

Reimbursement management

Hospitals increase Medicare reimbursements with more accurate wage index reporting

Client's challenge

The Centers for Medicare and Medicaid Services (CMS) calculates reimbursements to hospitals for labor costs based on a wage index that reflects the relative wage level in the geographic area of a hospital compared to the national average hospital wage level. CMS updates this wage index annually by conducting a survey of short-term, acute-care hospitals' wages and wage-related costs based on a prior cost report.

Changing CMS calculations and the complexity of the wage index report often result in inaccurate reporting by hospitals and unrealized Medicare reimbursement in relation to:

- Inpatient prospective payment system (PPS)
- Outpatient ambulatory payment classification
- Capital payments factors (e.g., geographic adjustment factor)
- Long-term care PPS
- Rehabilitation PPS
- Skilled nursing facilities
- Home health agencies
- Hospices

Several hospital associations have turned to PricewaterhouseCoopers (PwC) to help their member hospitals properly identify, gather, and document relevant data for an accurate calculation of the wage index. PwC has worked with these associations to identify opportunities to correct reporting errors, investigate and resolve issues, prepare reports and updates, and provide support during Medicare intermediary negotiations.

PricewaterhouseCoopers' Advisory solution

To help hospitals obtain their fair share of Medicare reimbursement, PwC conducts a wage index analysis, which includes the following steps:

Gathering data: Collect and analyze Medicare cost report work papers, payroll system information, and other documentation.

“Each wage index analysis PwC has conducted has resulted in a wage index increase ranging from 1.85 percent to 4.5 percent.”

Interviewing stakeholders: Consult with accounting, reimbursement, payroll, human resources, and information technology hospital staff to identify additional data and documentation.

Visiting facilities: Conduct on-site data review at each hospital.

Analyzing data: Analyze and benchmark wage data and produce a summary report.

Monitoring process: Follow the wage index process until CMS releases its final ruling.

Reporting to CMS: Request intervention and submit identified errors to CMS.

The PwC engagement team produces a draft of proposed adjustments for area hospitals participating in the CMS wage index analysis with supporting documentation and provider-specific analyses.

Impact on client's business

Each wage index analysis PwC has conducted has resulted in a wage index increase ranging from 1.85 percent to 4.5 percent. One analysis for 17 hospitals resulted in an \$18.3 million gain in Medicare reimbursements. Another analysis involving nine hospitals identified \$8.8 million in increased annual funding.

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