

# **Wage Index and other PPS Strategies**

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# Introductions



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# Learning Objectives

- Discuss basic PPS Rate payment calculation
- Illustrate the flow of Wage Index reporting and some tips for favorable reimbursement
- Discuss the wage index timeline, including important deadlines and strategy considerations
- Discuss and describe some of the strategic PPS hospital payment strategies and how it might change Medicare reimbursement for your hospital



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# What is PPS?

## From the CMS website:

*A Prospective Payment System (PPS) is a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services). CMS uses separate PPSs for reimbursement to acute inpatient hospitals, home health agencies, hospice, hospital outpatient, inpatient psychiatric facilities, inpatient rehabilitation facilities, long-term care hospitals, and skilled nursing facilities.*



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# Hospital Inpatient Prospective Payment System (IPPS)

- Paid on a per-case basis (based on discharge)
- Base rate is adjusted by certain factors for each case
  - Wage Index adjustment
  - Disproportionate Share Hospital (DSH) add-on
  - MS-DRG (Medicare Severity Diagnosis Related Group) relative weight
    - Each case categorized into a MS-DRG based on diagnosis, required procedures, other factors
  - Federal fiscal year for IPPS = October 1-September 30

# Hospital Inpatient Prospective Payment System (IPPS)

## Hospital Inpatient Prospective Payment System (IPPS)

- Each Medicare patient is assigned to a specific MS-DRG
  - Medicare contractors and most hospitals use a software program called GROUPER to determine MS-DRG assignment (although it is possible to determine manually)
  - MS-DRG assignment is based on:
    - Principal diagnosis, which is what is determined to be the chief reason for the patient's admission to the hospital, and is expressed in terms of an ICD-10 diagnosis code
    - Additional diagnoses
    - Procedures performed, expressed in terms of ICD-10 procedure codes
    - Gender
    - Discharge status

# DRG Payment Calculation

## based on Proposed 2025 Rule

	Rural Maine	Rockingham County-Strafford County, NH
<b>OPERATING</b>		
Labor-Related Portion	4,138.24	4,506.29
x Wage Index	0.8561	1.0891
Adjusted Labor-Related Portion	3,542.75	4,907.80
+Nonlabor-Related Portion	1,983.41	2,159.81
<b>Wage Adjusted Base Operating Rate</b>	<b>5,526.16</b>	<b>7,067.61</b>
<b>CAPITAL</b>		
Standardized Rate - Capital	\$516.41	\$516.41
x Geographic Adjustment Factor	0.8991	1.0602
<b>Adjusted Capital Base Rate</b>	<b>464.30</b>	<b>547.50</b>
<b>Total Base Rate</b>	<b>5,990.46</b>	<b>7,615.11</b>
<i>Difference</i>		<b>1,624.65</b>



NOTE: this example does not include HAC, Sequestration, DSH, Readmissions, VBP or any other adjustments to the rate

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# Hospital Inpatient PPS: Other Payment Factors

- Outlier Payment
- Payment for Transfer Patients
- Adjustment to MS-DRGs for Hospital-Acquired Conditions
- Value Based Purchasing
- Low Volume Adjustments
- DSH
- Sequestration



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# WAGE INDEX

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# Wage Index

- Wage Index reflects the relative hospital wage level for each geographic area compared to the national average
- Geographic areas are based on the Core Based Statistical Areas (CBSA) defined by the Office of Management and Budget
- Data used to calculate the wage index is the aggregate of all PPS hospitals located within each CBSA

Table 3- PROPOSED WAGE INDEX TABLE BY CBSA - FY 2025 PROPOSED RULE				
CBSA	Area Name	State	Wage Index	GAF
20	MAINE	ME	0.8561	0.8991
30	NEW HAMPSHIRE	NH	1.0891	1.0602
47	VERMONT	VT	0.9325	0.9533
12620	Bangor, ME	ME	0.9016	0.9315
15540	Burlington-South Burlington, VT	VT	0.9325	0.9533
30340	Lewiston-Auburn, ME	ME	0.8861	0.9205
31700	Manchester-Nashua, NH	NH	1.0891	1.0602
38860	Portland-South Portland, ME	ME	0.9731	0.9815
40484	Rockingham County-Strafford County, NH	NH	1.0891	1.0602

