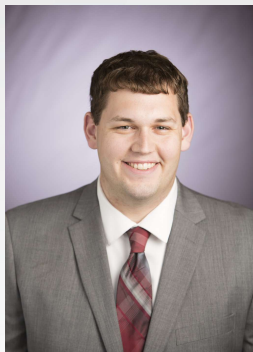


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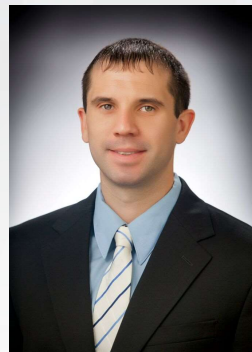
Wage Index Improvement | October 2022

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Agenda

- Role of the wage index in Medicare reimbursement
 - Including impact to urban hospitals redesignated rural & reclassified hospitals
- National COVID-19 impact
- Nebraska specific data
 - Opportunities
 - Timing for change

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Role of Wage Index

- % of Medicare reimbursement impacted by wage index
 - Inpatient (IP): 62% if below 1.0 wage index; 67.6% if over 1.0 wage index
 - Outpatient (OP): 70%
 - Similar 60-70% for subprovider, home health, hospice, skilled nursing units/facilities
- PPS hospitals' data is used to set the wage index used for all provider types – hospital-based or freestanding
- Medicare Geographic Reclassification Review Board (MGCRB) reclassification requests apply to IP & OP only

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Time Period Used to Construct Wage Index

FFY 2024

- Cost report periods began during 2021 federal year
 - Examples: 9/30/20, 12/31/20, 3/31/21, 6/30/21
- Too late to submit changes – Data currently under MAC review

FFY 2025

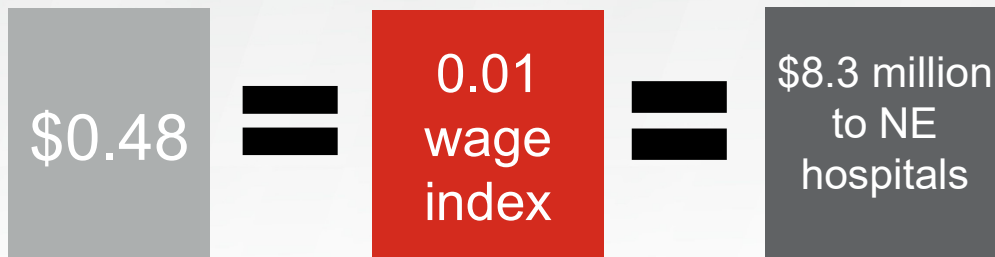
- Cost report periods began during 2022 federal year
 - Examples: 9/30/21, 12/31/21, 3/31/22, 6/30/22
- Fiscal years completed – Wage index changes likely due summer 2023

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What's The Impact of \$0.48?

- Final national average hourly wage is \$47.73
- If the hospitals in the CBSA misstate their wage index by a quarter, two dimes, & three pennies...



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Urban Hospitals Redesignated Rural

- Where is data for these hospitals included?
 - Their wage index data is in the geographic CBSA where they are located &
 - In rural OR if they file MGCRB reclass, they are included in the reclassified wage index data
 - Examples
 - Omaha hospital filed to become rural & MGCRB back to Omaha = they get paid the Omaha wage index (not reclassified)
 - Lincoln hospital filed to become rural & MGCRB to Omaha = they get paid Omaha reclassified wage index
 - Omaha hospital filed to become rural & no MGCRB = they get paid reclassified rural wage index

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Final Rules FFY 2023

RURAL WAGE INDEX

- Rural floor will be computed including redesignated hospitals under Section 412.103
- Final rules reverted to pre-2020 calculation due to public comments & district court ruling *Seven Rivers Regional Medical Center v. Becerra*
 - CMS exceeded authority

CAP ON DECREASE

- Finalized that a hospital's wage index cannot decrease by more than 5% from the prior year
- CMS is paying for the cap by adjusting the budget neutrality computation within the standardized amount
 - CMS authority?
- Example:

FY 2022	0.9500
Times	95%
Worst case	0.9025
- This is a **BIG DROP**

LOW QUARTILE ADJUSTMENT

- Low wage index adjustment for CBSAs falling in the lower quartile
- Similar to FFYs 2020–2022, areas in the lower quartile will have an adjustment to recover half the difference between the actual wage index & the 25th percentile
- Paid by the budget neutrality adjustment
- CMS Authority?
- The 25th percentile per the final rule is 0.8427

