HFMA Lone Star Lubbock Roadshow

Area Wage Index: Overview and Insights

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Presented by: CampbellWilson, LLP.
Modern Healthcare Article

- OIG slams AWI
OIG Recommends

- Drop rural floor – FY2018 366 urbans
- Focus audit – currently limited scope desk reviews
- Penalties – N/A
- Remove hold harmless – geo reclasses
- Budget neutral within State - nationwide
Wage Index Overview

• Purpose:

  “To adjust standardized amounts for area differences in hospital wage levels by a factor reflecting the relative hospital wage level in the geographic area of the hospital to the national average hospital wage level.”

  *Section 1886(d)(3)(E) of the Social Security Act of 1993
Why is it important to have Annual Wage Index Reviews?

• Not a priority during cost report
• FFY 20 based on FY 17
• If you do not submit corrections, your preliminary AWI will go down.
Timing for FY21

- Start reviews – May 2019
- Corrections due – August 2019
- Final published – February 2020
Wage Index Overview

All Medicare PPSs adjusted for wage index

- I/P – 62%
- O/P – 60%
- SNFs, Rehab, Psych, Home Health, etc.
- Medicaid in most states
- Medicaid shortfall
Most Common Errors

- Hours overstated
- Benefits understated
- Physician Part A understated
- Contract Labor understated
What Happened?

• 2005 – Imputed Rural floor implemented
• 2007 - CAH sold
• 2008
  – Converted to general acute
  – Designated rural-set rural floor for Massachusetts
• 2015 – Overpaid $134 million
• 2016 - AWI ↓
AWI Data Recap - 2019

• FY19 final national average hourly wage is $42.96. Increase of 2.1% over FY18, compared to 1.02% increase in FY18.

• Rural Floor Budget Neutrality Adjustment- .993142
  – FFY2018 Rural Floor Budget Neutrality Adjustment- .993348
  – 263 hospitals receiving rural floor adjustments (approx. 8%), decreased from nearly 366 in FY2018
  – Imputed floor expired, based on FY2019 IPPS Final Rule, states with no rural hospitals will no longer receive the benefit of an imputed floor. (ex: New Jersey, Rhode Island, Delaware)
Wage Index

FY 2018  FY 2019

Austin  Amarillo  Lubbock  Rural TX
Wage Index Trends

FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019

- 0.9764
- 0.9417

Austin
FFY2020 Major Considerations

- Updates to 2552-10 Wage Index Forms
- Administrative Contract Labor
- Physician Costs and Reporting
- Purchased Support Services
Examples of contract costs that could be included:

- Legal Fees
- Accounting/Audit Fees
- Consulting Fees
- Information Technology
- Data Processing
- Contracted Executives
- Contracted Departmental Directors and Managers
Costs and hours related to Physicians Part A Costs may be included in the Wage Index

- Proper identification of all salaried and contracted physicians costs is key
- Proper record keeping of hours is essential, should report all physician hours between the appropriate categories of time, Part A, Part B, and Teaching
  - Timestudies
  - Invoices, Contracts
- Part A time is often understated
FFY2020 Major Considerations

Patient Care Contract Labor

• Patient care contracted labor includes, but is not limited to, the following:
  – Nursing
  – Rehab, Therapy services
  – Lab
  – Pharmacy
  – Patient care techs and other support positions

• Hours should be calculated using same rules as salaries manhours; shift differential, holiday pay, overtime.
FY20 PUF

- Released January 31, 2019
- Not all submitted corrections are approved and incorporated
- Final chance to review
- Errors can be due to transmittal issues
Case Study

- 160 Bed hospital in CBSA with 6 providers
- Revised total hours, salaries, contract labor, excluded areas
- Average hourly impact - $1.84
- Provider impact - $150,000
- CBSA impact - $420,000
Case Study

- Large not-for-profit hospital in small CBSA
- Corrected manhours for both hospital and home office from using summary FTE’s to detailed payroll reports
- Average hourly rate impact - $2.08
- Provider impact - $4.1 million
Case Study

- Large public hospital
- Revised to add $10M admin contract labor (legal fees, consulting fees, and other)
- Average Hourly Wage Impact - $.64
- Provider impact - $400,000
- CBSA impact - $3.5M
Case Study

• Large teaching hospital
• Corrected home office wage data to include admin contract labor
• Average Hourly Wage Impact - $.75
• Provider impact - $3M
• CBSA impact - $3.5M
Occupational Mix Background

- Purpose: To adjust for the effect of employment choices made by providers
  - Providers with a higher skill mix will have their AHW negatively adjusted, those with lower skill mixes will receive a positive AHW adjustment
  - RN percentage of total Nursing vs. lower skill categories percentage
Occupational Mix Background

- Occupational Mix Survey to be filed every three years
  - Can be time consuming process
  - All IPPS subjected hospitals required to file surveys
  - While penalties have not been assessed historically, CMS reserves the right to impose a penalty
Occupational Mix 2019

- FFY2019 surveys submitted to MACS in June 2017
- Based on CY 2016 data
- Additional scope included for review of FY2019 OM data
- CW performed targeted reviews OM data for DFW area hospitals for FY2019, and revisions were incorporated prior to filing CY2016 OM Surveys.
Examples of OM Findings

- Adjust payroll hours to report manhours and salaries in agreement with wage index reporting

- Identification of positions which should be reported in a nursing category rather than “All Other” based on job duties

- Remove certain nursing management positions from RN category

- Identify certain positions that should be included in a different category

- Excluded areas overhead adjustment

- Home Office and Physician Part B Adjustments
Time Studies

Presented by:
CampbellWilson, LLP.
Why Do a Time Study?
Common Excuses

• Our physicians do not have any administrative duties.
  – Between 10% ~ 20% of time spent in allowable administrative tasks.

• We already capture our Medical Directors, that should be the majority of our administrative time.
  – Medical Directorship duties account for < 1% of Admin time reported.

• We know our physicians, no way we can get them to do this.
  – >90% certification compliance rate in our studies.
What is a CMS-Approved Time Study?

- Participation Requirements
  - Who can complete a study?
  - Does everyone need to do one?
    - APPs – Do you bill?

- Basic Study Design
  - Required categories
  - Examples of activities and how can they be categorized
CMS-Approved continued…

• Compliance concerns
  – Intent vs. requirements
  – Examples of programs with questionable compliance

• Timing
  – Federal Register requirements vs PRRB decisions
  – Physicians 2 weeks per quarter exception

• MAC has immediate approval, but can be reversed by the higher authority at CMS
  – Recoupment threat
Why Do a Time Study?

- Inclusion of administrative cost spent by physicians and allowable professions in AHW calculation
- Physicians (generally) receive higher hourly compensation than others that are included in the Wage Index review
- More accurately document the administrative burden to the institution
What Kind of Impact are We Talking About?

• Case Study: Single Dallas-area Hospital
  – Final adjusted AHW (2019): $47.28
  – AHW after removing time-study allowable information: $46.14 (2.4% drop) resulting in an estimated $200,000 loss in reimbursement on Medicare
  – Affects not only individual hospital, but entire CBSA would be impacted $2.4 Million (Medicare)
Follow-up Items

• Do you have a time study in place?

• Is it CMS compliant?

• Is it being utilized when you review your wage index?
Additional Benefits

• Texas uncompensated care filings

• Critical access overhead allocations

• GME faculty reporting

• Resource monitoring and analysis
QUESTIONS?

Thank you for your time.
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