

# Wisconsin Hospital Association



## Wage Index Improvement Program PPS 37 (FY 2024 AWI) FYE between September 30, 2020 and August 31, 2021

Presented on August 11, 2022



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## Contact Information – WHA

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## Wage Index Agenda

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- National
- Wisconsin Wage Index
- Reclassification
- Timetable & Process
- S-3 Analysis
- Occupational Mix
- Audit Issues
- Wage Index in Court
- Resources



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## National Average Hourly Wage

	National AHW	Increase	Effective
PPS 32	42.9688	2.17%	10/01/2018
PPS 33	44.04	2.49%	10/01/2019
PPS 34	45.07	2.34%	10/01/2020
PPS 35	46.37	2.88%	10/01/2021
PPS 36	47.71	2.89%	10/01/2022
PPS 37*	49.80	4.38%	10/01/2023



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## Wage Index for FY 2023

- Rural Floor Budget Neutrality Adjustment
  - 2019 - .994733
  - 2020 - .998349
  - 2021 - .993991
  - 2022 - .993988
  - 2023 - .991909
- The wage index history at [www.wageindex.com](http://www.wageindex.com) updated on the release of each Public Use File in May, February, April and August



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## History of Wisconsin Wage Index

	National AHW	\$ 44.04	\$ 45.07	\$ 46.37	\$ 47.71	
CBSA#	CBSA Name	FY2020 PPS 33	FY2021 PPS 34	FY2022 PPS 35	FY2023 PPS 36	Current Change
11540	Appleton	0.9339	0.9475	0.9376	0.9503	1.3
20740	Eau Claire	0.9799	0.9475	1.0212	0.9367	(8.5)
22540	Fond du Lac	0.8946	0.9475	0.9160	0.8997	(1.6)
24580	Green Bay	0.9300	0.9475	0.9239	0.9306	0.7
27500	Janesville-Beloit	0.9065	0.9475	0.9160	0.9158	(0.0)
29100	LaCrosse-Onalaska	0.9732	0.9475	0.9378	0.9464	0.9
29404	Lake Co.-Kenosha, Co.	1.0396	1.0174	1.0109	1.0591	4.8
31540	Madison	1.0565	1.0228	1.0216	1.0451	2.3
33340	Milwaukee-Waukesha-West Allis	0.9607	0.9813	0.9784	0.9754	(0.3)
36780	Oshkosh-Neenah	0.9108	0.9475	0.9443	0.9221	(2.2)
39540	Racine	0.9269	0.9706	0.9738	0.8978	(7.6)
43100	Sheboygan	0.9368	0.9475	0.9410	0.9562	1.5
48140	Wausau-Weston	0.8964	0.9475	0.9160	0.8647	(5.1)
52	Rural Wisconsin	0.8946	0.9475	0.9160	0.8647	(5.1)



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## History of Wisconsin Wage Index

	National AHW	\$ 44.04	\$ 45.07	\$ 46.37	\$ 47.71	\$ 49.80		
CBSA#	CBSA Name	FY2020 PPS 33	FY2021 PPS 34	FY2022 PPS 35	FY 2023 PPS 36	As Filed FY 2024 PPS 37	Next Year's Change	
11540	Appleton	0.9339	0.9475	0.9376	0.9503	0.9287	(2.2)	
20740	Eau Claire	0.9799	0.9475	1.0212	0.9367	0.9477	1.1	
22540	Fond du Lac	0.8946	0.9475	0.9160	0.8997	0.8746	(2.5)	
24580	Green Bay	0.9300	0.9475	0.9239	0.9306	0.9558	2.5	
27500	Janesville-Beloit	0.9065	0.9475	0.9160	0.9158	0.9814	6.6	
29100	LaCrosse-Onalaska	0.9732	0.9475	0.9378	0.9464	0.9367	(1.0)	
29404	Lake Co.-Kenosha, Co.	1.0396	1.0174	1.0109	1.0591	1.0062	(5.3)	
31540	Madison	1.0565	1.0228	1.0216	1.0451	1.0121	(3.3)	
33340	Milwaukee-Waukesha-West Allis	0.9607	0.9813	0.9784	0.9754	0.9121	(6.3)	
36780	Oshkosh-Neenah	0.9108	0.9475	0.9443	0.9221	0.8985	(2.4)	
39540	Racine	0.9269	0.9706	0.9738	0.8978	1.0169	11.9	
43100	Sheboygan	0.9368	0.9475	0.9410	0.9562	1.0008	4.5	
48140	Wausau-Weston	0.8964	0.9475	0.9160	0.8647	0.8746	1.0	
52	Rural Wisconsin	0.8946	0.9475	0.9160	0.8647	0.8746	1.0	



