

# Connecticut Hospital Association

## Wage Index Review Program PPS 33 (FY 2020 AWI)

Presented on July 10, 2018



- Legend**
- Hospital
  - Eastern Connecticut Health Network
  - Hartford Health Care
  - Western Connecticut Health Network
  - Yale New Haven Health System



# Contact Information – CHA

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# Agenda

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- **National Average Hourly Wage**
- **Wage Index**
  - Wage Index for FY 2019
  - How the Wage Index is Calculated
  - Reclassification
  - Connecticut Rural Effect
- **Wage Index Process**
  - Timetable
- **Pension Costs**
- **Contracted Administrative & General - Line 28**

# National Average Hourly Wage

	National AHW	Increase	Effective
PPS 28	\$ 39.2313	2.25%	10/1/2014
PPS 29	\$ 40.1902	2.44%	10/1/2015
PPS 30	\$ 41.1412	2.37%	10/1/2016
PPS 31	\$ 42.0576	2.23%	10/1/2017
PPS 32	\$ 42.9688	2.17%	10/1/2018
PPS 33	\$ 43.8006*	1.94%	10/1/2019

**\*Projected from June 2018 PUF, prior to audit**

# Wage Index for FY 2019

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- Rural Floor Budget Neutrality Adjustment
  - 2015 - .989455
  - 2016 - .990135
  - 2017 - .993806
  - 2018 - .993672
  - 2019 - .994733
- 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

# Connecticut Wage Index History

CBSA	Name	FY 2017	FY 2018	FY 2019	Natural w/o Reclass
7	Rural Connecticut	1.1699	1.1563	1.3836*	1.1343
14860	Bridgeport-Stamford-Norwalk	1.3275	1.2987	1.3836*	1.2752
25540	Hartford Area	1.1699*	1.1563*	1.3836*	1.1084
35300	New Haven-Milford	1.2212	1.1886	1.3836*	1.1858
35980	Norwich-New London	1.1706	1.2115	1.3836*	1.2027
49340	Worcester, MA-CT	1.1699*	1.2430	1.3836*	1.1825

**\* As published by CMS with errors**



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# What Happened with the Rural Floor?

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- Rural CT has only three hospitals
- New Milford was combined with Danbury's provider number
- All hospitals reclassify out
- Rural CT is based on the three native Rural hospitals
- Rural floor of 1.3836 published by CMS has an error



# 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 – Santa Cruz-Watsonville, CA 1.8046
- Lowest wage index – Rural Alabama 0.6701
- Bill setting a national floor & ceiling getting some political play
- Proposed rule reintroduced past proposals to replace wage index (Acumen, Inst of Medicine, MedPac)

# 10 Largest Increases In Wage Index

CBSA	State or Urban Area	FY 2018 Wage Index	FY 2019 Wage Index	PP Change
7	Connecticut (based on published error)	1.1558	1.3836	22.78
31020	Longview, WA	1.0895	1.2109	12.14
42100	Santa Cruz-Watsonville, CA	1.7922	1.9046	11.24
20524	Dutchess County-Putnam County, NY	1.1289	1.2224	9.35
13	Idaho	0.7748	0.8658	9.10
14020	Bloomington, IN	0.8594	0.9467	8.73
16540	Chambersburg-Waynesboro, PA	1.0894	1.1760	8.66
41500	Salinas, CA	1.6893	1.7757	8.64
22900	Fort Smith, AR-OK	0.7191	0.8049	8.58
12100	Atlantic City-Hammonton, NJ	1.1821	1.2671	8.50

# 10 Largest Decreases In Wage Index

CBSA	State or Urban Area	FY 2018 Wage Index	FY 2019 Wage Index	PP Change
40340	Rochester, MN	1.3425	1.0703	(27.22)
41540	Salisbury, MD-DE	1.1200	0.9152	(20.48)
10900	Allentown-Bethlehem-Easton, PA-NJ	1.1136	0.9504	(16.32)
2	Alaska	1.3297	1.1880	(14.17)
21820	Fairbanks, AK	1.3297	1.1880	(14.17)
11260	Anchorage, AK	1.3297	1.2014	(12.83)
20100	Dover, DE	1.1200	1.0099	(11.01)
39300	Providence-Warwick, RI-MA	1.1438	1.0444	(9.94)
43300	Sherman-Denison, TX	0.8865	0.8050	(8.15)
	(TIE) Four Arizona CBSAs	1.0229	0.9516	(7.13)

# Reclassification

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- Hospitals may be redesignated from one locale to another for the purposes of using the other area's wage index value
- In order to reclassify, the hospital must demonstrate proximity and AHW parameters to new CBSA.
- Applications are for a three year period
- Hospitals may withdraw their reclassification
- For FY 2019, **1,042** hospitals are in MGCRB status (**29.5%**)



