



American Hospital
Association

Regulatory Advisory

AHA's Regulatory Advisory, a service to AHA members, will be produced whenever there is a significant regulatory development that affects the job you do in your community. (Call 202-626-2298 if you do not receive all 11 pages of this fax.)

Proposed Occupational Mix Survey to Adjust Medicare's Area Wage Index

A Message to AHA Members:

On October 14, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* an information collection notice proposing a revised survey instrument for the occupational mix adjustment to the area wage index (AWI) of the Medicare inpatient prospective payment system (PPS). CMS expects to use this data to adjust the fiscal year (FY) 2008 area wage index.

The proposed survey differs from the previous one in a number of ways:

- **Reduction in the categories and subcategories collected.** Previously, CMS collected data on seven general occupation categories, broken down into 19 subcategories. Now CMS proposes to only collect data on registered nurses, licensed practical nurses, nurse aides and medical assistants.
- **Collection of wages.** The previous survey only collected the paid hours associated with employees. The proposed survey also includes the wages associated with the revised occupational categories.
- **Collection period.** Hospitals would be expected to submit data for a longer period – six months, from January 1, 2006 through June 30, 2006.
- **Due date.** The data would be due on July 31, 2006, one month after the collection period ends.

Comments are due to CMS by December 13, and the agency is anticipating that the data collection will begin January 1, 2006. Thus, we recommend that hospitals carefully review the proposed survey in preparation for the release of the final survey early next year.

After reviewing this advisory, check off the following items from your to-do list:

- ✓ Visit the CMS Web site at www.cms.hhs.gov/providers/hipps/fedregnotice.pdf to view a copy of the notice and www.cms.hhs.gov/providers/hipps/ippswage.asp to view the full set of supporting documents regarding the proposed survey.
- ✓ Share this advisory with your chief financial officer and the occupational mix survey team (likely to include key staff in human resources, payroll and information services).
- ✓ Prepare your systems and contracts to track the wages and paid hours of employees for whom CMS expects to collect data.

The AHA will be submitting comments on the proposed survey. We will urge CMS to ensure that the collection minimizes burden on providers while supporting an accurate adjustment. Hospital leaders are encouraged to submit their own comment letters and to provide the AHA with feedback on the proposed survey for inclusion in the AHA comment letter. If you have further questions or concerns, please contact Danielle Lloyd, AHA senior associate director of policy, at (202) 626-2340 or dlloyd@aha.org.

Sincerely,

Rick Pollack
Executive Vice President

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Proposed Occupational Mix Survey to Adjust Medicare's Area Wage Index

Background

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 requires the Centers for Medicare & Medicaid Services (CMS) to collect data every three years on the occupational mix of employees from hospitals subject to the Medicare inpatient prospective payment system (PPS) in order to construct an occupational mix adjustment to the area wage index (AWI). This adjustment is used as a control for the effect of hospitals' employment choices – such as the use of registered nurses versus licensed practical nurses, or the employment of physicians – rather than geographic differences in the costs of labor.

CMS published in the October 14 *Federal Register* an information collection notice proposing a revised survey instrument to update the occupational mix adjustment to the area wage index of the inpatient PPS. CMS expects to use this data to adjust the fiscal year (FY) 2008 AWI. Comments are due to CMS by December 13, and CMS is anticipating that the data collection will begin January 1, 2006. Given that the final survey will not likely be published prior to the beginning of the collection period, we recommend that hospitals carefully review the proposed survey in preparation for taking the necessary steps to collect the appropriate information.

2003/2004 Collection Instrument

Hospitals first collected these data either retrospectively for calendar year 2003, or prospectively for a four-week period beginning between December 28, 2003 and January 11, 2004, and ending no later than February 7, 2004. CMS first adjusted the inpatient AWI for occupational mix using these data in FY 2005. CMS is continuing to use this adjustment for FY 2006 and is expected to do the same in FY 2007. However, due to concerns about the quality of the data and the potential negative financial impact on hospitals, CMS has implemented only 10 percent of the adjustment; thus, 10 percent of the current AWI is based on an average hourly wage adjusted for occupational mix, and 90 percent is based on an average hourly wage unadjusted for occupational mix. In the final inpatient PPS rule for FY 2006, CMS indicated that 27.7 percent

of rural areas and more than 52.1 percent of urban areas would experience a decrease in their wage index as a result of the occupational mix adjustment in FY 2006.

