

## **MEDICARE GEOGRAPHIC CLASSIFICATION REVIEW BOARD**

### **2012 INDIVIDUAL HOSPITAL APPLICATION INSTRUCTIONS FOR GEOGRAPHIC RECLASSIFICATION EFFECTIVE FEDERAL FISCAL YEARS 2014 THROUGH 2016**

#### **INTRODUCTION**

This document contains the instructions for completing the individual hospital application that hospitals will need in applying for geographic reclassification in 2012 under the Medicare Hospital Inpatient Prospective Payment System (IPPS). Completed applications are due to the Medicare Geographic Classification Review Board (Board) office no later than **5:00 p.m. EDT, September 4, 2012**. Reclassifications granted by the Board for the wage index will be effective for a 3-year period, Federal Fiscal Years (FFYs) 2014 through 2016 (October 1, 2013 through September 30, 2016).

A hospital may apply for geographic reclassification in any, or all, of the following three ways: (1) through an individual hospital application; (2) through a hospital group application; and (3) through a statewide wage index area application. Federal regulations at 42 C.F.R. §§ 412.230 through 412.280 provide the guiding regulatory criteria and conditions for such applications.

Hospitals should read the instructions carefully. Failure to submit appropriate or complete information as explained in the instructions may result in a delayed review or dismissal by the Board.

The individual, group, and statewide wage index applications and instructions will be available via the Internet at [http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions\\_and\\_applications.html](http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions_and_applications.html). To request an individual, group, or statewide wage index application, or for questions, hospitals should call (410) 786-1174.

#### **PLEASE NOTE**

These instructions and corresponding application are being printed and distributed before the Final Hospital IPPS Rule is issued. The Final IPPS Rule should be published in the Federal Register by mid-August 2012. The Final IPPS Rule should also be on display approximately 2 weeks prior to the publication date on the CMS Internet website at <http://www.cms.gov/Center/Provider-Type/Hospital-Center.html?redirect=/center/hospital.asp>.

Applicants are encouraged to review the Final Hospital IPPS Rule prior to filing an application as the Board will utilize the relevant information in the Final IPPS Rule in making decisions on hospital applications for reclassification. The Board will be unable to issue further instructions prior to the September 4, 2012 application due date.

## GENERAL

A hospital that wants to be reclassified from a rural area to an urban area, from a rural area to another rural area, or from an urban area to another urban area, must file a completed application with the Board. The Board can reclassify an individual hospital only for the purpose of using the requested area's wage index. Reclassifications granted by the Board for the wage index will be effective for a 3-year period, FFYs 2014 through 2016 (October 1, 2013 through September 30, 2016).

In accordance with Federal regulations at 42 C.F.R. § 412.230(a)(5)(iv), the Board cannot approve an individual hospital's application for the wage index for the period FFY 2014 through FFY 2016 if the hospital is already approved for the wage index for FFY 2014 to that same geographic area through a prior 3-year wage index reclassification. The Board, however, can approve a hospital's wage index reclassification request for the period FFY 2014 through FFY 2016 if the hospital's request is to a different geographic area than the area to which it is currently reclassified for FFY 2014 under a prior 3-year wage index reclassification. Please note that the hospital's request would have to meet all applicable qualifying criteria and conditions for redesignation.

The Centers for Medicare & Medicaid Services (CMS) defines hospital labor market areas based on the Core Based Statistical Areas (CBSAs) established by the Office of Management and Budget (OMB) and announced in December 2003 (69 FR 49027). OMB standards designate two categories of CBSAs, Metropolitan Statistical Areas (MSAs) and Micropolitan Statistical Areas (Micropolitan Areas). MSAs are based on urbanized areas with a population of 50,000 or more and Micropolitan Areas are based on urban clusters with a population of at least 10,000 but less than 50,000. Counties that do not fall within CBSAs are deemed "Outside CBSAs."

CMS uses MSAs to define urban labor market areas. Under the revised MSA criteria, based on CBSA definitions, eleven MSAs contain Metropolitan Divisions. A Metropolitan Division is a county or group of counties within a CBSA that contains a core population of at least 2.5 million, representing an employment center, plus adjacent counties associated with the main county or counties through employment ties. CMS treats the Metropolitan Divisions of MSAs as labor market areas. Hospitals in Micropolitan Areas and outside CBSAs are in the statewide rural labor market area.