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# CT Hospitals Reclassifying FY 2019

TABLE 2- PROPOSED CASE MIX INDEX AND WAGE INDEX TABLE BY CCN - FY 2019 (CONTAINS THE FOLLOWING PROPOSED DATA: AVERAGE HOURLY WAGE, WAGE INDEXES, GEOGRAPHIC AND RECLASSIFICATION/REDESIGNATION CBSA, RECLASSIFICATION/REDESIGNATION STATUS AND OUT MIGRATION ADJUSTMENT)

<sup>1</sup> CCN	Case-Mix Indexes for Discharges Occurring in Federal	<sup>3</sup> FY 2019 Wage Index	<sup>4</sup> Average Hourly Wage FY 2017	<sup>4</sup> Average Hourly Wage FY 2018	<sup>4</sup> Average Hourly Wage FY 2019	<sup>4</sup> 3-Year Average Hourly Wage (2017, 2018, 2019)	Geographic CBSA	Reclassified/Redesignated CBSA	Lugar/NE CMA	MGCRB Reclass	Hospital Reclassified as Rural Under Section 1886(d)(8)(E) of the Act	<sup>5</sup> Out-Migration Adjustment	County Name	FIPS County Code	Dual Status 412.103 and MGCRB /LUGAR
07B033		1.3836			59.7351	59.7351	07	14860		Y			LITCHFIELD	09005	
070021	1.4955	1.3836	52.7231	53.0764	51.3742	52.4109	49340	07			Y		WINDHAM	09015	
070015		1.3836	52.8696	53.1321		52.9923	07	14860		Y			LITCHFIELD	09005	
070005	1.5350	1.3836	46.0516	46.0133	46.1970	46.0861	35300	35004		Y			NEW HAVEN	09009	
070007	1.5633	1.3836	49.7648	54.2569	55.8476	53.1604	35980	35004		Y			NEW LONDON	09011	x
070016	1.5829	1.3836	41.6992	41.8037	42.5173	42.0124	35300	35004		Y			NEW HAVEN	09009	
070017	1.6320	1.3836	48.4505	48.4230	46.4750	47.8243	35300	35004		Y			NEW HAVEN	09009	
070019	1.6034	1.3836	48.7252	50.8148	45.4633	48.3220	35300	35004		Y			NEW HAVEN	09009	
070022	1.9606	1.3836	53.7386	52.9628	53.9294	53.5407	35300	35004		Y			NEW HAVEN	09009	x
070024	1.6473	1.3836	47.0920	47.6578	47.0044	47.2476	35980	35004		Y			NEW LONDON	09011	x
070031	1.4275	1.3836	39.7244	38.9475	42.2006	40.3230	35300	35004		Y			NEW HAVEN	09009	
070038	1.0784	1.3836	39.3687	41.0572		40.0363	35300	35004		Y			NEW HAVEN	09009	
070039	0.9708	1.3836	45.4521	44.4813	47.4553	45.7228	35300	35004		Y			NEW HAVEN	09009	
070002	1.8032	1.3836	44.4232	44.0433	43.9615	44.1423	25540	35300		Y			HARTFORD	09003	x
070004	1.2642	1.3836	44.0186	42.4879	42.7977	43.0968	07	35300	LUGAR				LITCHFIELD	09005	
070011	1.4133	1.3836	45.1549	46.2855	46.5450	45.9743	07	35300	LUGAR				LITCHFIELD	09005	
070020	1.4618	1.3836	48.7789	50.1378	48.6615	49.1777	25540	35300		Y			MIDDLESEX	09007	
070026		1.3836					07	35300	LUGAR				LITCHFIELD	09005	
070036	1.7265	1.3836	53.5111	58.4739	61.2602	57.7686	25540	35300		Y			HARTFORD	09003	

# FY 2020 Wage Index Timetable

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- **May 18, 2018** – Posting of Preliminary PUF
- **Sept. 4, 2018** – Deadline to request revisions to Preliminary PUF
- **Nov 6, 2018** – NGS to notify state associations on non-reporting hospitals
- **Nov. 16, 2018** – Deadline for NGS desk reviews
- **Jan. 31, 2019** – Posting of PUF
- **Feb. 15, 2019** – Deadline for hospitals to request revisions



# FY 2020 Wage Index Timetable

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- **March 22, 2019** – Completion of appeals by MACs and final transmission to CMS
- **April 4, 2019** – Deadline for hospitals to appeal
- **April/May, 2019** – Posting of Proposed Rule PUF
- **Early Aug., 2019** – Issuance of IPPS Final Rule
- **Oct. 1, 2019** – Effective date of FFY 2020 WI



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# Wage Index Improvement Process

