

**Acute Inpatient Perspective Payment System**

1. Obtained IPPS wage indices for 2007 thru 2013 from <http://www.cms.gov>
2. Obtained provider county from the Provider of Service (POS)
3. NCH records
  - a. Keep only inpatient claims - claim type 60
  - b. Includes acute care hospitals - range 0001 thru 0879
  - c. Determine provider state and county per POS
    - a. Determine CBSA based on provider state and county
    - b. AND CLM\_TOT\_CHRG\_AMT > 0
    - c. AND CLM\_MCO\_PD\_SW NE '1'
    - d. AND SUBSTR(PROVIDER\_NUMBER,3,1) EQ '0'
    - e. AND SUBSTR(PROVIDER\_NUMBER,5,1) NE 'V'
    - f. AND SUBSTR(PROVIDER\_NUMBER,6,1) NOT IN ('E','F')
    - g. AND SUBSTR(PROVIDER\_NUMBER,3,3) NOT IN ('897','898','899','998','999')
    - h. AND PROVIDER\_NUMBER NOT IN ( '050146','050660','220162','330154','330354','360242','390196','450076','100079','100271','500138' )
    - i. AND PROVIDER\_NUMBER NOT IN ( &SOLE\_COMM\_HOSP );

**Table 1: IPPS Labor Percentage**

| Fiscal Year | Greater than 1 |           | Less than 1 |           |
|-------------|----------------|-----------|-------------|-----------|
|             | Labor          | Non-Labor | Labor       | Non-Labor |
| 2007        | 0.697          | 0.303     | 0.62        | 0.38      |
| 2008        | 0.697          | 0.303     | 0.62        | 0.38      |
| 2009        | 0.697          | 0.303     | 0.62        | 0.38      |
| 2010        | 0.688          | 0.312     | 0.62        | 0.38      |
| 2011        | 0.688          | 0.312     | 0.62        | 0.38      |
| 2012        | 0.688          | 0.312     | 0.62        | 0.38      |
| 2013        | 0.688          | 0.312     | 0.62        | 0.38      |

|                   |          |   |
|-------------------|----------|---|
| CLM PMT AMT       | \$10,247 | Claim payment amount from NCH                       |
| + DEDUCTABLE AMT  | \$1,132  | Beneficiary inpatient deductible amount             |
| + COINSURANCE AMT | \$0      | Beneficiary Part A coinsurance liability amount     |
| NET PAYMENT       | \$11,379 | Claim payment plus deductible and coinsurance       |
| ×                 |          |   |
| ( NAT LABOR PCT   | 0.62     | Labor related share                                 |
| x CURR INDEX      | 0.7477   | Current wage index                                  |
| + NON-LABOR PCT   | 0.38 )   | Non-labor related share                             |
|                   | 0.84     | Current wage ratio: ( 0.62 x 0.7477 + 0.38 ) = 0.84 |
| ÷                 |          |   |
| ( NAT LABOR PCT   | 0.62     | Labor related share                                 |
| x PREV INDEX      | 0.8112   | Prior wage index                                    |
| + NON-LABOR PCT   | 0.38 )   | Non-labor related share                             |
|                   | 0.88     | Prior wage ratio: ( 0.62 x 0.8112 + 0.38 ) = 0.88   |
| NEW WAGE RATIO    | 0.96     | New wage ratio = ( 0.84 / 0.88 )                    |
| x ADJ PAYMENT     | \$10,872 | Adjusted payment = \$11,379 x ( 0.84 / 0.88 )       |
| - DEDUCTABLE AMT  | \$1,132  | Beneficiary inpatient deductible amount             |
| - COINSURANCE AMT | \$0      | Beneficiary Part A coinsurance liability amount     |
| NEW PAYMENT       | \$9,740  | New payment amount including adjustment             |

This method is adjusting the claim payment amount from NCH, which includes the DRG outlier approved payment amount, disproportionate share, indirect medical education, and total PPS capital. It does not include pass-thru amounts, beneficiary-paid amounts (i.e., deductibles and coinsurance); or any other payer reimbursement.

