to calculate hospital wage indexes. This analysis should only be used to review the most recent wage data published by CMS.

Wage - Table 1 can be used to compare the Medicare Cost Report worksheet S-3 Part II data that was released within the previous wage index and occupational mix data file with the current data file under study. This report can be used to review the most recent release of data and highlight any errors in the reporting of worksheet S-3. The percentage change column calculates the percent change from the current release to the previous release and can also be used to highlight any errors in the reporting of worksheet S-3. Hospitals may want to focus on lines with larger percentage changes. The summary of wage-related costs at the bottom of the table is intended to show how

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total salaries compare to wage-related costs. Just as an FYI - not all lines from worksheet S-3 are used within CMS' wage index calculation but are provided for informational purposes.

Wage - Table 2 includes only lines relevant to the wage index calculation from cost report Worksheet S-3 Part II. This report is intended to provide a comparison of the most recent release of wage data for the hospital, its core-based statistical area or CBSA, state, and the nation. This report is designed to help in the review of the most recent data release, allowing focus on areas where the average hourly wage, known as 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 AHWs for the hospital, its CBSA, state, and the nation between releases of data. The AHW provided on these lines is calculated using CMS' methodology of total salaries and hours adjusted to remove teaching, Certified Registered Nurse Anesthetists, 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.

Please note that Wage Table 1 shows the changes to all lines from Worksheet S-3 Part II of the cost report, while Wage 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.

Separately, Occ - Table 1 is intended to provide a review of the occupational mix survey data that was submitted to CMS and highlight any errors in the reporting. This table also provides CBSA and national benchmarks to give hospitals an indication of how their AHW by occupational mix category compares these two groups. Hospitals should focus their benchmark review on the "Total Nursing Reported" line. In general, if the hospital AHW reported on this line is greater than the CBSA amount, the hospital's data may cause the CBSA to be disadvantaged when calculating the occupational mix adjustment.

Occ - Table 2 is intended to provide hospitals with 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.

On all tabs, the "final" release used for the previous year wage index is also provided for information purposes.

Please note that the Registered Nurse, or RN, occupational mix category tends to drive the occupational mix calculation and hospitals should especially ensure that data reported in this category is correct. In general, hospitals that report RN AHW 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.

This analysis will only show available data. If a hospital is missing all data for either wage or occupational mix, the associated table will be blank.

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Lastly, there is a notes and glossary tab that shares additional detail about timeframes and data sources.

If you have any questions, please reach out to your State Hospital Association or system representative. Thank you and have a great day.

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