# WAGE INDEX

## Sources of data for Wage Index:

- Cost Report
  - Worksheet S-3 Parts II - V
- Occupational Mix Survey

**There is a three-year lag prior to wage data being included in the AHW**

- FY 2026 wage index is based on wage data from cost reporting periods beginning in Federal Fiscal Year 2022
- The first day of a cost report period determines what FY it falls into – FFY 2022 includes 9/30/22, 12/31/22 and 6/30/23 year-end cost reports

## Wage Index Timeline:

- File wage index schedules with cost report by the filing date
- Request revisions during review period (usually due September the following FFY)
- Final Adjusted data will set the rate for the third FFY from cost report filing (2022 sets rate effective 10/1/25)



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# Wage Index Impact

- Sole Community Hospital
  - If paid on HSR, no inpatient impact
  - Outpatient, subproviders, etc., still impacted
- Medicare Dependent Hospital
  - Part of inpatient computation is based on federal rate
  - Outpatient, subproviders, etc., also impacted
- Occupational Mix computations (every 3 years)
  - Most Recent OMS completed based on Calendar Year 2022 data earlier this summer
  - Expecting next round to be completed based on Calendar Year 2025 data likely due in Summer 2026

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# Wage Index Impact

- Redesignated from urban to rural
  - Data is included in urban CBSA
  - Data is included in rural CBSA
  - Inpatient & outpatient based on redesignated CBSA
  - The rest based on base CBSA

# What is Wage Index?

- CMS applies a methodology to compute average hourly wage (AHW) compared to national AHW based on
  - Worksheets S-3, Part II, III, IV & V Form 2552-10
- CBSA AHW/National AHW = Wage Index
  - Average is aggregate of all hospitals in the area
  - There are multiple issues—midpoint adjustment factor, occupational mix adjustment factor, budget neutrality adjustment

# Worksheet S-3, Part II

Health Financial Systems HOSPITAL WAGE INDEX INFORMATION		WAGE INDEX OF FORVIS Provider CCN: 12-3456			In Lieu of Form CMS-2552-10 Period: From 10/01/2018 To 09/30/2019				
	Wkst. A Line Number	Amount Reported	Reclassification of Salaries (from Wkst. A-6)	Adjusted Salaries (col. 2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)			
			1.00	2.00	3.00	4.00	5.00		
<b>PART II - WAGE DATA</b>									
<b>SALARIES</b>									
1.00	Total salaries (see instructions)	200.00	658,105,796	-147,925	657,957,871	14,818,639.00	44.40	1.00	
2.00	Non-physician anesthetist Part A		0	0	0	0.00	0.00	2.00	
3.00	Non-physician anesthetist Part B		13,932,562	0	13,932,562	151,779.00	91.80	3.00	
4.00	Physician-Part A - Administrative		29,200,965	0	29,200,965	173,777.00	168.04	4.00	
4.01	Physicians - Part A - Teaching		18,287,502	0	18,287,502	108,047.00	169.26	4.01	
5.00	Physician and Non Physician-Part B		145,151,917	0	145,151,917	1,307,667.00	111.00	5.00	
6.00	Non-physician-Part B for hospital-based RHC and FQHC services		0	0	0	0.00	0.00	6.00	
7.00	Interns & residents (in an approved program)	21.00	0	0	0	0.00	0.00	7.00	
7.01	Contracted interns and residents (in an approved programs)		0	0	0	0.00	0.00	7.01	
8.00	Home office and/or related organization personnel		65,753,383	0	65,753,383	1,253,745.00	52.45	8.00	
9.00	SNF	44.00	0	0	0	0.00	0.00	9.00	
10.00	Excluded area salaries (see instructions)		46,081,042	7,274,311	53,355,353	1,104,857.57	48.29	10.00	