**Skilled Nursing Facility**

1. Obtained SNF wage indices for 2007 thru 2013 from <http://www.cms.gov>
2. Obtained provider county from the Provider of Service (POS) file
3. NCH records
  - a. Keep only SNF claims - claim type 20 or 30
  - b. Include provider range 5000 thru 6499
  - c. Determine provider state and county per POS
  - d. Determine CBSA based on provider state and county
4. Apply wage adjustment
  - a. Use provider reclassification is it exists
  - b. Else use Urban/Rural CBSA index
  - c. Use the appropriate labor percentage from Table 2
  - d. Apply wage index adjustment

**Table 2: SNF Labor Percentage**

|      |         |
|------|---------|
| 2007 | 0.75839 |
| 2008 | 0.70249 |
| 2009 | 0.69783 |
| 2010 | 0.69840 |
| 2011 | 0.69311 |
| 2012 | 0.68693 |
| 2013 | 0.68383 |

|                         |                 |   |
|-------------------------|-----------------|---|
| CURR INDEX              | 0.7121          | SNF PPS wage index of current year                  |
| - <u>PREV INDEX</u>     | <u>0.7327</u>   | SNF PPS wage index of prior year                    |
| NET INDEX               | -0.0206         | Difference between current and prior wage index     |
| × <u>LABOR SHARE</u>    | <u>0.6984</u>   | Labor related share                                 |
| WAGE INDEX ADJ          | -0.01439        | Wage difference times labor related share           |
|                         |                 |   |
| NAT LABOR               | 0.6984          | Labor related share                                 |
| × <u>PREV INDEX</u>     | <u>0.7327</u>   | SNF PPS wage index of prior year                    |
| WAGE ADJ FACTOR         | 0.5117          | Previous index times labor related share            |
|                         |                 |   |
| 1                       | 1               |   |
| - <u>LABOR SHARE</u>    | <u>0.6984</u>   | Labor related share                                 |
| NONLABOR SHARE          | 0.3016          | Non-labor related share                             |
|                         |                 |   |
| CLM PMT AMT             | 5507.85         | Claim payment amount from NCH                       |
| ÷ <u>TOT ADJ FACTOR</u> | <u>0.8133</u>   | Wage payment adjustment factor plus non-labor share |
| BASE PMT RATE           | \$6,772         | Claim payment times payment adjustment factor       |
| × <u>WAGE INDEX ADJ</u> | <u>-0.01439</u> | Wage difference times labor related share           |
| ADJ PMT AMT             | -\$97           | Final adjustment to claim payment amount            |
| + <u>CLM PMT AMT</u>    | <u>\$5,508</u>  | Claim payment amount from NCH                       |
| NEW PMT AMT             | \$5,410         | New payment amount including adjustment             |

**Home Health Agency (HHA)**

1. Obtained HHA CBSA wage indices and HHRG weights for 2007 thru 2013 from CM
2. NCH records
  - a. Keep only HHA claims - claim type 10
  - b. Include claims with a type of bill equal to 32 or 33 and claim frequency code not equal to 0 or 2
  - c. Drop DME claim lines paid under fee schedule where revenue center not equal 029x, 060x, or 0274
  - d. Obtain CBSA from value code 61
  - e. Add wage index to claims
  - f. Add HHRG weights to claim
3. Apply HHRG wage adjustment
  - a. Multiply the standard payment by the HHRG weight to obtain case mix adjusted rate
  - b. Multiply the case mix adjusted rate by the national labor percentage
  - c. Multiply the labor portion by the previous wage index to obtain the labor amount
  - d. Subtract the current wage index from the previous index to create a net index
  - e. Multiply the labor amount by the net index by the HHRG weight to obtain the adjustment

|                       |                |  |
|-----------------------|----------------|--|
| STD PMT               | \$2,258        | Standard Episode Payment                         |
| × <u>HHRG WEIGHT</u>  | <u>0.6713</u>  | HIPPS (HHRG) Weight                              |
| CASE MIX ADJ RATE     | \$1,516        | Case Mix Adjusted Rate                           |
| × <u>NAT LABOR</u>    | <u>0.77082</u> | Labor related share                              |
| LABOR PORTION         | \$1,168        | Case Mix Adjusted Rate times Labor related share |
| × <u>PREV INDEX</u>   | <u>0.7380</u>  | Previous Wage Index                              |
| LABOR AMOUNT          | \$862          | Previous Index times Labor Portion               |
| <br>                  |                |  |
| CURR INDEX            | 0.7113         | HHA PPS wage index of current year               |
| – <u>PREV INDEX</u>   | <u>0.7380</u>  | HHA PPS wage index of prior year                 |
| NET INDEX             | –0.0267        | Difference between current and prior wage index  |
| <br>                  |                |  |
| LABOR × NET           | –\$23          | Labor Amount times Net Index                     |
| × <u>HHRG WEIGHT</u>  | <u>0.6713</u>  | HIPPS (HHRG) Weight                              |
| ADJ PMT AMT           | –\$15          | Final adjustment to claim payment amount         |
| + <u>LINE PMT AMT</u> | <u>\$1,224</u> | Line payment amount from NCH                     |
| NEW PMT AMT           | \$1,209        | New payment amount including adjustment          |

If no HHRG code exists and the claim is a low utilization payment adjustment (LUPA) the wage index adjustment is similar to the Inpatient ratio method.

