How Reversal of Patient Protection and Affordable Care Act (PPACA) Will Affect Your Wage Index

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We wrote an article about how the PPACA would affect Wage Index back in 2010. Now reverse these rules if PPACA is reversed.

Geographic Reclassification Requirements Reset

Prior to the passage of the Patient Protection and Affordable Care Act (PPACA), CMS implemented a two-year phase-in, which systematically increased geographic reclassification requirements for hospitals. The PPACA resets those requirements back to their former levels. Under PPACA requirements, an urban hospital's three-year average hourly wage (AHW) must be at least 108% (if urban) and 106% (if rural) of the area they belong to and 84% of the AHW of the area into which it wishes to reclassify (with levels of 82% for rural hospitals) in order for the hospital to be eligible.

If PPACA is reversed hospitals will have to be 86% (if urban) and 84% (if rural) of the area they are trying to reclassify into.

Rural Floor Budget Neutrality Adjustment

It is a CMS requirement that no hospital within a state can receive a wage index less than that of its rural hospitals. Because the wage index is budget-neutral, in the past if a Core Based Statistical Area (CBSA) received an increase in its wage index due to the rural floor adjustment, the money to pay for that increase was taken from the national pool. Before PPACA, CMS has been progressively shifting the responsibility for paying for these increases from the national level to an individual state level. The PPACA restored this responsibility back to the national level.

If PPACA is reversed the rural floor budget neutrality factor will be funded within each state and all wage indices will go up .0062 or approximately $43 per Medicare PPS discharge. The down side will be for states which have CBSA's receiving the rural floor. Money which was coming from all other hospitals will now have to be funded from within the state.

Frontier States Wage Index Floor

The PPACA established a Frontier States wage index floor beginning in FFY 2011. No hospital located within a state designated as a Frontier State can have a wage index less than 1.00. Five states qualify to be Frontier States, namely Montana, Nevada, North Dakota, South Dakota and Wyoming. The largest increase in the wage index for any individual Frontier State hospital is more than 20 percentage points, which equates to additional reimbursement in excess of $1,000 per Medicare PPS discharge. This provision, which affects 50 hospitals at a cost of $90 million dollars, is not budget-neutral.

Reversing PPACA will remove Frontier State status and these five states will no longer have a minimum Wage Index of 1.000.

Go to www.wageindex.com to see a three year history of your CBSA's wage index.