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# Worksheet S-3, Part II

OTHER WAGES & RELATED COSTS							
11.00	Contract labor: Direct Patient Care	4,341,126	0	4,341,126	57,947.00	74.92	11.00
12.00	Contract labor: Top level management and other management and administrative services	0	0	0	0.00	0.00	12.00
13.00	Contract labor: Physician-Part A - Administrative	7,787,902	0	7,787,902	38,462.00	202.48	13.00
14.00	Home office and/or related organization salaries and wage-related costs	0	0	0	0.00	0.00	14.00
14.01	Home office salaries	116,744,038	0	116,744,038	2,691,666.00	43.37	14.01
14.02	Related organization salaries	0	0	0	0.00	0.00	14.02
15.00	Home office: Physician Part A - Administrative	0	0	0	0.00	0.00	15.00
16.00	Home office and Contract Physicians Part A - Teaching	6,906,206	0	6,906,206	35,039.00	197.10	16.00
16.01	Home office Physicians Part A - Teaching	0	0	0	0.00	0.00	16.01
16.02	Home office contract Physicians Part A - Teaching	0	0	0	0.00	0.00	16.02
WAGE-RELATED COSTS							
17.00	Wage-related costs (core) (see instructions)	143,361,370	0	143,361,370			17.00
18.00	Wage-related costs (other) (see instructions)						18.00
19.00	Excluded areas	15,539,654	0	15,539,654			19.00
20.00	Non-physician anesthetist Part A	0	0	0			20.00
21.00	Non-physician anesthetist Part B	3,052,201	0	3,052,201			21.00
22.00	Physician Part A - Administrative	5,335,491	0	5,335,491			22.00
22.01	Physician Part A - Teaching	3,335,662	0	3,335,662			22.01
23.00	Physician Part B	29,786,128	0	29,786,128			23.00
24.00	Wage-related costs (RHC/FQHC)	0	0	0			24.00
25.00	Interns & residents (in an approved program)	0	0	0			25.00
25.50	Home office wage-related (core)	35,497,530	0	35,497,530			25.50
25.51	Related organization wage-related (core)	0	0	0			25.51
25.52	Home office: Physician Part A - Administrative - wage-related (core)	0	0	0			25.52

# Worksheet S-3, Part II

Health Financial Systems

WAGE INDEX OF FORVIS

In Lieu of Form CMS-2552-10

HOSPITAL WAGE INDEX INFORMATION			Provider CCN: 12-3456		Period: From 10/01/2018 To 09/30/2019		Worksheet S-3 Part II Date/Time Prepared: 7/14/2022 12:53 pm	
		Wkst. A Line Number	Amount Reported	Reclassificat ion of Salaries (from Wkst. A-6)	Adjusted Salaries (col. 2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)	
		1.00	2.00	3.00	4.00	5.00	6.00	
25.53	Home office: Physicians Part A - Teaching - wage-related (core)		0	0	0			25.53
	<b>OVERHEAD COSTS - DIRECT SALARIES</b>							
26.00	Employee Benefits Department	4.00	12,398,374	-12,303,389	94,985	528.23	179.82	26.00
27.00	Administrative & General	5.00	55,840,568	1,614,454	57,455,022	1,226,487.38	46.85	27.00
28.00	Administrative & General under contract (see inst.)		4,045,155	0	4,045,155	59,202.00	68.33	28.00
29.00	Maintenance & Repairs	6.00	30,484,685	18,781,118	49,265,803	853,696.13	57.71	29.00
30.00	Operation of Plant	7.00	6,442,958	55,283	6,498,241	249,435.94	26.05	30.00
31.00	Laundry & Linen Service	8.00	1,791,497	30,152	1,821,649	106,971.95	17.03	31.00
32.00	Housekeeping	9.00	7,591,577	75,582	7,667,159	464,852.03	16.49	32.00
33.00	Housekeeping under contract (see instructions)		0	0	0	0.00	0.00	33.00
34.00	Dietary	10.00	4,633,479	41,375	4,674,854	244,503.20	19.12	34.00
35.00	Dietary under contract (see instructions)		0	0	0	0.00	0.00	35.00
36.00	Cafeteria	11.00	1,015,268	10,076	1,025,344	59,204.91	17.32	36.00
37.00	Maintenance of Personnel	12.00	0	0	0	0.00	0.00	37.00
38.00	Nursing Administration	13.00	7,401,858	67,013	7,468,871	157,034.99	47.56	38.00
39.00	Central Services and Supply	14.00	2,832,569	27,125	2,859,694	137,569.77	20.79	39.00
40.00	Pharmacy	15.00	12,297,127	30,916	12,328,043	317,013.03	38.89	40.00
41.00	Medical Records & Medical Records Library	16.00	399,220	3,767	402,987	15,001.44	26.86	41.00
42.00	Social Service	17.00	6,091,752	-8,752	6,083,000	143,322.81	42.44	42.00
43.00	Other General Service	18.00	0	0	0	0.00	0.00	43.00