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## Wisconsin Wage Index Trends

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- NGS audits focused largely on Part A & B MD's, pension, wage related costs, contract labor and home office
- National AHW Increasing by 4.4%
  - As filed Half of Wisconsin CBSA's increase and half decrease
- Only 2 CBSA's receive Rural wage index
- 28 out of 68 hospitals reclassify to another CBSA



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## How the Wage Index is Calculated

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- **Total salaries and hours**
  - Adjust for overhead departments
  - Adjust to a common period with an inflation factor
  - Adjust for Occupational Mix
  - Total salaries and hours at the CBSA level
  - Total salaries and hours nationally
  - Divide each CBSA's AHW by the National AHW
- **Each CBSA has a Rural Floor Budget Neutrality Factor of .991909**



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## Rural Wisconsin Wage Index Calculation FY 2023

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- **Total salaries and hours**
  - \$ 827,312,477 ÷ 19,881,707 = \$41.61
  - **National AHW \$47.71**
- **Budget Neutrality Factor 0.991909**
  - (\$41.61 ÷ \$47.71) = .8721
  - .8721 x 0.991909 = 0.8650
- **Wage Index = 0.8647**



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## Importance of the Wage Index

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- Labor portion of the DRG is:
  - 62% if the wage index is less than or equal to 1
  - 68.3% if the wage index is greater than 1
- Highest wage index – Vallejo-Fairfield, CA 1.8939
- Lowest wage index – Rural Alabama .6556 (.7489)
- 25% Percentile is .8427



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## 10 Largest Increases In Wage Index

		<b>FY 2022 Wage Index</b>	<b>FY 2023 Wage Index</b>	<b>PP Change</b>
43420	Sierra Vista-Douglas, AZ	0.8338	1.0397	20.6
46060	Tucson, AZ	0.8338	1.0397	20.6
41540	Salisbury, MD-DE	0.9074	1.0887	18.1
44700	Stockton, CA	1.3532	1.5123	15.9
10900	Allentown-Bethlehem-Easton, PA-NJ	0.9809	1.1141	13.3
47894	Washington-Arlington-Alexandria, DC	1.0081	1.1380	13.0
46700	Vallejo-Fairfield, CA	1.7642	1.8939	13.0
15500	Burlington, NC	0.8570	0.9824	12.5
29420	Lake Havasu City-Kingman, AZ	0.9151	1.0397	12.5
44220	Springfield, OH	0.8570	0.9642	10.7



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## 10 Largest Decreases In Wage Index

		<b>FY 2022 Wage Index</b>	<b>FY 2023 Wage Index</b>	<b>PP Change</b>
42100	Santa Cruz-Watsonville, CA	1.8649	1.7457	(11.9)
20740	Eau Claire, WI	1.0212	0.9367	(8.5)
14100	Bloomsburg-Berwick, PA	0.9664	0.8841	(8.2)
39540	Racine, WI	0.9738	0.8978	(7.6)
28420	Kennewick-Richland, WA	1.1029	1.0388	(6.4)
30300	Lewiston, ID-WA	1.1029	1.0388	(6.4)
34580	Mount Vernon-Anacortes, WA	1.1029	1.0388	(6.4)
48300	Wenatchee, WA	1.1029	1.0388	(6.4)
49420	Yakima, WA	1.1029	1.0388	(6.4)
50	Washington	1.1029	1.0388	(6.4)