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National Historical Trend

FEDERAL YEAR	INCREASE FROM PRIOR YEAR	FEDERAL YEAR	INCREASE FROM PRIOR YEAR
2009	4.3%	2017	2.2%
2010	4.0%	2018	2.2%
2011	4.3%	2019	2.1%
2012	3.7%	2020	2.9%
2013	3.4%	2021	2.4%
2014	2.4%	2022	2.7%
2015	2.3%	2023	2.9% +
2016	2.5%	2024	>4%

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National COVID-19 Impact on Wage Index

Wage Index anticipated swings in AHW due to COVID-19	FFY 2023	FFY 2024
Patient care contract labor (as a % of total salaries)	3.1%	4.0%
Unadjusted AHW (total salaries/total hours)	3.3%	4.1%
Physician Part A (salaried + contracted as a % of total salaries)	1.4%	1.6%
Adjusted AHW	2.9%	3.9%.... final will be over 4.0%

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FY 2023 & 2024 Nebraska

CBSA	FINAL INCREASE (DECREASE) FFY 2023	AS-FILED INCREASE (DECREASE) FFY 2024
Rural Nebraska	4.6%	1.8%
Grand Island	4.0%	10.9%
Lincoln	0.0%	4.5%
Omaha-Council Bluffs	4.8%	6.4%
Sioux City	2.5%	6.4%

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Key Indicators

Source of data:
HCRIS as-filed
cost reports for FY
2024, e.g.,
9/30/20, 12/31/20,
3/31/21, 6/30/21

Worksheet S-3,
Part II

DEFINITIONS

Average Hourly Wage = AHW

Unadjusted AHW Change = Total salaries/total hours

Wage Related Costs = Qualifying benefits/total salaries

Physician Part A Contract/Salaries = (Part A salaries + Part A contract)/total salaries

Patient Care Contract Labor = Patient care under contract/total salaries

A&G Contract Labor = Administrative & General contract labor/total salaries

Adjusted AHW Change = AHW change from the prior year

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Stoplight Report: Nebraska Hospitals vs. National