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# Worksheet S-3, Part III

Health Financial Systems HOSPITAL WAGE INDEX INFORMATION		WAGE INDEX OF FORVIS		In Lieu of Form CMS-2552-10			
		Provider CCN: 12-3456		Period: From 10/01/2018 To 09/30/2019	Worksheet S-3 Part III Date/Time Prepared: 7/14/2022 12:53 pm		
	Worksheet A Line Number	Amount Reported	Reclassification of Salaries (from Worksheet A-6)	Adjusted Salaries (col. 2 ± col. 3)	Paid Hours Related to Salaries in col. 4	Average Hourly Wage (col. 4 ÷ col. 5)	
	1.00	2.00	3.00	4.00	5.00	6.00	
<b>PART III - HOSPITAL WAGE INDEX SUMMARY</b>							
1.00	Net salaries (see instructions)	419,025,587	-147,925	418,877,662	12,056,603.00	34.74	1.00
2.00	Excluded area salaries (see instructions)	46,081,042	7,274,311	53,355,353	1,104,857.57	48.29	2.00
3.00	Subtotal salaries (line 1 minus line 2)	372,944,545	-7,422,236	365,522,309	10,951,745.43	33.38	3.00
4.00	Subtotal other wages & related costs (see inst.)	128,873,066	0	128,873,066	2,788,075.00	46.22	4.00
5.00	Subtotal wage-related costs (see inst.)	184,194,391	0	184,194,391	0.00	50.39	5.00
6.00	Total (sum of lines 3 thru 5)	686,012,002	-7,422,236	678,589,766	13,739,820.43	49.39	6.00
7.00	Total overhead cost (see instructions)	153,266,087	8,424,720	161,690,807	4,034,823.81	40.07	7.00

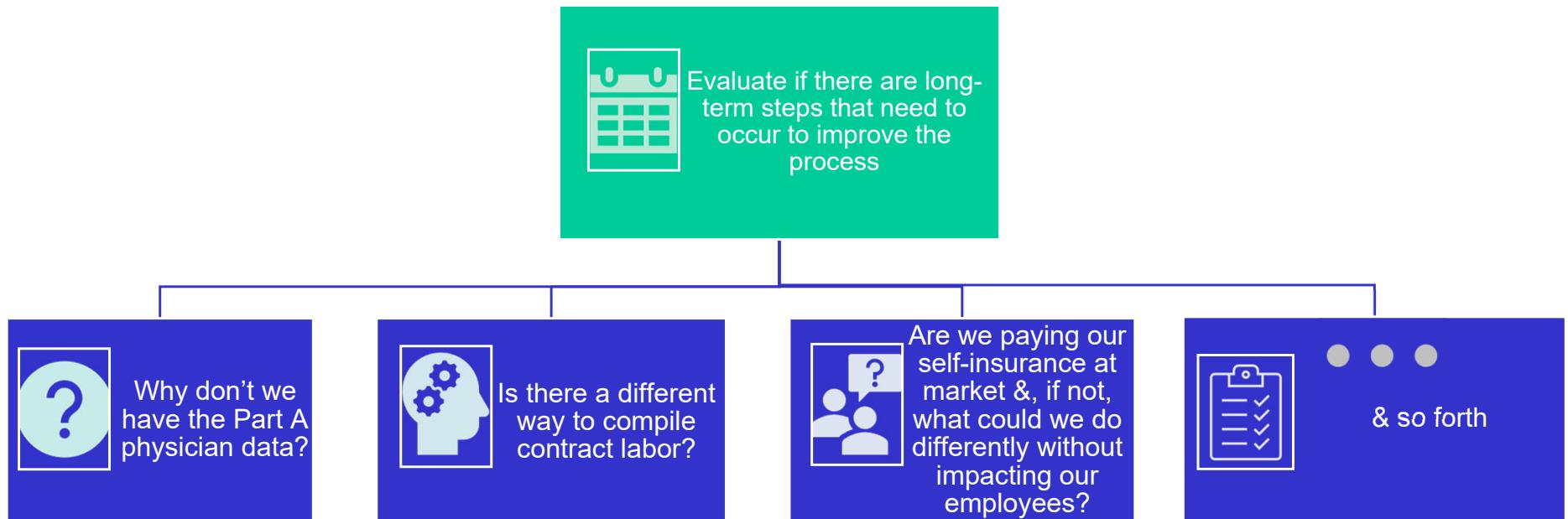
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# Worksheet S-3, Part IV