**Physician Fee Schedule**

1. Obtained 2007-2013 relative value units (RVUs) and geographic practice cost indexes (GPCIs) from CM
2. NCH Records
  - a. Extracted physician claim lines with claim types 71 or 72
  - b. Added RVUs to each claim line by HCPCS code and first modifier code
  - c. Added GPCIs to claim based on contractor and locality
  - d. Use the appropriate facility or non-facility practice expense RVU
    - i. Facility is where the place of service equals one of the following  
21, 22, 23, 24, 26, 31, 34, 41, 42, 51, 52, 53, 61, 56
  - e. Multiply the previous RVU by the previous GPCI for work, practice, and mal-practice expenses
  - f. Multiply the previous RVU by the current GPCI for work, practice, and mal-practice expenses
  - g. Divide the current rate by the previous rate to obtain a percent difference
  - h. Multiply the percent difference by the line payment, resulting in the final adjustment value
  - i. Added the final adjustment value to the line payment to obtain an adjusted payment

|                 | <u>Work</u>   | <u>Practice Expense</u> | <u>Malpractice</u> | <u>RVU × GPCI Sum</u> |                                     |
|-----------------|---------------|-------------------------|--------------------|-----------------------|-------------------------------------|
| <u>Previous</u> |               |                         |                    |                       |                                     |
| RVU             | 1.16          | 0.68                    | 0.07               |                       |                                     |
| GPCI            | × <u>1</u>    | <u>1.046</u>            | <u>0.658</u>       |                       |                                     |
|                 | 1.16          | + 0.71128               | + 0.04606          | = 1.91734             | Prior year payment rate             |
| <u>Current</u>  |               |                         |                    |                       |                                     |
| RVU             | 1.16          | 0.68                    | 0.07               |                       |                                     |
| GPCI            | × <u>0.99</u> | <u>1.044</u>            | <u>0.86</u>        |                       |                                     |
|                 | 1.1484        | + 0.70992               | + 0.602            | = 1.91852             | Current year payment rate           |
|                 |               |                         |                    | ÷ 0.0615%             | Percent difference of payment rates |
|                 |               |                         |                    | × <u>\$43.26</u>      | Line payment amount from NCH        |
|                 |               |                         |                    | \$0.03                | Final adjustment to claim payment   |
|                 |               |                         |                    | + <u>\$43.26</u>      | Line payment amount from NCH        |
|                 |               |                         |                    | \$43.29               | New payment including adjustment    |

The GPCIs measure geographic differences in physician wages, wages of clinical and administrative staff, cost of contracted services (e.g. accounting and legal services), cost to rent office space, and the cost of professional liability insurance. The GPCIs assume that medical supplies (including pharmaceuticals) and medical equipment are purchased in national markets and no geographic adjustment is made for these components of a physician practice.

**Outpatient Perspective Payment System**

1. Obtained IPPS wage indices for 2007 thru 2013 from <http://www.cms.gov>
2. Obtained provider county from the Provider of Service (POS) file
3. NCH records
  - a. Keep only outpatient claims - claim type 40
  - b. Limit to OPSS claims where status code equals P, S, T, V, or X
  - c. Determine provider state and county per POS
  - d. Determine CBSA based on provider state and county
4. Apply wage adjustment
  - a. Use provider reclassification is it exists
  - b. Else use Urban/Rural CBSA index
  - c. Removed prior year wage index
  - d. Calculate current year wage ratio
  - e. Apply wage index adjustment

|   |          |   |
|---|----------|---|
| LINE PMT AMT                              | \$97.65  | Line payment amount from NCH            |
| $\div (.6 \times \text{WAGE INDEX} + .4)$ | 0.90526  | Remove prior year wage index            |
| UNADJSTD PMT                              | \$107.87 | Unadjusted payment amount               |
| $(.6 \times \text{WAGE 2013} + .4)$       | 0.90364  | Apply current year wage index           |
| $\times \text{UNADJSTD PMT}$              | \$107.87 | Unadjusted payment amount               |
| NEW PMT AMT                               | \$97.48  | New payment amount including adjustment |

This process is adjusting the labor related portion of the standard OPSS national unadjusted payment rates to account for geographic wage differences. These wage indexes are the same as those in the fiscal year based IPPS, but adopted into the OPSS on a calendar year basis. Certain services such as those with status indicators of G, H, K, R, and U are not adjusted by a wage index, as the payment does not include a labor related portion (I.e. G and K represent drugs, H is devices, R is blood and blood products, U is brachytherapy sources).