For application purposes, hospitals applying for wage index reclassification for the period FFY 2014 through FFY 2016 should use the rural and urban area names and identification codes at [http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions\\_and\\_applications.html](http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions_and_applications.html). The Board will treat hospitals in MSAs and Metropolitan Divisions as “urban hospitals” and hospitals in Micropolitan Areas and outside CBSAs as “rural hospitals” for application purposes. Hospitals located in rural counties redesignated as urban under 1886(d)(8)(B) of the Social Security Act (“Lugar” hospitals), as well as hospitals in two of the five New England counties “deemed” urban under the Social Security Amendments of 1983, i.e., Litchfield County, Connecticut, and Merrimack County, New Hampshire, although “deemed” urban to designated CBSAs themselves, are treated as “rural hospitals.”

The Board ordinarily issues an on-the-record decision. However, the Board may hold an oral hearing on its own motion or if the applicant hospital demonstrates, to the Board’s satisfaction, that an oral hearing is necessary. The Board will issue all of its decisions no later than 180 days after the deadline for receipt of the applications.

### **THE APPLICATION**

Hospitals requesting reclassification through an individual hospital application must complete and submit the 2012 application and all available supporting documentation to the Board by the September 4, 2012 application due date. Submission of inappropriate documentation will delay Board review. If hospitals do not use the individual hospital application or if they fail to provide the required information, the Board may dismiss their request for reclassification.

The application consists of a series of questions and an affidavit that a responsible hospital officer must sign. The hospital must also submit several attachments, all of which are specified in the instructions and application.

A hospital may apply for reclassification to more than one geographic area. In such cases, the hospital must submit a separate and complete application for each of the geographic areas to which it is requesting to be reclassified. The hospital must also specify its preferred area for reclassification by clearly marking the respective applications as Primary, Secondary, etc.

### **FILING AN APPLICATION**

A complete application consists of an original and two legible copies of the application and its attachments. The Board does not accept applications submitted through the facsimile process or by other electronic means, nor does it accept applications completed in pencil, i.e., applications must be typed or clearly printed in ink.

The Board must receive all applications by **5:00 p.m. EDT, September 4, 2012**. The Board will dismiss a hospital’s request for reclassification if it does not receive the completed application(s) by this deadline. The Board may, for good cause and at the request of the hospital, grant a hospital that has submitted an application by September 4 an extension beyond this date to complete the application.

Hospitals must send an original and two copies of their completed application(s) to the Board at the following mailing address:

**Medicare Geographic Classification Review Board  
2520 Lord Baltimore Drive  
Suite L  
Baltimore, Maryland 21244-2670**

Hospitals may want to send their application by a delivery method that guarantees a signed receipt, indicating delivery and date of delivery of their package to the Board. The same address for the Board is applicable for both U.S. mail and courier service. Applications submitted to CMS or any other address may be delayed and not received timely by the Board.

Hospitals must simultaneously send a copy of their completed application(s) to:

Centers for Medicare & Medicaid Services  
Center for Medicare Management  
Hospital & Ambulatory Policy Group  
Division of Acute Care  
7500 Security Boulevard  
Mail Stop C4-07-07  
Baltimore, Maryland 21244-1850  
Re: MGCRB Application

The CMS Hospital & Ambulatory Policy Group address is also applicable for both U.S. mail and courier service. Again, applications submitted to CMS may be delayed and not received timely by the Board.

## WITHDRAWALS AND TERMINATIONS

The following discussion of withdrawals and terminations is intended to address reclassifications granted by the Board for the period covered in this application, i.e., FFY 2014 through FFY 2016. For FFY 2014 applications and reclassifications, the criteria for hospitals seeking to withdraw an application, to withdraw or terminate an approved 3-year wage index reclassification, and to cancel a withdrawal or termination are contained in 42 C.F.R. § 412.273.

Applicants are encouraged to review the provisions contained in § 412.273. Additional information regarding withdrawals, terminations, and the cancellation of a withdrawal or termination can be found in the Final Hospital IPPS Rules for FFY 2002, FFY 2003, FFY 2008, FFY 2009, and FFY 2011 (see Federal Registers of August 1, 2001 (66 Fed. Reg. 39887-39888), August 1, 2002 (67 Fed. Reg. 50065–50066), August 22, 2007 (72 Fed. Reg. 47332-47334), August 19, 2008 (73 Fed. Reg. 48586), and August 16, 2010 (75 Fed. Reg. 50172-50173)).