Health Financial Systems		WAGE INDEX OF FORVIS	In Lieu of Form CMS-2552-10	
HOSPITAL WAGE RELATED COSTS		Provider CCN: 12-3456	Period: From 10/01/2018 To 09/30/2019	Worksheet S-3 Part IV Date/Time Prepared: 7/14/2022 12:53 pm
			Amount Reported	
			1.00	
<b>PART IV - WAGE RELATED COSTS</b>				
<b>Part A - Core List</b>				
<b>RETIREMENT COST</b>				
1.00	401K Employer Contributions		19,139,079	1.00
2.00	Tax Sheltered Annuity (TSA) Employer Contribution		0	2.00
3.00	Nonqualified Defined Benefit Plan Cost (see instructions)		41,981,348	3.00
4.00	Qualified Defined Benefit Plan Cost (see instructions)		0	4.00
<b>PLAN ADMINISTRATIVE COSTS (Paid to External Organization)</b>				
5.00	401K/TSA Plan Administration fees		198,665	5.00
6.00	Legal/Accounting/Management Fees-Pension Plan		0	6.00
7.00	Employee Managed Care Program Administration Fees		447,878	7.00
<b>HEALTH AND INSURANCE COST</b>				
8.00	Health Insurance (Purchased or Self Funded)		0	8.00
8.01	Health Insurance (Self Funded without a Third Party Administrator)		0	8.01
8.02	Health Insurance (Self Funded with a Third Party Administrator)		77,429,463	8.02
8.03	Health Insurance (Purchased)		0	8.03
9.00	Prescription Drug Plan		0	9.00
10.00	Dental, Hearing and Vision Plan		3,271,557	10.00
11.00	Life Insurance (If employee is owner or beneficiary)		792,016	11.00
12.00	Accident Insurance (If employee is owner or beneficiary)		0	12.00
13.00	Disability Insurance (If employee is owner or beneficiary)		6,732,590	13.00
14.00	Long-Term Care Insurance (If employee is owner or beneficiary)		0	14.00
15.00	'Workers' Compensation Insurance		5,764,695	15.00
16.00	Retirement Health Care Cost (only current year, not the extraordinary accrual required by FASB 106. Non cumulative portion)		7,414	16.00
<b>TAXES</b>				
17.00	FICA-Employers Portion Only		43,505,230	17.00
18.00	Medicare Taxes - Employers Portion Only		0	18.00
19.00	Unemployment Insurance		169,821	19.00
20.00	State or Federal Unemployment Taxes		0	20.00
<b>OTHER</b>				
21.00	Executive Deferred Compensation (Other Than Retirement Cost Reported on Lines 1 through 4 above. (see instructions))		0	21.00
22.00	Day Care Cost and Allowances		0	22.00
23.00	Tuition Reimbursement		970,749	23.00
24.00	Total Wage Related cost (sum of lines 1 -23)		200,410,505	24.00
25.00	Part B - other than Core Related cost			
25.00	OTHER WAGE RELATED COSTS (SPECIFY)			25.00