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- R-C Healthcare Management analyzes PUF
- RC sends out S-3 with highlighted items of interest; also available on web portal
- RC contacts the hospital staff with questions
- Hospital coordinator and RC determine if any revisions are necessary
- RC helps prepare revision letter



# Wage Index Improvement Process (continued)

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- Revisions are due September 4, 2018
- RC assists the hospitals to defend revisions during the FI's audits
- RC verifies revisions are included in all PUFs and provides any necessary follow-up

# Changes in the Instructions

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- Instructions for FY 2019 have several changes that led to confusion
- Line 14 Home Office – for cost reporting on or after 10/1/15, this line is broken out into two sub-lines:
  - **14.01** – Report salaries of personnel affiliated with home office
  - **14.02** - Report salaries of personnel affiliated with a related organization other than home office
- **Line 18** - Wage-related cost that are not “core”

# Changes in the Instructions

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- **Line 25** – Broken out into four sub-lines:
  - **25.50** – Report wage related costs of personnel affiliated with home office from line 14.01
  - **25.51** - Report wage related costs of personnel affiliated with a related organization from line 14.02
  - **25.52** – Part A physician services wage related costs - administrative from line 15
  - **25.53** – Teaching physicians Part A services wage related costs from line 16



# Worksheet S-3, Part IV

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- Beginning before 10/01/2015
  - Use Line 8 for Health Insurance
- Beginning After 10/01/2015
  - Line 8.01 Self-Funded without a TPA
  - Line 8.02 Self-Funded with a TPA
  - Line 8.03 Purchase Health Insurance

# Worksheet S-3, Part IV

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- Change in the instructions from last year regarding health insurance:

*Lines 8, 8.01, 8.02, and 8.03--Effective for cost reporting periods beginning prior to October 1, 2015, complete line 8 if the hospital has purchased or self-funded insurance. Effective for cost reporting periods beginning on or after October 1, 2015, complete line 8.01 if the hospital has self-funded insurance without a TPA. Complete line 8.02 if the hospital has self-funded insurance with a TPA. Complete line 8.03 if the hospital purchases health insurance. (See the instructions under Worksheet S-3, Part II, regarding health insurance as a wage-related cost for the wage index).*

- Instructions can be downloaded at web portal: <http://www.rcmgmt.com/client-portal/wisconsin/>

# Wage Index Data to be Reviewed

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- FY 2015 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 for FY 2016
- Payroll hours summary by pay code for FY 2016
- For Defined Benefit Pension plans cash contributions for fiscal year under review and two prior fiscal years.

# Wage Index Data to be Reviewed

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- Contracts and invoices for FY 2016 describing activities, hours and fees for contracted services which can be included on Line 28
- Include contracts and invoices for fees and services for attorneys, auditing, IT, architects, cost report prep and/or assistance, purchasing and any other items included on the A&G line of Worksheet A, Line 5, Column 2.
- Items may be found in the General Ledger under various departments, such as Administration, Personnel, Nursing Service, Payroll, Purchasing, Maintenance, Engineering, Medical Records, etc.

# Worksheet S-3 Analysis

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

# Hours Issues

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- Eliminate on-call, standby and bonus hours
- Eliminate the 1.5 overtime hours
- Analyze credits to payroll accounts
- PTO Buy/Sell Back
- Ensure there are only 26 pay periods and not 27

# Pension Costs Currently

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- Reductions in past are being amortized for ten years (three more years)
- Defined Benefit Plan - CMS now uses a three year average of cash contributions – cash paid in each fiscal year
  - In FY 2020 will use 3-years' of data FY 2016, FY 2015 & FY 2014
- Identify defined contribution separately
- Backup of payments is being requested

# Pension Worksheet

Wage Index Pension Cost Worksheet						
Provider Name:					#	
<b>Step 1: Determine the 3-Year Averaging Period</b>						
(1)	Wage Index FY ending					2020
(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 (+ or - in highlighted cell to adjust to first of month)				+	
(4)	Beginning the 3-year averaging period (Subtract 18 months from midpoint shown on Line 3)					
(5)	End of the 3-year averaging period (Add 18 months to midpoint shown on Line 3.)					
<b>Step 2: Adjust Averaging Period for a New Plan (See Instructions)</b> <i>(Leave this section blank if Provider has not elected to use an adjusted averaging period)</i>						
(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 +/- in highlighted cell to adjust to first of month)				+	
<small>If this date occurs after the period shown on Line 2 (Step 1), stop here and see instructions. No cost is reportable for a period which is excluded from the averaging period.</small>						
<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 <small>Data may be grouped within the averaging period to agree with documentation records (enter beginning date of grouped date range)</small>					
		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> <small>If Wage Index FY shown on Line 1 is after 2022, enter "0" on Lines 17 and 18.</small>						
(17)	Annual Prefunding Installment from Line 8 of Pension Prefunding Worksheet, if applicable (see instructions)					
(18)	Reportable Prefunding Installment (Line 17 multiplied by Line 15/12)					\$0