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## Reclassification

- Hospitals may request to be reclassified from one locale to another for the purposes of using the other area's wage index value
- In order to reclassify,
  - Hospital must demonstrate proximity
  - AHW parameters to new CBSA
- Applications are for a three-year period
- Hospitals may withdraw their reclassification



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## Reclassification

- Individual hospitals must meet the following criteria
  - Proximity
    - 35 miles for hospitals located in rural areas
    - 15 miles for hospitals located in urban areas
    - At least 50% of employees reside in target area
  - AHW data
    - 106% of current CBSA for rural hospital; 82% of target
    - 108% of current CBSA for urban hospital; 84% of target



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## Reclassification

- All hospitals in a county may reclassify together
- County Reclasses must meet the following criteria
  - Proximity
    - Must be adjacent to requested area
    - 15 miles for hospitals located in urban areas
    - At least 25% of employees reside in target area
  - AHW data
    - Aggregate 3-year AHW must be 85% of target
    - Target must be greater than current AHW



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## Reclassification

- Rural Referral Centers (RRC) & Sole Community Hospitals (SCH) have exemptions to the proximity and % criteria for reclass
- RRC hospitals are exempt from 106/108% AHW comparison and must only be 82% of target area
- RRC hospitals can move to the nearest CBSA



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## Reclassification Timeline

Application	Decision	Appeal	Appeal	Appeal	Appeal	Effective
9/17/2022	2/11/2023	2/26/2023	3/31/2023	6/2/2023	6/24/2023	10/1/2023
Application must be received by the MGCRB and CMS	MGCRB decision due	Hospital appeal of MGCRB's decision due	CMS Comments due	Deadline for Hospital to cancel Rural reclass	Deadline to withdraw or terminate a reclass	New Wage Index Effective



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## Reclassification

- Approved
  - FY 2023 395
  - FY 2022 496
  - FY 2021 317
- For FY 2023, **1,208 of 3,397** hospitals are in MGCRB status (**35.6%**)
- **28 of 68 (41%)** Wisconsin Hospitals Reclassify



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## FY 2024 Wage Index Timetable

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- **May 23, 2022** – Posting of As-Filed PUF
- **Sept 2, 2022** – Deadline to request revisions
- **Nov 4, 2022** – NGS to notify state associations on non-reporting hospitals
- **Nov 15, 2022** – Deadline for NGS desk reviews
- **Jan 30, 2023** – Posting of revised PUF



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## FY 2024 Wage Index Timetable

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- **Feb 15, 2023** – Deadline for hospitals to request corrections
- **April 3, 2023** – Deadline for hospitals to appeal
- **April 28, 2023** – Posting of Proposed Rule PUF
- **August 1, 2023** – Issuance of IPPS Final Rule
- **Oct 1, 2023** – Effective date of FFY 2024 WI



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## **Wage Index Improvement Process**

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- WHC analyzed PUF
- Sent out S-3's with highlighted items of interest; also available on web portal
- WHC contacts coordinator with questions
- Hospital coordinator and WHC determine if any revisions are necessary
- WHC will help prepare revision letter



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## **Wage Index Improvement Process**

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- Revisions are due September 2, 2022
- WHC assists the hospitals to defend revisions during the MAC's audits
- WHC verifies revisions are included in all PUFs and provides any necessary follow-up



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## Wage Index Data to be Reviewed

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- FY 2020 Cost Report – Form 2552-10 –  
Worksheets A, A-6, A-8-2 and S-3, Parts II, III  
and IV
- Worksheet S-3, Parts II, III and IV workpapers
- General ledger summary
- Payroll hours summary by pay code
- For Defined Benefit Pension plans
  - Cash contributions paid over 3-year period(2020, 2019  
& 2018)



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## Worksheet S-3 Analysis

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- Does Line 1 AHW reflect pay increases?
- Contract Labor AHW's make sense?
- Are wage-related costs comparable to prior year  
in dollars and percentage?
- Have A&G costs been included on Line 28?