# Action Steps for Beyond FFY 2026



# SALARY & HOUR TIPS

1

Meet with payroll &  
see what is taxed on  
W-2 & where it is  
recorded on the G/L

2

Get actual payroll  
hours by paycode  
(key codes have  
errors)

3

Test impact of  
groupings &  
structure of  
organization

# 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

## PHYSICIAN TIPS



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



If time studies are required, implement a gatekeeper



Ask your MAC what support is needed

## 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

# MEDICARE SPECIAL DESIGNATIONS

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# Medicare Special Designations

- Sole Community Hospital (SCH)
- Medicare Dependent Hospital (MDH)
- Rural Referral Center (RRC)
- Low Volume Payment Adjustment



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# Sole Community Hospital

- *412.92 Special treatment: Sole community hospitals*
- Eligibility Criteria
  - Located at least 35 miles from a like hospital, or
  - Located in a rural area, is between 25 and 35 miles from a like hospital, and meets one of the following criteria:
    - No more than 25% of all IP or 25% of Medicare IP in its service area may be admitted to other like hospitals within 35 miles or its service area if larger.
    - It must have fewer than 50 beds and would have met the above criteria, except that some patients had to seek care outside the service area due to unavailability of necessary specialty services.
    - Nearby like hospitals are inaccessible for at least 30 days in 2 out of 3 years because of local topography or severe weather.
    - Located in a rural area and is between 15 and 25 miles from a like hospital, but because of local topography or periods of prolonged severe weather conditions, nearby like hospitals are inaccessible for at least 30 days in 2 out of 3 years.
    - Because of distance, posted speed limits and predictable weather conditions, the travel time between the hospital and the nearest like hospital must be at least 45 minutes.

# Sole Community Hospital

- Must continue to meet the criteria (self-report/track)
- Benefits
  - For Medicare IP services, paid the highest of:
    - The Federal rate applicable to the hospital,
    - Adjusted/updated hospital-specific rate based on FY 1982, 1987, 1996 or 2006 costs per discharge
  - Additional 7.1% above standard Outpatient PPS payment rates on most services
  - If applying for geographic reclassification, an SCH does not have to be within 35 miles of the area for which reclassification is sought
  - Qualify for 340b with 8% DSH adjustment factor instead of 11.75% but not eligible for 340b pricing for orphan drugs unless they meet the 11.75% criteria
  - **Eligible for volume decrease adjustment**



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# Medicare Dependent Hospitals

- *§412.108 Special treatment: Medicare-dependent hospital*
- MDH designation protected through 12/31/2024
- Eligibility Criteria
  - Hospital must be located in a rural area
  - Hospital must not have more than 100 beds
  - Hospital can not also be classified as a SCH
  - Hospital has at least 60% Medicare for inpatient days or discharges during one of the following:
    - FY 1987, or
    - 2 out of 3 most recent settled cost reports

# Medicare Dependent Hospital

- If using 2 of the 3 most recently audited cost reports, can include Medicare Advantage days, preferably submitting “no-pay” bills
- Ongoing analysis required--have 30 days to notify if no longer meet criteria
- For Medicare IP services, paid the highest of:
  - The Federal rate applicable to the hospital,
  - A blend of 25% of the Federal rate and 75% of the hospital-specific rate based on FY 1982, 1987, or 2002
  - Federal payment comes from E Part A line 47 includes DRGs, Outliers, IME, DSH
- **Eligible for volume decrease adjustment**

# Rural Referral Centers

- *§412.96 Special treatment: Referral centers.*
- Eligibility Criteria
  - Located in a rural area AND has 275 or more beds, **OR**
  - The hospital reflects the following three elements
    - At least 50% of the hospital's Medicare patients are referred from other hospitals or from physicians who are not on the staff of the hospital
    - At least 60% of the hospital's Medicare patients live more than 25 miles from the hospital
    - At least 60% of all services the hospital furnishes to Medicare patients are furnished to patients who live more than 25 miles from the hospital, **OR**
  - The hospital meets items 1 and 2 below and one of items 3,4, or 5 at right