Hospital Provider #	Hospital Name	Geographic CBSA #	Geographic CBSA	MGCRB Reclassified	Unadjusted AHW Change	Wage Related Cost	Physician Part A Contract/Salary	Patient Care Contract Labor	A&G Contract Labor	Adjusted AHW Change
280009	CHI HEALTH GOOD SAMARITAN	28	RURAL NEBRASKA		1.53%	36.55%	1.51%	11.00%	6.10%	9.25%
280032	MARY LANNING MEMORIAL HOSPITAL ASSOC	28	RURAL NEBRASKA		1.91%	34.13%	2.86%	0.00%	0.40%	5.71%
280061	REGIONAL WEST MEDICAL CENTER	28	RURAL NEBRASKA		9.52%	41.50%	0.00%	10.86%	0.00%	-1.97%
280065	GREAT PLAINS HEALTH	28	RURAL NEBRASKA		7.43%	23.93%	1.57%	7.86%	2.02%	3.64%
280077	FREMONT HEALTH	28	RURAL NEBRASKA		-3.24%	31.71%	6.36%	17.11%	0.10%	-4.56%
280111	COLUMBUS COMMUNITY HOSPITAL	28	RURAL NEBRASKA		-4.38%	23.75%	3.76%	0.73%	0.00%	-3.43%
280125	FAITH REGIONAL HEALTH SERVICES	28	RURAL NEBRASKA		3.22%	24.72%	0.00%	3.29%	0.00%	-0.97%
280134	KEARNEY REGIONAL MEDICAL CENTER	28	RURAL NEBRASKA		9.47%	26.44%	0.00%	7.06%	0.00%	6.89%
280023	CHI HEALTH ST. FRANCIS	24260	Grand Island, NE		4.12%	38.85%	1.16%	13.66%	7.31%	13.28%
280139	GRAND ISLAND REGIONAL MEDICAL CENTER	24260	Grand Island, NE		100.00%	18.16%	0.00%	2.48%	0.00%	100.00%
280003	BRYAN MEDICAL CENTER	30700	Lincoln, NE		3.97%	33.68%	9.05%	3.13%	0.00%	3.98%
280020	CHI HEALTH ST. ELIZABETH	30700	Lincoln, NE		2.95%	33.74%	1.76%	5.87%	5.72%	8.20%
280127	LINCOLN SURGICAL HOSPITAL	30700	Lincoln, NE		-1.28%	26.61%	0.00%	0.00%	0.00%	2.05%
280128	CHI HEALTH NEBRASKA HEART	30700	Lincoln, NE		1.68%	33.72%	0.01%	0.42%	6.78%	2.56%
160028	CHI HEALTH MERCY COUNCIL BLUFFS	36540	Omaha-Council Bluffs, NE-JA		924.91%	33.29%	9.18%	6.44%	6.17%	276.94%
160047	JEVNE EDMUNDSON MEMORIAL	36540	Omaha-Council Bluffs, NE-JA		1.54%	23.29%	7.97%	2.14%	0.31%	-4.45%
280013	THE NEBRASKA MEDICAL CENTER	36540	Omaha-Council Bluffs, NE-JA		0.92%	18.26%	1.82%	1.43%	0.17%	1.77%
280040	NEBRASKA METHODIST HOSPITAL	36540	Omaha-Council Bluffs, NE-JA		2.79%	26.02%	0.51%	1.69%	0.21%	0.89%
280060	CHI HEALTH CREIGHTON UNIVERSITY BERG	36540	Omaha-Council Bluffs, NE-JA		1.14%	33.41%	4.38%	6.89%	6.71%	8.53%
280081	CHI HEALTH IMMANUEL	36540	Omaha-Council Bluffs, NE-JA		0.02%	35.14%	1.46%	9.41%	5.60%	9.51%
280105	CHI HEALTH MIDLANDS	36540	Omaha-Council Bluffs, NE-JA		1.82%	31.51%	1.48%	6.60%	6.67%	23.86%
280129	NEBRASKA ORTHOPAEDIC HOSPITAL LLC	36540	Omaha-Council Bluffs, NE-JA		-2.27%	21.93%	0.00%	3.08%	0.52%	-3.51%
280130	CHI HEALTH LAKESIDE	36540	Omaha-Council Bluffs, NE-JA		1.32%	35.97%	1.75%	12.81%	7.99%	8.18%
280131	MIDWEST SURGICAL HOSPITAL	36540	Omaha-Council Bluffs, NE-JA		0.16%	33.23%	0.91%	9.59%	0.52%	2.25%
280132	BELLEVEUE MEDICAL CENTER	36540	Omaha-Council Bluffs, NE-JA		-1.50%	26.64%	0.26%	3.54%	0.00%	6.44%
280133	NEBRASKA SPINE HOSPITAL	36540	Omaha-Council Bluffs, NE-JA		-1.82%	28.54%	0.00%	12.36%	2.09%	0.27%
160146	ST. LUKES REG. MEDICAL CENTER	43580	Sioux City, IA-NE-SD		7.39%	19.97%	0.53%	2.71%	1.48%	2.41%
160153	MERCYONE SIOUXLAND MEDICAL CENTER	43580	Sioux City, IA-NE-SD		2.86%	31.38%	1.12%	14.90%	2.13%	10.00%
430089	SIOUXLAND SURGERY CENTER	43580	Sioux City, IA-NE-SD		1.21%	33.64%	0.00%	3.39%	0.00%	6.90%

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Action Steps for FFY 2024

- Changes must have been submitted September 2, 2022
 - Requested adjustments & as-filed info now in MAC review
- MGCRB reclassifications were due September 1, 2022
 - Decisions are expected in early 2023
- Rural designation
 - Timing varies based on year-end

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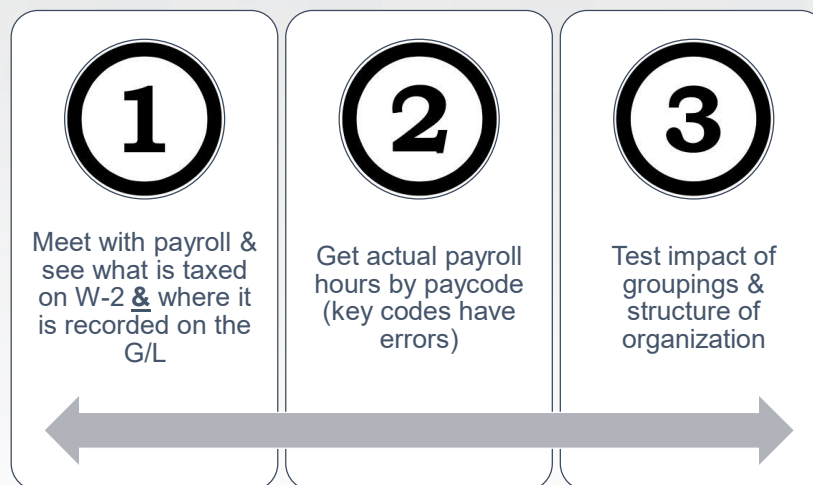
Action Steps for Beyond FFY 2025



