

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

	Greater than 1		Less than 1	
Fiscal Year	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 if 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
– PREV INDEX	0.7327	SNF PPS wage index of prior year
NET INDEX	–0.0206	Difference between current and prior wage index
× LABOR SHARE	0.6984	Labor related share
WAGE INDEX ADJ	–0.01439	Wage difference times labor related share
NAT LABOR	0.6984	Labor related share
× PREV INDEX	0.7327	SNF PPS wage index of prior year
WAGE ADJ FACTOR	0.5117	Previous index times labor related share
1	1	
– LABOR SHARE	0.6984	Labor related share
NONLABOR SHARE	0.3016	Non-labor related share
CLM PMT AMT	5507.85	Claim payment amount from NCH
÷ TOT ADJ FACTOR	0.8133	Wage payment adjustment factor plus non-labor share
BASE PMT RATE	\$6,772	Claim payment times payment adjustment factor
× WAGE INDEX ADJ	–0.01439	Wage difference times labor related share
ADJ PMT AMT	–\$97	Final adjustment to claim payment amount
+ CLM PMT AMT	\$5,508	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
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
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 if 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).