# 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 to Part IV amounts

# Contracted Administrative & General

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## National

- **FY 2018 80%, \$3.8B, with an AHW of \$84.08**
- **FY 2019 81%, \$4.2B, with an AHW of \$84.70**

## CONNECTICUT

- Rural FY 2018 \$2.95M, with an AHW of \$154.11
- Rural FY 2019 \$3.05M, with an AHW of \$126.53
  
- Bridgeport-Stamford FY 2018 \$17.0M, with an AHW of \$165.52
- Bridgeport-Stamford FY 2019 \$15.3M, with an AHW of \$170.41

# Contracted A & G (Cont.)

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- Hartford FY 2018 \$20.8M, with an AHW of \$166.65
- Hartford FY 2019 \$23.8M, with an AHW of \$118.83
  
- New Haven-Milford FY 2018 \$15.9M, with an AHW of \$185.51
- New Haven-Milford FY 2019 \$15.8M, with an AHW of \$212.61
  
- Norwich-New London FY 2018 \$4.8M, with an AHW of \$115.41
- Norwich-New London FY 2019 \$3.5M, with an AHW of \$128.66
  
- Worcester FY 2018 \$7.2M, with an AHW of \$77.03
- Worcester FY 2019 \$7.6M, with an AHW of \$72.06



# Contracted Administrative & General

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- The contracted A&G costs increased national AHW by \$.22 or .5%
- More hospitals are adding these costs

# Contracted Administrative & General

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- Include amounts for A&G services under contract
- Only costs on Worksheet A, line 5 and subscripsts, are allowed
- Types of services: Legal, tax preparation, cost report preparation, consulting, wage index
- Need hours

# Contracted Housekeeping & Dietary

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- If all is outsourced CMS wants contracted recorded
- Fiscal intermediaries will estimate hours if nothing is reported

# Occupational Mix Survey

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- Survey is done every three years
- Last survey was done July 3, 2017
- For calendar year 2016
- Affects hospitals for 3 years beginning in FY 2019 (October 1, 2018)
- National RN Average is 71.5%

# Audit Issues

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- Contract Labor
  - Requesting more documentation
- Self Insured Health Insurance
  - with or without a TPA
- Home Office detail
- Pension backup



# 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

# What's Next?

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- We will be contacting Hospital Coordinators
- Begin gathering requested data
- Schedule onsite visit (WIER option)
- Any revisions due September 4, 2018

# Secure Data Transfer

- Contact Dave Hanak
  - Email: [dhanak@rcmgmt.com](mailto:dhanak@rcmgmt.com)
  - Phone: 800-862-5368
- Dave will send an email from [admin@rcsecuredocs.com](mailto:admin@rcsecuredocs.com)
- Reply to email with sensitive documents attached
- R-C will confirm receipt of documents
- Alternatively, hospitals may use their in-house secure system

# Resources

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## R-C Healthcare Management Resources:

- <http://www.rcmgmt.com/ClientPortal/Connecticut>
  - Wage Index History
  - FY 2020 Hospital Wage Index Timetable
  - Worksheet S-3, Parts II and III Instructions
  - Wage Index Pension Cost Worksheet
  - Slide Presentation
  - Copy of your S-3 with comparison to prior year
    - Use your Medicare provider number

# Connecticut Client Portal

## CHA Hospital Wage Index Data

Welcome to R-C Healthcare Management's online application of the Medicare Wage Index for your hospital! Using your Medicare Provider Number, you will be able to access your hospital's data, including:

- Average Hourly Wage Comparisons, Current to Prior Year
- Worksheet S-3, Parts II and III - as a PDF file

Use the form below to enter your provider number. Your customized report will launch in a new window as a PDF so you can download and/or print.

Enter your Medicare provider Number in the box, then click "Submit" :

Submit

In addition, we have compiled the following reports for your use. Click on the links below to access these resources:

- [Connecticut CBSA Wage Index History \(PDF\)](#)
- [Connecticut Hospital Average Hourly Wage Comparisons \(PDF\)](#)
- [FY 2019 Wage Index Timetable \(PDF\)](#)
- [Worksheet S-3, Parts II and III Instructions \(PDF\)](#)
- [Pension - 3 Year Average Worksheet\(Excel\)](#)

Finally, you can also download the slides(PDF) from the webinar

If you have any questions or need help with this application, please e-mail or call us at 800-862-5368 or 602-995-9420

# 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>

# Questions

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## **R-C Healthcare Management Services, Inc.**

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