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SALARY & HOUR TIPS



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CONTRACT LABOR TIPS

4

Vendor listing
review, not just
G/L review

5

Contact vendors
early & be
persistent

6

Put in a
gatekeeper in
Accounts Payable
Missing info = No
payment



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PHYSICIAN TIPS

7

When possible, update
the employment
agreement or the
contract to state dollars
& hours specifically

8

If time studies are
required, implement a
gatekeeper

9

Ask your MAC what
support is needed



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WAGE-RELATED COSTS TIPS

10

Meet with HR &/or
review your
website re:
benefits offered &
compare to G/L

11

Look at the
allocation basis &
alignment of the
WRC

12

Evaluate your self-
insurance for
reasonableness &
discount compared
to other payors



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Occupational Mix Survey

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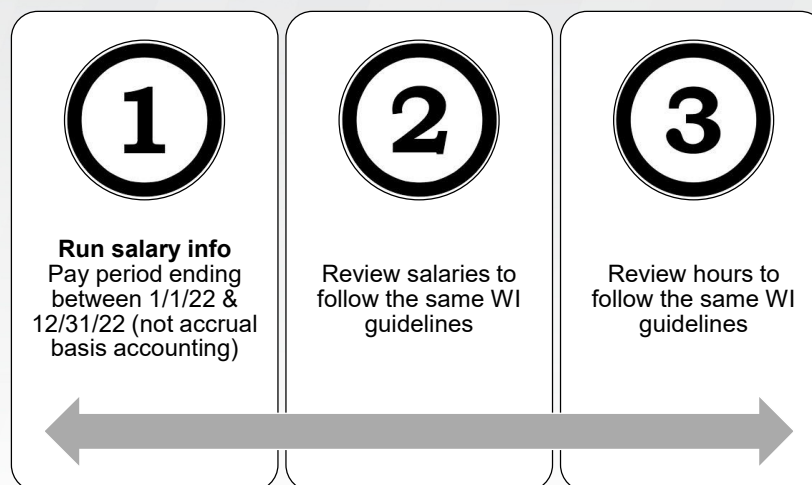
OCCUPATIONAL MIX SURVEY

- 2022 Survey likely due to MAC mid-summer
 - Usually before wage index deadline
 - Email or overnight delivery to MAC
 - Likely used for FFY 2025, 2026, & 2027 WI
- CMS website will publish instructions & forms once ready
- Excluded from requirement to file
 - CAHs
 - No utilization
 - Low utilization

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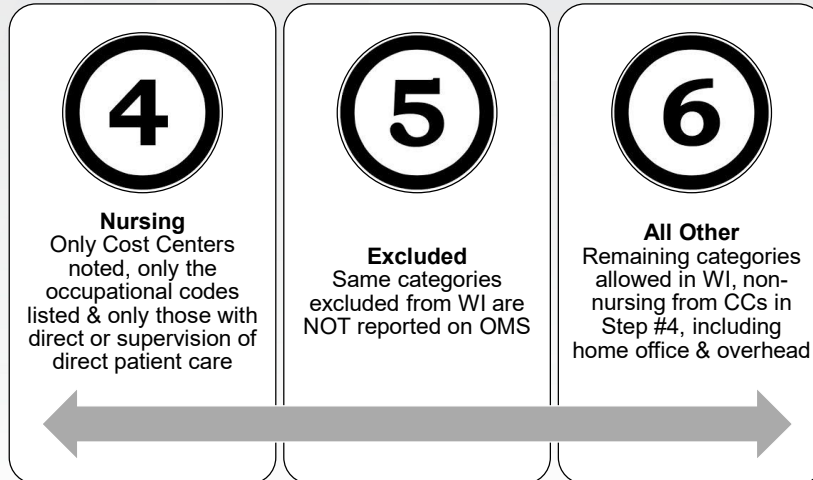
10-STEP OMS GUIDE



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10-STEP OMS GUIDE



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10-STEP OMS GUIDE



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10-STEP OMS GUIDE



Consider allocation for overhead costs to match WI treatment

Nursing Administration

Overhead Cost Centers

WI excluded area percentage is based on hours.