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## Hours Issues

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- Eliminate on-call, standby and bonus hours
- Pay code AHW comparison
- Any credits to payroll accounts
- PTO Buy/Sell Back
- Ensure there are only 26 pay periods and not 27



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## Pension Costs Currently

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- Reductions in past were being amortized for ten years – No longer included
- Defined Benefit Plan – Three-year average of cash contributions
  - Actually paid
- Identify defined contribution separately
- Backup of payments is being requested



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# Pension Worksheet

Wage Index Pension Cost Worksheet				
Provider Name:				#
<b>Step 1: Determine the 3-Year Averaging Period</b>				
(1)	Wage Index FY ending			2024
(2)	Provider cost reporting period used for Wage Index year shown on Line 1			to
(3)	Midpoint of provider's cost reporting period shown on Line 2 (i.e., in highlighted cell to adjust to first of month)			+
(4)	Beginning the 3-year averaging period (subtract 36 months from midpoint shown on Line 3)			
(5)	End of the 3-year averaging period (date 36 months to midpoint shown on Line 3)			
<b>Step 2: Adjust Averaging Period for a New Plan (see instructions)</b> (Leave this section blank if Provider has not elected to use an adjusted averaging period)				
(6)	Effective date of pension plan			
(7)	First day of the provider cost reporting period containing the pension plan effective date			
(8)	Start adjusted averaging period (date on Line 7 if first of the month, or "1" in highlighted cell to adjust to first of month)			+
<b>Step 3: Average Pension Contributions During the Averaging Period</b>				
(9)	Beginning date of averaging period from Line 4 or Line 8			
(10)	Ending date of averaging period from Line 5			
(11)	Enter provider contributions made during the averaging period shown on Lines 9 & 10 (Data may be provided within the averaging period to begin with deposit/contribution records (enter beginning date of annual date range))			
	Deposit Date(s)	Contributions	Deposit Date(s)	Contributions
	1		19	
	2		20	
	3		21	
	4		22	
	5		23	
	6		24	
	7		25	
	8		26	
	9		27	
	10		28	
	11		29	
	12		30	
	13		31	
	14		32	
	15		33	
	16		34	
	17		35	
	18		36	
(12)	Total Number of Months Included in Averaging Period			36
(13)	Total Contributions Made During Averaging Period			\$0
(14)	Average Monthly Contribution (Line 13 divided by Line 12)			\$0
(15)	Number of Months in Provider Cost Reporting Period shown on Line 2			0
(16)	Average Pension Contributions (Line 14 multiplied by Line 15)			\$0
<b>Step 4: Total Pension Cost for Wage Index</b>				
(17)	Wage Index FY shown on Line 1 is after 2022, enter "0" on Lines 17 and 18			
(18)	Reportable Prefunding Installment from Line 8 of Pension Prefunding Worksheet, if applicable (see instructions)			\$0



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## Worksheet S-3, Part II

- S-3 instructions can be downloaded at web portal
- No longer use Line 14
  - Line 14.01 – Home Office Salaries
  - Line 25.50 – Home Office Benefits



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## Worksheet S-3, Part IV

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- Part IV should include all wage related costs
- We recommend a reconciliation between G/L benefits and total Wage Related Costs on S-3 Lines 17-25
- Any changes to S-3, Part II, Lines 17-25 need to be updated on Part IV
  - Auditors will reduce S-3, Part II to Part IV amounts



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## Contracted Administrative & General

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### National

- |           |     |        |                |
|-----------|-----|--------|----------------|
| • FY 2022 | 86% | \$4.9B | AHW of \$83.33 |
| • FY 2023 | 87% | \$4.9B | AHW of \$87.33 |
| • FY 2024 | 80% | \$4.1B | AHW of \$82.13 |

