

# **FORVIS**

## **Structuring Contracts for the Medicare Wage Index**

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# Meet the Presenters



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# Agenda

- Role of the wage index in Medicare reimbursement
- Contract Labor
  - Requirements
  - Process best practices
- Physicians
  - Contract & Salaried Requirements
  - Time studies
- Questions

# Role of Wage Index

- Percentage of Medicare reimbursement impacted by wage index
  - Inpatient (IP): 62% (higher if over 1.0 wage index)
  - Outpatient (OP): 60%
  - Similar percentages for subprovider, home health, hospice, skilled nursing units/facilities
- PPS hospital's data is used to set the wage index used for all provider types ... hospital-based or free-standing
- Core-Based Statistical Area: weighted average of data for hospitals within a group of counties; urban & rural CBSAs

# What Factors Go Into the Wage Index?

- Allowable salaries & hours
  - Includes Part A or non-patient care physician time
  - Excludes Part B or patient care physician time
- Wage-related costs (benefits)
- Contract labor
  - Patient care
  - Management
  - Physicians
  - Administrative
  - Dietary
  - Housekeeping

# What's the Impact of \$0.50?

- Final 2024 national average hourly wage is approximately \$50
- If the hospitals misstate their wage index by two quarters, it is material lost reimbursement that goes elsewhere in the country



# Why Would My Hospital Misstate Their Data?



## Lots of Reasons

Timing—maybe ran out of time before cost report due

Complicated rules that keep changing

Missing data needed to claim the expense

MAC disallowance due to lack of support

Lots of other reasons but the last two are the focus of today's discussion—**SUPPORTING THE EXPENSES INCURRED**

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# Patient Care Contract Labor

State Impacted	Dollars disallowed
CA	(979,355,328)
GA	(828,216,482)
VA	(329,180,213)
NC	(306,481,993)
FL	(234,345,352)
TN	(227,556,851)
NY	(202,786,961)
IL	(201,840,328)
TX	(186,839,439)
SC	(162,930,032)
WA	(156,428,859)
NV	(121,702,301)
OR	(120,719,919)
WI	(118,597,584)
OK	(112,640,171)



# Contract Labor

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# Categories of Contract Labor

## Patient Care Under Contract

- Patient care services
- Examples: nursing, therapy, lithotripsy, dialysis, sleep lab, wound care, etc.—anything with service component

## Management & Administrative Services

- Department directors, administrators, managers, ward clerks, & medical secretaries except in Excluded Areas
- This includes CEO, COO, CFO, & CNO
- Example: Wound care director, Sleep lab director

# Categories of Contract Labor

## A&G under contract

- Examples: legal, accounting, consultants, strategy, IT

## Dietary under contract

- Exclude cafeteria

## Housekeeping under contract

- Must estimate for dietary & housekeeping if hours are not available

# Contract Labor

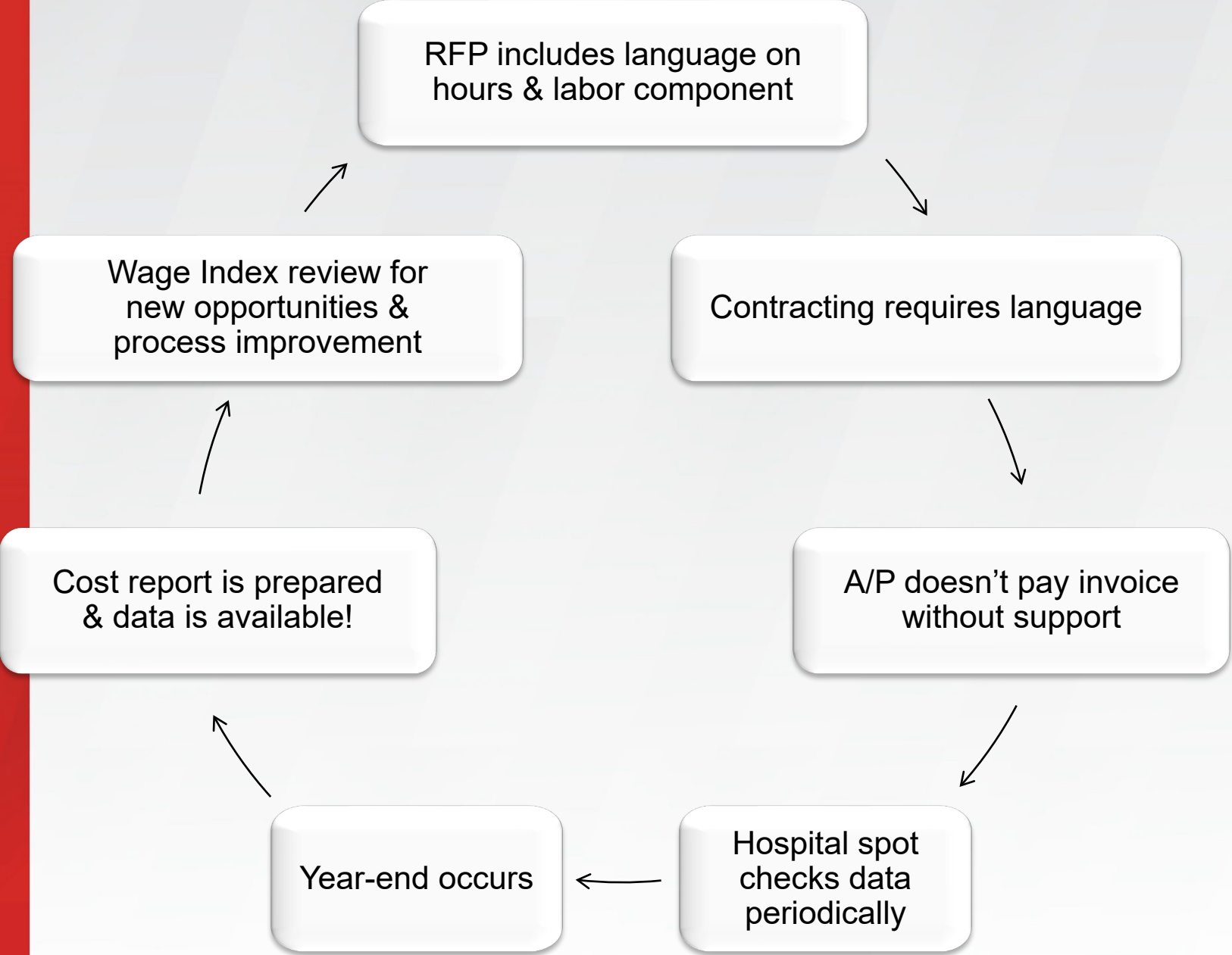
## Contract Labor general guidelines for claiming contract labor