Generally, hospitals may withdraw their applications for reclassification at any time before the MGCRB issues a decision. After a decision is issued granting reclassification, hospitals may withdraw their reclassifications up to 45 days from the date of CMS's annual notice of proposed rulemaking for hospital inpatient prospective payment under Medicare.

A hospital may request to terminate the second and/or third year(s) of a 3-year wage index reclassification. Similar to a withdrawal, a hospital's request to terminate the second and/or third year(s) of an approved 3-year wage index reclassification must be received by the MGCRB within 45 days of the publication of the annual notice of proposed rulemaking concerning changes to the inpatient hospital PPS and proposed payment rates for the fiscal year for which the termination is to apply. Withdrawal and termination requests approved by the Board will be effective for the full fiscal years remaining in the 3-year period.

A hospital which either withdraws or terminates an approved 3-year wage index reclassification may be able to cancel its withdrawal or termination in order to have any remaining years of its 3-year wage index reclassification reinstated. Hospital requests to cancel a withdrawal or a termination that are approved by the Board will be effective for the full fiscal years remaining in the 3-year period. **(Hospital requests to cancel a withdrawal or termination in order to reinstate the wage index reclassification for FFY 2014 must be received by the Board no later than 5:00 p.m. EDT, September 4, 2012, i.e., the same date/time that new 3-year applications must be received by the Board for hospitals requesting wage index reclassification for the FFY 2014 through FFY 2016 period.)**

All withdrawal and termination requests, as well as requests to cancel a withdrawal or a termination, must be in writing and directed to the Board at the address given in the preceding section. Hospitals should also send a copy to the CMS Hospital & Ambulatory Policy Group at that Group's address listed above.

## **SPECIFIC INSTRUCTIONS FOR COMPLETING THE 2012 INDIVIDUAL HOSPITAL APPLICATION FOR GEOGRAPHIC RECLASSIFICATION**

The individual hospital application consists of a series of questions and a general affidavit. The application also lists attachments required by the Board and the letter designations for these attachments. The hospital should still use these same letter identifiers if it needs only some attachments to support its request. Hospital responses to the questions in the application must be typewritten or clearly printed in ink. Tab 1 (Calculations) at the end of these instructions provides examples of computations for the wage index reclassification criteria.

The hospital, or its representative, must send the completed application, including all supporting documentation, so that the Board receives it by **5:00 p.m. EDT, September 4, 2012**. If the hospital (or its representative) fails to comply with this deadline, the Board will dismiss the hospital's request for reclassification. The Board does not accept applications submitted through the facsimile process or by other electronic means.

### **INSTRUCTIONS**

#### **I. HOSPITAL INFORMATION**

1. Self-explanatory.
2. Self-explanatory.
3. Self-explanatory.
4. Self-explanatory.
5. The hospital must indicate the mailing address, e-mail address, and telephone number of the person the Board should use for all correspondence and questions about the application. The hospital is also responsible for keeping the Board apprised of any changes in contact information, including representative, postal address, telephone number and e-mail address. Changes must be made in writing. The Board will not accept changes electronically or through the facsimile process.

## **II. RECLASSIFICATION REQUEST**

6. The hospital should circle 6.A. or 6.B. to show the wage index criteria category under which it is applying for wage index reclassification.

For FFY 2014 redesignation, a rural hospital's average hourly wage must be at least 106 percent of the average hourly wage of all other hospitals in the area in which the hospital is located and 82 percent of the average hourly wage of hospitals in the area to which it seeks redesignation. For an urban hospital, the hospital's average hourly wage must be at least 108 percent of the average hourly wage of all other hospitals in the area in which the hospital is located and 84 percent of the average hourly wage of hospitals in the area to which it seeks redesignation.

A hospital that was ever a rural referral center (RRC) does not have to demonstrate that it meets the 106 (rural)/108 (urban) percent threshold relating to the area in which the hospital is located and will be required to meet the 82 percent threshold (not the 84 percent threshold) of the average hourly wage of hospitals of the area to which it seeks redesignation, even if it is an urban hospital. Also, a hospital that is the single acute care IPPS hospital in its urban area is exempt from meeting the 108 percent average hourly wage threshold relating to the urban area (MSA) in which it is located.