The 2003/2004 occupational mix survey used the occupational categories and definitions from the 2001 U. S. Bureau of Labor Statistics (BLS) Occupational Employment Statistics survey, based on its standard occupational categories (SOCs). The survey collected data on the following seven categories, broken down into 19 sub-categories, plus an “all other” category:

Nursing and Medical Assistant Services

- Registered nurses
- Licensed practical nurses
- Nursing aides, orderlies & attendants
- Medical assistants

Physical Therapy Services

- Physical therapists
- Physical therapist assistants
- Physical therapist aides

Occupational Therapy Services

- Occupational therapists
- Occupational therapist assistants
- Occupational therapist aides

Respiratory Therapy Services

- Respiratory therapists
- Respiratory therapy technicians

Pharmacy Services

- Pharmacists
- Pharmacy technicians
- Pharmacy aides

Dietary Services

- Dieticians and nutritionists
- Dietetic technicians

Medical and Clinical Lab Services

- Medical and clinical lab technologists
- Medical and clinical lab technicians

All Other Occupations

Currently, CMS determines an adjustment for each of the seven general occupational categories and applies each adjustment separately to the wage index. A sample calculation using the current methodology is included in Attachment 1 of this advisory. CMS has not indicated how the changes to the survey may affect the adjustment calculation.

Proposed 2006 Collection Instrument

CMS proposes that hospitals collect occupational mix data for a six-month period from January 1, 2006 through June 30, 2006. All hospitals subject to the inpatient PPS, or any hospital that would be subject to the inpatient PPS if not granted a waiver, must respond to the survey. Note that critical access hospitals (CAHs) are not paid under the inpatient PPS and are therefore not required to complete the survey. In addition, hospitals that terminate participation in the Medicare program before calendar year 2006 are not required to complete the survey.

Survey responses are due by July 31, 2006 via email attachment or overnight delivery to the

intermediaries. An Excel version of the occupational mix survey may be downloaded from CMS's Web site at www.cms.hhs.gov/providers/hipps/ippswage.asp. It is important for hospitals to ensure that data reported on the survey are accurate and verifiable through supporting documentation.

The principal change to the survey is the addition of wages. The 2003/2004 survey only collected the paid hours associated with these employees, not the actual amounts paid to them.

In addition, the proposed survey reduces the subcategories collected. Previously, CMS collected data on 19 subcategories of occupations. Now, CMS proposes to only collect data on the nursing and "all other" categories. According to CMS, the additional occupational categories collected under the 2003/2004 survey instrument had only a minimal affect on the adjustment.

Collection of Salaries and Hours

The proposed survey would require hospitals to include both the paid hours associated with the employees in question and the wages paid. CMS includes the following definitions of paid salaries and hours in the supporting documents for the *Federal Register* notice:

Paid Salaries – Include the total of **paid** wages and salaries for the specified category of hospital employees including overtime, vacation, holiday, sick, lunch, and other paid-time-off, severance, and bonuses. Do not include fringe benefits or wage-related costs as defined in Provider Reimbursement Manual, Part I, Section 3605.2.

Paid Hours – Include the total **paid** hours for the specified category of hospital employees. Paid hours include regular hours, overtime hours, paid holiday, vacation, sick, and other paid-time-off hours, and hours associated with severance pay. Do not include non-paid lunch periods and on-call hours in the total paid hours. Overtime hours must be calculated as one hour when an employee is paid time and a half. No hours are required for bonus pay. The hours reported for salaried employees who are paid a fixed rate must be recorded based on 40 hours per week or the number of hours in the hospital's standard workweek.

