

# Medicare Hospital Wage Index Data Analysis

## Preliminary Data for the Development of the Federal Fiscal Year 2018 Wage Index

-Version 1, June 2016-

### Analysis Description

The Medicare Hospital Wage Index Data Analysis–Preliminary Data (May release) is intended to provide hospitals with a comparative review of the wage data that will be used to develop the federal fiscal year (FFY) 2018 Medicare hospital wage index.

The data analyzed is “preliminary” and is the first of three wage data public use files (PUFs) that CMS issued during the current FFY to develop the hospital wage index for FFY 2018. Because this data is still preliminary in nature and subject to revision, this analysis is not intended to be used to calculate hospital wage indexes, but to give hospitals a way to review the preliminary wage data as published by CMS.

***It is extremely important that hospitals review these wage data. Under CMS’ hospital wage index development timetable, hospitals have until September 2, 2016 to request revisions to this data. This is the only opportunity hospitals will have to request revisions to their data. Subsequent opportunities for correction can only address Medicare Administrative Contractor (MAC) mishandling of data. Requests and supporting documentation for revision requests must be submitted to the hospital’s MAC.***

#### **Data Sources**

This data comparison utilizes wage data files provided as PUFs by CMS. Final 2013 data (FFY 2017 wage index) are from the April 21, 2016 wage data PUF while Preliminary 2014 data (FFY 2018 wage index) are from the May 16, 2016 PUF.

CMS’ wage index PUFs and hospital wage index development timetable are both available online at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Wage-Index-Files-Items/FY2018-Wage-Index-Home-Page.html?DLPage=1&DLEntries=10&DLSort=1&DLSortDir=descending>

The preliminary wage data PUF is Worksheet S-3 wage data from Cost Reports submitted to HCRIS through May 9, 2016.

#### **Table 1**

The first table includes all lines from Worksheet S-3 Part II of the cost report. This report is intended to provide a comparison of the Final 2013 and Preliminary 2014 wage data that each hospital submitted to CMS. This report can be used to review the Preliminary 2014 data release and highlight any errors in the reporting of the Worksheet S-3 data.

The analysis of wage-related costs at the bottom of the table is intended to provide a general idea of how total salaries compare to wage-related costs. As a general rule, the ratio of wage-related costs (lines 17-25) to total salaries (Line 1) should be greater than 20%.

#### **Table 2**

The second table includes only lines relevant to the wage index calculation from Worksheet S-3 Part II of the cost report. This report is intended to provide a comparison of the Preliminary 2014 wage data for the hospital, its Core-based Statistical Area (CBSA), State, and the Nation. This report will help in the review of the

Preliminary 2014 data release, allowing focus on the areas where the average hourly wage (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 Final 2013 and Preliminary 2014 AHWs for the hospital, its CBSA, State, and the Nation. The AHW provided on these final lines (highlighted) is calculated using CMS' methodology of total salaries and hours adjusted to remove teaching, Certified Registered Nurse Anesthetists (CRNA), 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.

*Note: Table 1 shows the changes to all lines from Worksheet S-3 Part II of the cost report, while Table 2 looks specifically at the 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.*

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