← SUBMIT TO MAC →

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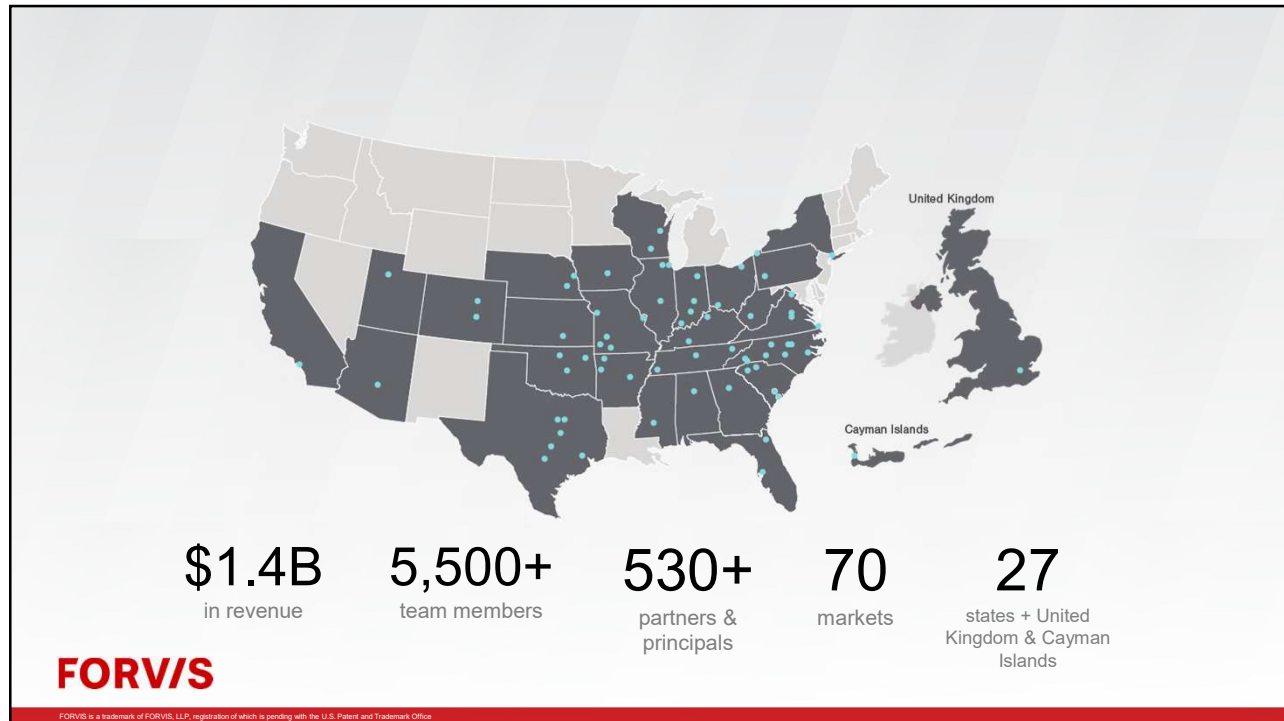
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Let's Talk...

Questions?

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Talent

Modern Healthcare
#10 BKD CPAs & Advisors
Largest Management Consulting Firms

2021
BY THE NUMBERS

consulting
REPORT
Top 50
Healthcare Consultants
of 2021

10 MOST TRUSTED
HEALTHCARE CONSULTING
COMPANIES
2022

~950

Total Healthcare Personnel

175
PPDMDs

465
Consultants,
Including 180 Reimbursement
Members

320
Audit

49
Tax

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Innovative Solutions

Distinctive products to help operationalize & sustain the services we can continue providing to our clients

HFS+ Powered by FORVIS

HFS+ streamlines cost report preparation to deliver a concise work product & more effective review process

Foresight

A financial modeling tool to help organizations design, build, & update forward-looking financial information

Time Study

Helps measure how time is spent on various activities & provides a snapshot of clinical & nonclinical staff's actions

Workforce Productivity Manager

Identify improvement opportunities for labor or production based on leading practices & comparative benchmarks

Denials Management

Designed to help reduce preventable denials & allows for root-cause issue identification & monitoring trends

clarity™

Using evidenced-based & validated diagnostic surveys for reducing the risk of a change approach misaligned with people's needs

sta²t

Helps with service line planning & alternative payment modeling execution to optimizing physician enterprise performance

chaRT

Chart review tool that facilitates a pre-bill review program for MS-DRG based claims & helps maximize capture, while simultaneously serving to educate coders

EPS Modeler

A suite of analytics tools dedicated to APMs on performance against a target in an "episode of care"

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