Categories for Collection

Rather than use the seven categories and 19 subcategories previously reported on, the revised survey proposes to use only a subset of the occupational categories from the 2001 BLS Occupational Employment Statistics survey based on its SOCs. The survey would include the following categories and subcategories:

- Registered Nurses
 - Nursing Administrator/Director
 - Nurse Supervisor/Head Nurse
 - Staff Nurse/Clinician

- Licensed Practical Nurses
 - Nursing Administrator/Director
 - Nurse Supervisor/Head Nurse
 - Staff Nurse/Clinician
- Nursing Aides, Orderlies & Attendants
- Medical Assistants
- All Other Occupations

CMS will utilize the associated BLS definitions that are included in Attachment 2 of this advisory. A copy of the survey itself is included in Attachment 3 of this advisory. However, providers will need to submit the document as an Excel file to fiscal intermediaries by July 31, 2006.

Employees to Include in the Collection

Hospitals should complete the survey for employees who are full-time and part-time, directly hired and acquired under contract. Employees who serve more than one function would be classified in the occupation that requires their highest level of skill. If there is no measurable difference in skill, workers are to be included in the occupation in which they spend the most time.

Hospitals should not include employees in areas excluded from inpatient PPS, such as skilled-nursing facilities, home health agencies, and psychiatric or rehabilitation units or facilities. This exclusion applies to directly hired and contracted employees who provide either direct or indirect patient care services in inpatient PPS excluded areas. Also, hospitals should not include employees who are allocated from the home office. CMS has indicated that hospitals may apply an allocation methodology that is similar to the methodology used in the wage index calculation for allocating general service salaries and hours to excluded areas.

In order to properly collect data on contracted employees, hospitals should work with their contractors in advance of January 1, 2006 to ensure that a sufficient level of detail about the titles of the employees, the hours they work and the wages paid to them is provided to the hospitals. In addition, hospitals should take care to track nursing staff who work in more than one area of the hospital to ensure that they are properly accounted for when the hospital completes the survey.

Collection Timeframe

The AHA is concerned about the proposed collection timeframe – January 1, 2006 through June 30, 2006 – as the final survey will not likely be published until after the collection period begins. This will necessitate a retrospective collection for a portion of the period. While the AHA will submit comments on the survey, we encourage hospitals to plan ahead as if this survey were final and make any necessary changes once the actual final survey is published.

Burden Estimates

CMS estimates that 3,800 hospitals will have to complete the survey and that, on average, it will take 160 hours per hospital to complete. If you believe that this time estimate is too low, we encourage you to include that in your comment letter to CMS or provide comments to that effect to the AHA.

Occupational Mix Example

	Average Hourly Wage ¹	Number of Employees	Percentage of Total Occupations	Weighted Average Hourly Wage
NATIONAL				
Nursing Services				
RNs	\$23.19	2,217,990	53%	\$12.29
LPNs	\$15.14	683,790	16%	\$2.42
CNAs, Aides, Orderlies, & Attendants	\$9.54	1,307,600	31%	\$2.96
Total		4,209,380	100%	\$17.67
HOSPITAL A				
Nursing Services				
RNs	\$23.19	4,000	57%	\$13.22
LPNs	\$15.14	1,000	14%	\$2.12
CNAs, Aides, Orderlies, & Attendants	\$9.54	2,000	29%	\$2.77
Total		7,000	100%	\$18.11
Occupational Mix Adjustment ²				0.9757
HOSPITAL B				
Nursing Services				
RNs	\$23.19	3,500	50%	\$11.60
LPNs	\$15.14	1,500	21%	\$3.18
CNAs, Aides, Orderlies, & Attendants	\$9.54	2,000	29%	\$2.77
Total		7,000	100%	\$17.55
Occupational Mix Adjustment ²				1.0068

¹ Based on Bureau of Labor Statistics Data

² Calculated by comparing hospital weighted average hourly wage to national weighted average hourly wage.