### Wisconsin

- |           |                |       |                 |
|-----------|----------------|-------|-----------------|
| • FY 2022 | 89% (56 of 63) | \$56M | AHW of \$128.05 |
| • FY 2023 | 86% (54 of 63) | \$60M | AHW of \$119.39 |
| • FY 2024 | 85% (55 of 65) | \$44M | AHW of \$120.39 |



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## **Contracted Administrative & General**

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- Include amounts for A&G services under contract
- Only costs on Worksheet A, line 5 and subscripts, are allowed
  - A-6 Reclass?
- Types of services: Legal, tax preparation, cost report preparation, consulting, wage index
- NEED HOURS



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## **Contracted Housekeeping & Dietary**

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- If both services are outsourced CMS wants contracted amounts recorded
- NGS will estimate hours if nothing is reported



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## Occupational Mix Survey

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- Survey is done every three years
- Next survey scheduled to be due July 2023
- Last survey was submitted July 3, 2020
  - Used calendar year 2019 data
- Affects hospitals for 3 years beginning in FY 2022 (October 1, 2021)
- National RN Average is 70.8%



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## Audit Issues

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- Contracted & Employed Physician to A-8-2
  - NGS requesting detail for Line 4
- Contracted Labor (Lines 11, 12, 13, 28, 33 & 35)
- Home Office Payroll & Wage Related Costs
- Pension Detail
- Capitalizes Salaries



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## Audit Issues

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- We want to be involved before any denials (easier process)
- If denied or you do not agree, we want to be involved in the appeal



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## Wage Index in Court

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- 25<sup>th</sup> Percentile Wage Index Policy
  - At Least a Four-Year Adjustment (FY 2020-FY 2023)
  - Bridgeport Hospital v. Becerra (1:20-cv-01574)
    - District court found CMS did not have authority to implement policy
    - Court order remanded the matter for further proceedings
    - Only impacts FY 2020
  - CMS continued policy in FY 2023 Final Rule
  - FY 2023 Wage Index below .8427 (25<sup>th</sup> percentile)
    - ½ the difference between original and .8427



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## Wage Index in Court

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- 25<sup>th</sup> Percentile Wage Index Value
  - Value for previous four years
    - FY 2020 .8482
    - FY 2021 .8465
    - FY 2022 .8418
    - FY 2023 .8427
    - FY 2024 ?



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## Wage Index in Court

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- Urban to Rural Hospitals Impacting Rural Floor
  - Citrus HMA vs Becerra (1:20-cv-00707)
  - District court ruled CMS did not have authority to have Rural Floor lower than Rural Wage Index
  - CMS Appealed to U.S. Courts Of Appeals
  - Only involved FY 2020
  - CMS reversed policy in FY 2023 Final Rule
    - Urban reclassifications can impact Rural Floor



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## Wage Index Changes

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- Imputed Rural Floor for CT, DE, DC, NJ, & RI
  - No expiration
  - Not budget neutral
  - Estimated cost of \$0.2 Billion
- 5% cap on any decrease
  - Permanent
  - Budget neutral (adjust standardized amount)



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## What's Next?

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- Gather your data
- Reach out to WHC with your questions
- Wage Index revisions due September 2, 2022



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## Resources

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### Wisconsin Portal Resources on Website:

- FY 2024 Timetable
- Worksheet S-3, Part II, III & IV Instructions
- Pension Cost Worksheet
- S-3 with comparison to prior year
- Webinar presentation & slides



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## Other Resources

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### CMS Website to access Public Use Files:

- <http://www.cms.hhs.gov/acuteinpatientpps/wifn/list.asp#topofpage>

### Federal Register:

- <http://www.gpoaccess.gov/fr/index.html>

### Wage Index History and Estimate:

- <http://www.wageindex.com>



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## ??? QUESTIONS ???

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