A rural hospital should enter the name of the State where it is located and the name of the State or urban labor market area that it is applying to in order to complete this entry. An urban hospital should enter the name of the urban labor market area in which it is located and the name of the urban labor market area to which it is requesting reclassification. The hospital should also include the identification numbers for these areas. Rural and urban area names and identification codes can be found at [http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions\\_and\\_applications.html](http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions_and_applications.html).

7. The Board can reclassify hospitals to one area only. The Board may reclassify an individual hospital from a rural area to an urban area, from a rural area to another rural area, or from an urban area to another urban area (42 C.F.R. § 412.230(a)(1)(ii)). The Board may not reclassify a hospital in an urban area, including a sole community hospital (SCH) or RRC, to a rural area.

All hospitals may seek reclassification under the "Proximity" criteria listed in 42 C.F.R. § 412.230(b). SCHs and RRCs may also request reclassification under the "Special Access" rules in 42 C.F.R. § 412.230(a)(3). Under the "Special Access" rules, the Board can reclassify an SCH or RRC to the closest urban area. If a rural area is closer than the closest urban area, then an SCH or RRC that is located in a rural area can be reclassified to either the closest rural area or the closest urban area under the "Special Access" rules.

### III. GENERAL INFORMATION

8. If the hospital is already reclassified for the wage index for FFY 2014 as part of a 3-year wage index reclassification it should check “Yes” in 8.A. and enter the name and identification number of the State or urban area which it is reclassified to for FFY 2014 in item 8.B.
9. If the hospital withdrew or terminated a 3-year reclassification for the wage index which included FFY 2014 as one of the 3-years, it should check “Yes” to 9.A. If the hospital applied to cancel the Board approved withdrawal or termination that is associated with question 9.A., it should check “Yes” to 9.B.
10. Self-explanatory.
11. If the hospital is also part of a group application, it should check “Yes” in 11.A. and enter the name of the County in which the group is located in 11.B. If the hospital is also a part of a statewide wage index area application, it should check “Yes” in 11.C. The Board expects to rule on any statewide wage index area application first and then the group application before it reviews any individual application requests. Statewide wage index area and group instructions can be obtained by calling (410) 786-1174 or via the Internet at [http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions\\_and\\_applications.html](http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB/instructions_and_applications.html).
12. Section 401 of Public Law 106-113 amended Section 1886(d)(8) of the Social Security Act by adding paragraph E, which created a mechanism, separate and apart from the MGCRB, permitting hospitals located in urban areas to apply to be treated as being located in the rural area of the state in which the hospital is located (see 42 C.F.R. § 412.103). Hospitals that are reclassified as rural under Section 1886(d)(8)(E) are not permitted to receive an additional reclassification by the MGCRB for a year in which the acquired rural redesignation is in effect (see 42 C.F.R. § 412.230(a)(5)(iii)).

For 12.A., the hospital must indicate whether it had ever applied for, and been approved for, urban-to-rural reclassification by the CMS regional office under 42 C.F.R. § 412.103. For 12.B., if the hospital is currently redesignated as rural by the CMS regional office under 42 C.F.R. § 412.103, check “Yes” and provide a copy of the CMS regional office approval letter at **Attachment A-1**. For 12.C., if the hospital, at the time of applying to the MGCRB, has written notice from the CMS regional office demonstrating that its rural redesignation will cancel prior to October 1, 2013, check “Yes” and provide a copy of the CMS letter approving the cancellation of the rural redesignation at **Attachment A-2**. For 12.D., if the hospital has an application for rural reclassification under 42 C.F.R. § 412.103 pending with the CMS regional office, check “Yes” and provide a copy of the hospital’s letter requesting such rural reclassification at **Attachment A-3**.



**NOTE:** If the hospital submits an application for rural reclassification under 42 CFR § 412.103 to the CMS regional office after submittal of this application for reclassification to the MGCRB, but before the MGCRB has issued its final decision with respect to this application, the applicant must simultaneously submit written notice to the MGCRB informing the Board of its request for rural reclassification under 42 C.F.R. § 412.103.