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**1. Have a case mix index (CMI) meeting specified threshold**

**2. Has at least 5,000 annual discharges (at least 3,000 if an osteopathic hospital)**

3. More than 50% of the hospital's active medical staff are specialists who meet certain conditions.

4. At least 60% of all discharges are for inpatients who reside more than 25 miles from the hospital

5. At least 40% of all inpatients treated at the hospital are referred from other hospitals or from physicians not on the hospital's staff

# Rural Referral Centers

- Benefits
  - Not capped at 12% for Medicare DSH
  - If applying for geographic reclassification, an RRC does not have to be within 35 miles of the area for which reclassification is sought, as usually required is not required to demonstrate that its average hourly wage (AHW) is at least 106% of the average in the area in which it is located in order to qualify
  - RRCs qualify for 340B with 8% DSH adjustment factor instead of 11.75% but not eligible for 340B pricing for Orphan Drugs unless they meet the 11.75% criteria



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# Rural Redesignation

- *§412.103 – Special Treatment: Hospitals located in urban areas and that apply for reclassification to rural*

**Note that Rural/Urban designation is based on CBSA (Core-Based Statistical Area) but that is not the only way to determine urban or rural status.**

Eligibility Criteria for redesignation

- Hospital is in a rural census tract of the MSA they are assigned to.
- Hospital is located in an area deemed rural by state law or regulation.
- They would otherwise qualify for Sole Community Hospital Status or Rural Referral Center status if they were located in a rural area.



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# MGCRB Reclassifications

- **Urban** to Urban criteria to file a MGCRB reclassification
  - Within 15 miles to urban CBSA
  - 84% AHW of the area reclassifying to
  - 108% AHW of the area reclassifying from
- **Rural** to Rural or Urban criteria to file a MGCRB reclassification
  - Within 35 miles of CBSA
  - 82% AHW of the area reclassifying to
  - 106% AHW of the area reclassifying from
- Exceptions to criteria based on designation

# MGCRB Reclassifications

- Effective for 3 years unless you rescind
  - Can file more than 1 request but must mark the primary request and must keep track of which one you want to keep effective
  - Carefully word any changes in the middle of this cycle
- Can be a 412.103 rural hospital and still file MGCRB reclassification
- MGCRB is an inpatient/outpatient request
- FFY 2026-2028 requests are due September 1, 2024
  - Electronic filing—must be registered to file!



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# Low Volume Adjustment

- **Low Volume Adjustment (LVA)** – Hospitals with a low volume of discharges can receive an additional payment up to 25% of their IPPS/ HSR rates. Currently the provisions for qualification extend through December 31, 2024 as follows.
- Under the modified criteria, the payment increases are applicable for hospitals that have less than 3,800 total discharges and are located more than 15 road miles from another hospital (excluding critical access, psychiatric, rehabilitation, long-term care, cancer, research and children's hospitals).
- If the provision is not extended, it will revert to an old criteria where hospitals must have less than 200 total discharges and be located more than 25 road miles from the nearest PPS hospital.



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# Volume Decrease Adjustment

- Applies to Sole Community and Medicare Dependent Hospitals
- Request must be submitted within 180 days of NPR date (but can be submitted anytime after filing)

## Criteria:

- Total acute discharges decreased at least 5% from prior cost reporting year
- Decrease occurred from unusual situation beyond control of the hospital
  - Must provide evidence that the hospital took action to mitigate circumstances and decrease semi-fixed costs

## Benefit:

- If granted, the hospital would receive payment to partially compensate for the difference between Medicare IP cost and Reimbursement
- Calculation considers fixed, semi-fixed and variable costs



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# Learning Objectives

- Discuss basic PPS Rate payment calculation
- Illustrate the flow of Wage Index reporting and some tips for favorable reimbursement
- Discuss the wage index timeline, including important deadlines and strategy considerations
- Discuss and describe some of the strategic PPS hospital payment strategies and how it might change Medicare reimbursement for your hospital

# Questions?

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