- **Registered Nurses (RNs, SOC 29-1111)** - Assess patient health problems and needs, develop and implement nursing care plans, and maintain medical records. Administer nursing care to ill, injured, convalescent, or disabled patients. May advise patients on health maintenance and disease prevention or provide case management. Licensing or registration required. RNs who have specialized formal, post-basic education and who function in highly autonomous and specialized roles, maybe assigned a variety of roles such as staff nurse, advanced practice nurse, case manager, nursing educator, infection control nurse, performance improvement nurse, and community health nurse. **Exclude from the survey advance practice nurses (nurse practitioners, clinical nurse specialists, certified nurse midwives, and certified registered nurse anesthetists) that are paid under a Part B fee schedule and not the IPPS.**

Functional Subcategories:

- **Nursing Administrator/Director** – Provide leadership for nursing practice, policy, and programs. Participate in strategic planning, resource allocation and evaluation processes that impact the delivery of services to patients. Assist in the coordination of medical and nursing services. Assign duties to professional and ancillary nursing personnel based on resident needs, available staff and unit needs. Supervise the maintenance of patient nursing records and reports. Requisitions and distributes clinic supplies and equipment.
 - **Nurse Supervisor/Head Nurse** – Direct nursing activities. Plan work schedules and assign duties to nurses and aides, provide or arrange for training, and visit patients to observe nurses and to ensure that the patients receive proper care. May ensure that records are maintained and equipment and supplies are ordered.
 - **Staff Nurse/Clinician** – Provide direct patient care based on scientific knowledge and standardized care plans. At the intermediate level, may become more skilled in developing individual care plans to meet patient needs. At the advanced level, may provide care for patients with more complex and unpredictable medical conditions.
- **Licensed Practical Nurses (LPNs, SOC 29-2061)** - Care for ill, injured, convalescent, or disabled persons in hospitals, nursing homes, clinics, private homes, group homes, and similar institutions. Most LPNs provide basic bedside care, such as vital signs as temperature, blood pressure, pulse, and respiration. May work under the supervision of a registered nurse. Some more experienced LPNs supervise nursing assistants and aides. Licensing is required after the completion of a state-approved practical nursing program.



Functional Subcategories:

- *Nursing Administrator/Director*
- *Nurse Supervisor/Head Nurse*
- *Staff Nurse/Clinician*

(See definitions above under RNs)

- ***Nursing Aides, Orderlies, & Attendants (SOC 31-1012)*** - Provide basic patient care under direction of nursing staff. Perform duties, such as feed, bathe, dress, groom, or move patients, or change linens.

Examples: Certified Nursing Assistant; Hospital Aide; Infirmary Attendant.

- ***Medical Assistants (SOC 31-9092)*** - Performs administrative and certain clinical duties under the direction of physician. Administrative duties may include scheduling appointments, maintaining medical records, billing, and coding for insurance purposes. Clinical duties may include taking and recording vital signs and medical histories, preparing patients for examination, drawing blood, and administering medications as directed by physician. Exclude "Physician Assistants" (29-1071).

Example: Morgue Attendant; Ophthalmic Aide; Physicians Aide.

All Other Occupations – Non-nursing employees (directly hired and under contract) in IPPS reimbursable cost centers must be included in the "all other occupations" category. This category must not include occupations that are excluded from the wage index (such as physician Part B services, interns, and residents, nurse practitioners, clinical nurse specialists, certified nurse midwives, and certified registered nurse anesthetists). Also, the "all other occupations" category must not include employees in areas excluded from the wage index via Worksheet S-3, Part II, Lines 8 and 8.01, such as skilled nursing, psychiatric, and rehabilitation units and facilities. Therapists and therapy assistants, equipment technologists and technicians, medical and clinical laboratory staff, pharmacists and pharmacy technicians, administrators (other than nursing), computer specialists, dietary, and housekeeping staff are examples of employees who should be reported in the "all other occupations" category.



**MEDICARE WAGE INDEX
OCCUPATIONAL MIX SURVEY**

Report Paid Salaries and Paid Hours in whole numbers. Round Average Hourly Wage to 2 decimal places.

Occupational Category	Paid Salaries	Paid Hours	Average Hourly Wage (Salaries/Hours)
RNs			
Nursing Administrator/Director			
Nurse Supervisor/Head Nurse			
Staff Nurse/Clinician			
Total RNs			
LPNs			
Nursing Administrator/Director			
Nurse Supervisor/Head Nurse			
Staff Nurse/Clinician			
Total LPNs			
Nursing Aides, Orderlies, & Attendants			
Medical Assistants			
Total Nursing			
All Other Occupations			
Total (Nursing and All Other)			