13. For 13.A., the hospital should show its sole community hospital (SCH) status at the time it submits its application. The Board will base its decision upon the hospital's status as of the date of its review. In support of a "Yes" answer to 13.A., the hospital should attach (**Attachment B**) written verification (e.g., a current letter, e-mail, or note) from an authorized official of the CMS regional office or the hospital's fiscal intermediary that confirms the hospital's current SCH status.

13.B. is self-explanatory. A hospital that lost its special status because it was reclassified for the standardized amount may not apply for reclassification under the "Special Access" rules unless it either regains its special status or was reclassified for every subsequent fiscal year. The hospital should provide a letter from the CMS regional office or fiscal intermediary at **Attachment C**.

14. For 14.A., the hospital should show its rural referral center (RRC) status at the time it submits its application, i.e., its current status. The Board will base its decision upon the hospital's status as of the date of its review. In support of a "Yes" answer to 14.A., the hospital should attach (**Attachment D-1**) written verification (e.g., a current letter, e-mail, etc.) from an authorized official of the CMS regional office or the hospital's fiscal intermediary that confirms the hospital's current status as an RRC.

For 14.B., if the hospital is not classified as an RRC at the time it submits its application, but was classified as an RRC in the past, the hospital should support a "Yes" answer to 14.B. by attaching (1) written verification (e.g., a current letter, e-mail, etc.) from an authorized official of the CMS regional office or the hospital's fiscal intermediary that confirms the hospital's past status as an RRC (**Attachment D-1**), and (2) a copy of the letter that was issued by the CMS regional office or the hospital's fiscal intermediary that officially designated the hospital as an RRC (**Attachment D-2**).

15. In accordance with C.F.R. § 412.230(d)(5), a hospital that is the single acute care IPPS hospital in its MSA (urban area) is exempt from having to meet the 108 percent average hourly wage comparison criteria (see 42 C.F.R. § 412.230(d)(1)(iii)(C)) of all other hospitals in the urban area in which the hospital is located. In support of a "Yes" answer, the hospital should attach (**Attachment E**) written verification (e.g., a current letter, e-mail, etc.) from an authorized official of the CMS regional office that confirms that the hospital is the single acute care IPPS hospital in its urban area.
16. If "Yes," attach the rationale for the oral hearing request under **Attachment F**.

#### **IV. RECLASSIFICATION REQUEST UNDER THE “SPECIAL ACCESS” RULES FOR SOLE COMMUNITY HOSPITALS AND RURAL REFERRAL CENTERS**

17. The “Special Access” rules are limited to hospitals that are classified as SCHs and RRCs as of the date of the Board’s review. Under the “Special Access” rules (42 C.F.R. § 412.230(a)(3)), the Board can reclassify an SCH or RRC to the closest urban area. If a rural area is closer to the hospital than the closest urban area, then the Board may reclassify an SCH or RRC that is located in a rural area to either the closest rural area or the closest urban area. (As indicated in item II.7 of these instructions, the Board may not reclassify an SCH or RRC that is located in an urban area to a rural area.) SCHs and RRCs may also seek reclassification under the “Proximity” rules (see V.19 to V.21 of these individual hospital application instructions).
  
18. In the ROAD and MILEAGE columns under 18.A., the hospital must show the improved roads taken (and the mileage over those roads) from its entrance to the border of the requested area. **An improved road is any road that is maintained by a local, State, or Federal government entity and available for use by the general public. An improved road includes the paved surface up to the front entrance of the hospital.** For further information, applicants should see the Proposed Hospital IPPS Rule in the May 11, 2012 Federal Register (77 Fed. Reg. 27951) which refers readers to a discussion of the proximity requirements contained in the FFY 2002 Final Hospital IPPS Rule (66 FR 39874 and 39875).

The hospital must also complete the TIME column if the requested area is the closest in travel time and the hospital is, therefore, completing 18.B. The travel time must correspond to the information in the first two columns. The hospital must fill in all three columns under 18.B. if the requested area is closest in driving time but farther in miles.

At **Attachment G**, the hospital must include an original map or maps, issued by a government entity or an organization such as the American Automobile Association, on which the hospital highlights the county in which it is located, the site of the hospital’s front entrance, the route taken as described in this section, and the area to which the hospital requests reclassification. The maps must contain legends that identify types of roads displayed on the maps and scales for accurately determining distances in miles over these roads. The original maps and the two copies must be easy to read with adequate detail and all pertinent locations and distances clearly marked.