- Labor component & related hours only
  - No equipment, supplies, etc.
  - No travel expenses
- Must have a written contract
- Does not matter the name on the general ledger account
- Does not matter how paid (per click, contingency, etc.)
- Attestations & declarations are not considered support
- Emails are not considered support
- Ideal: labor dollars & hours on invoice
- Recap of invoices & hours statement for year okay typically

# Contract Labor

- Words to avoid
  - Estimate, approximate
  - Maximum, minimum
  - All-inclusive rates labor & nonlabor
- Terms to clarify
  - Labor component rate separately stated from supplies, travel, or per diems
  - Addendums or mechanism to address rate changes
- Requirements to include
  - Labor dollars & hours required to be provided to hospital to be paid or to be provided at year-end in order to continue to do business

# Example of Functioning Cycle



# Interim Strategies

- Until you can get the requirement into your RFP & contracting, you can take interim steps to gather the necessary data
  - Contact vendor early & be persistent
  - Make sure you convey you do not need their confidential salaries/benefits rate, but rather you need the contracted labor rate & related hours
  - Remember how you pay for a service is not relevant (per click, contingency, etc.) if you can get the labor component dollars & hours

# Physicians

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# Definition of Physician Part A Time — Salaried or Contracted

- Part A time is the time spent performing Administrative duties for the hospital
- Examples
  - Medical directorships
  - Attending committee meetings
  - Assisting with new implementations or development of new case management/UR/etc.
  - Hospital administrative duties
  - Emergency Room availability time
- Need either employee agreement or contract

# Physician

- Same guidelines as contract labor regarding
  - Written agreement
  - Avoid words
    - + Maximum, minimum
    - + Estimate, approximate
  - Be careful on reference to patient care if not intending physician to do patient care
  - Plus, maybe time studies

# When Is a Time Study Required?

Scenario	Time study?
Medical director only	Possibly not if rate & hours clear in contract
Physician only doing direct patient care	No, but if salaried do need to track hours in payroll
Physician doing both administrative & patient care	YES
Contract states a time study will occur	YES
Administrative contract with any reference to patient care or words like maximum hours, minimum hours, estimated hours, etc.	YES
Other examples?	

# Time Study

- Cadence
  - Two weeks every quarter best practice
  - Since FFY 2021, CMS stated MACs can accept a two-week time study done semi-annual
  - MAC reserves right to require more such as one week per month
- Must be signed timely by physician
- Must account for all time
- Total hours for the year cannot be imputed from time studies

# Additional Strategies: Physician Part A Time

- Include in the contract the dollars & hours that are being paid for these services
  - Evaluate value of services being provided
  - Make sure the wording in the contract is specific regarding the hours
  - If time studies are required, make sure it states that these must be provided in the contract
- If time studies are to be completed, implement a gatekeeper
  - Many hospitals do not pay invoices if they do not have the support
  - Many hospitals log the detail into their GL or on a spreadsheet so that they have the data for the cost report preparation
  - Most physicians prefer apps to Excel time studies

# Things To Do ASAP

- Review & assess inventory of contracts & employment agreements
- Address contract or employment agreement addendums
- Make sure Chief Medical Officer understands significance & can stress importance
- Modernize time study process
- Education

# Getting Credit for Expenses Incurred

- Contract labor is expensive
- Physician rates are high
- Wage index is budget neutral
- Other hospitals obtain the data
- If you don't have the support to get credit for expenses incurred, the reimbursement goes elsewhere in the United States

**Let's Talk ...**

**Questions?**

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# Thank you!

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