In support of the mileage/time measurement stated in the application, the Board may request that any hospital obtain (1) documentation from an appropriate State or county transportation/roads agency, and/or (2) a current driving affidavit from an independent public source, such as a police officer, roads official, etc.

Hospitals may wish to consider filing an alternate (e.g., Secondary) application to a different geographic area (if an alternate area is available to the hospital) if the mileage measurement in the desired application (e.g. Primary) could be at issue. (See pg. 3, “**THE APPLICATION**” section of these instructions, regarding Primary/Secondary applications.)

## V. RECLASSIFICATION REQUEST UNDER THE “PROXIMITY” RULES

19. Federal regulations at 42 C.F.R. § 412.230(a)(2) require that a hospital must demonstrate a close proximity to the area to which it seeks redesignation unless it is an SCH or RRC that seeks redesignation under the “Special Access” rules (see IV.17 and IV.18 of these individual application instructions relating to the “Special Access” rules). In order to demonstrate a close proximity with the area to which it seeks redesignation, a hospital must meet one of two conditions: (1) for hospitals in urban areas, the distance from the hospital to the requested area must not be more than 15 miles and, for hospitals in rural areas, the distance must not be more than 35 miles; or (2) at least 50 percent of the hospital employees reside in the requested area.

All hospitals, including SCHs and RRCs, can seek reclassification under the “Proximity” rules. Only hospitals that are classified by CMS as SCHs and RRCs as of the date of the Board’s review are eligible for reclassification under the “Special Access” rules.

20. In the ROAD and MILEAGE columns, the hospital must show the shortest route over improved roads (and the mileage over those roads) from its entrance to the border of the requested urban or rural area. **An improved road is any road that is maintained by a local, State, or Federal government entity and available for use by the general public. An improved road includes the paved surface up to the front entrance of the hospital.** For further information, applicants should see the Proposed Hospital IPPS Rule in the May 11, 2012 Federal Register (77 Fed. Reg. 27951) which refers readers to a discussion of the proximity requirements contained in the FFY 2002 Final Hospital IPPS Rule (66 FR 39874 and 39875).

At **Attachment G** the hospital must include an original map or maps, issued by a governmental entity or an organization such as the American Automobile Association, on which the hospital highlights the county in which it is located, the site of the hospital’s front entrance, the route taken as described in this section, and the area to which the hospital requests reclassification. The maps must contain legends that identify types of roads displayed on the maps and scales for accurately determining distances in miles over these roads. The original maps and the two copies must be easy to read with adequate detail and all pertinent locations and distances clearly marked.

In support of the mileage/time measurement stated in the application, the Board may request that any hospital obtain (1) documentation from an appropriate State or county transportation/roads agency, and/or (2) a current driving affidavit from an independent public source, such as a police officer, roads official, etc.

Hospitals may wish to consider filing an alternate (e.g., Secondary) application to a different geographic area (if an alternate area is available to the hospital) if the mileage measurement in the desired application (e.g., Primary) could be at issue. (See pg. 3, “**THE APPLICATION**” section of these instructions, regarding the submittal of Primary/Secondary applications.)

21. If the hospital cannot meet the “Proximity” criteria through the mileage test and chooses to use the employees’ residence test, it must complete item 21 and include **Attachment H**. This attachment contains the hospital employees’ home addresses by zip code and a zip code map correlating the employees’ residences to the two areas.

### **WAGE COMPARISON**

The hospital must identify its wage computations for the percent comparisons as **Attachment I** of its application. Tab 2 provides examples of the comparisons that are required under **Attachment I**.

Generally, for purposes of reclassification for the wage index, the 3-year average hourly wage of a rural hospital must be at least 106 percent of the 3-year average hourly wage of all other hospitals in the area in which the hospital is located and 82 percent of the 3-year average hourly wage of hospitals located in the area to which it seeks redesignation. For an urban hospital, the hospital’s 3-year average hourly wage must be at least 108 percent of the 3-year average hourly wage of all other hospitals in the area in which it is located and 84 percent of the 3-year average hourly wage of hospitals located in the area to which it seeks redesignation.

A hospital that was ever an RRC is exempt from the 106/108 percent threshold and will only be required to meet the 82 percent threshold of the area to which it is applying (i.e., not the 84 percent threshold) even if it is located in an urban area. Also, a hospital that is the single acute care IPPS hospital in its urban area is exempt from meeting the 108 percent average hourly wage threshold relating to the urban area (MSA) in which it is located.

Please note that in making the 106 (rural) or 108 (urban) percent average hourly wage comparison, the hospital must show, as **Attachment I**, the wages and hours for the 3-years used to calculate the average hourly wage for both the hospital and the area in which it is located. The hospital’s own wages and hours must be excluded from the area totals in calculating the area average hourly wage for the 106/108 percent comparison.

Hospitals may obtain wage and hour information via the Internet at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Wage-Index-Files.html>, and then accessing: “Three Year MGCRB Reclassification Data for FY 2014 Applications.” All inquiries concerning the CMS wage and hour data should be directed to Brian Slater at [brian.slater@cms.hhs.gov](mailto:brian.slater@cms.hhs.gov).

The Board, in evaluating a hospital’s request for reclassification for FFY 2014 for the wage index, must utilize the official data used to develop the FFY 2013 wage index. The wage data used to support the hospital’s wage comparisons must be from the CMS hospital wage survey. The Board will use the final official data in evaluating if a hospital meets the reclassification criteria.

## **AFFIDAVIT**

The affidavit must be signed by an officer of the hospital, e.g., the Administrator, vice president for finance, etc. or by a corporate officer of the hospital's parent corporation. The official signing the affidavit must have the authority to sign the application for geographic reclassification on behalf of the hospital. The affidavit must also be fully completed, notarized, signed, and submitted as part of a timely filed application. The Board may dismiss the hospital's application if the officer's signature is not on the affidavit of a timely submitted application.

The official is attesting to the veracity and correctness of the application under the penalty of perjury (28 U.S.C. § 1746).

## **TAB**

**TAB 1 – WAGE COMPARISON** - Includes model calculations for wage index reclassification requests.

## Examples of Wage Comparisons

		Hospital A	Hospital B	Hospital C
1	Hospital's Average Hourly Wage (AHW)	19.2411	17.7200	19.4283
2	Current Area	Rural Area X	Rural Area Y	MSA 4
3	AHW of Current Area Excluding Hospital's Data	19.2209	16.6515	17.9258
4	Requested Area	MSA 1	MSA 2	MSA 3
5	AHW of Requested Area	19.7652	21.7954	21.4501
6	A 106% Test [Line 1/Line 3]	1.001050939	1.064168393	N/A
	B 108% Test [Line 1/Line 3] [42 CFR 412.230(d)(1)(iii)(C)]	N/A	N/A	1.083817737
7	A 82% Test [Line 1/Line 5]	0.973483698	0.813015590	N/A
	B 84% Test [Line 1/Line 5] [42 CFR 412.230(d)(1)(iv)(E)]	N/A	N/A	0.905744029

Hospital A fails the 106% test.

Hospital DOES NOT qualify.

Hospital B meets the 106% test but fails the 82% test.

Hospital DOES NOT qualify.

Hospital C meets the 108% test and meets the 84% test.

Hospital DOES qualify.

- NOTES:**
1. The average hourly wage data to be used in the calculations above is the official CMS 3 year aggregate occupational mix adjusted data used to develop the FY2013 Wage Index.
  2. The examples above assume that the hospitals meet all non-numeric criteria such as proximity.
  3. Rounding of numbers to meet the qualifying percentage is not permitted.
  4. Under 42 CFR 412.230(d)(1)(iii) & (iv) a hospital in a rural area must meet the the 106% and 82% criteria [Lines 6A & 7A respectively] and a hospital in a urban area must meet the the 108% and 84% criteria [Lines 6B & 7B respectively].
  5. If a hospital meets the criteria under 42 CFR 412.230(d)(3) as a Rural Referral Center, it does not have to meet the 106% or the 108% test (Line 6, above), and it is only required to meet the 82% test (line 7, above).
  6. If a hospital is the single hospital in its MSA (urban area), it does not have to meet the 108% test in Line 6B above [42 CFR 412.230(d)(5)].