



Occupational Mix Survey Impacts Hospitals' Medicare Reimbursement





For many hospitals, the rate of Medicare reimbursement plays a big role in the hospital's overall financial stability. Understanding how that rate is determined and what decisions factor into that overall score can help hospital leaders determine where changes and improvements can be made.

The occupational mix of an individual hospital's employees, as well as other hospitals' employees within a geographic area, can have an impact on a hospital's Medicare reimbursement. Therefore, a hospital's hiring and staffing practices can impact Medicare reimbursement. For instance, a hospital may routinely employ higher-skilled nursing staff or use nurse managers to provide patient care, which often leads to better patient care. However, that higher level of care may not be reflected in increased Medicare reimbursement rates if the staffing levels are inconsistent with the national average. It is imperative to understand how these management decisions impact Medicare reimbursement.

Every three years, the Centers for Medicare and Medicaid Services (CMS) are required to collect data on the occupational mix of employees. This occupational mix data is one of the factors used to determine the wage index values for short-term, acute care hospitals paid under the inpatient prospective payment system (IPPS).

Understanding the Occupational Mix Survey

To understand the occupational mix survey, first look at the wage index. The wage index is the mechanism used to adjust Medicare reimbursement between labor market areas, referred to as Core-Based Statistical Areas (CBSAs). It compares the hospital wage level in a particular CBSA against the national average hospital wage level. The intent of the occupational mix adjustment is to remove some of the variability in wage index values due to hiring decisions of management.

The occupational mix survey follows similar reporting rules to the wage index, which is reported on the Medicare cost report Worksheet S-3, Parts II and III, with some exceptions. There is a difference in what needs to be reported. In the occupational mix survey, only payroll and contracted dollars are reported, whereas the wage index also includes wage-related costs.

The payroll and contract labor data used to complete the calendar year 2016 occupational mix survey must include pay

periods ending in calendar year 2016 regardless of fiscal year end. Submit calendar year 2016 occupational mix surveys to the applicable Medicare Administrative Contractor by July 1, 2017. The audited calendar year 2016 occupational mix data is used to set federal fiscal year (FFY) 2019, 2020, and 2021 wage index values. Hospitals may request revisions to the calendar year 2016 occupational mix data from the Medicare Administrative Contractor. The timeline for revision requests is the same as wage index changes: annually around September 1st.

Occupational Mix Categories

Employed and contracted dollars and hours recorded in the occupational mix survey must be segregated into the following categories:

- Registered nurses
- Licensed practical nurses
- Surgical technologists
- Nursing assistants
- Orderlies
- Medical assistants
- All other occupations

The occupational mix survey uses the occupational categories and definitions derived from the U.S. Bureau of Labor Statistics' 2014 Occupational Employment Statistics survey. Each individual is classified in the category that represents their highest skill level or where they spend the most time, according to the survey instructions.

To ensure consistent reporting within the surveys and amongst hospitals, only nursing personnel in certain Medicare cost report centers are included in the applicable nursing categories. Nursing wages and hours for personnel working in other areas of the hospital that are reimbursable under the IPPS, or nurses performing solely administrative functions, are included in the "all other occupations" category.

Occupational Mix Trouble Spots

Transforming payroll and contracted labor data into the occupational mix survey for calendar year 2016 requires significant work. Here are areas to consider when completing the survey:



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Paid salaries and hours:

- 1 Obtain a payroll report for pay periods ending during calendar year 2016, including job and pay codes.
- 2 When categorizing the payroll report, examine each job and pay code. Discuss the use of job and pay codes with payroll, department managers and human resources personnel to ensure proper reporting of salaries and hours by occupational mix category.

Contract labor:

- 1 Contract labor should be tracked by vendor, transaction, type of service provided, labor amount, labor hours, and general ledger account recorded.
- 2 Medicare may request invoices for contract labor. Therefore, it is important to have invoices available to support the amounts submitted. Unsupported amounts and other mistakes could be deemed errors by Medicare and extrapolated against the entire contract labor population.

Occupational Mix Impact

The hours in each employment category affects the occupational mix adjustment to the wage index. The percentage of hours in each nursing category in relation to the total nursing hours is multiplied by the national average hourly wage of its respective nursing category, which produces a facility and CBSA average hourly wage. That CBSA average hourly wage is compared to the overall national nursing average hourly wage. If the average hourly wage for the CBSA

is greater than the national average hourly wage, there will be a negative occupational mix adjustment. If the average hourly wage for the CBSA is less than the national average hourly wage, there will be a positive occupational mix adjustment. Therefore, CMS rewards facilities for a higher proportion of lower skilled, average hourly wage workers. Ensuring that dollars and hours are reported in the appropriate category can have a significant impact on the facility wage index value.

Reporting is Crucial

Because occupational mix data directly affects a hospital's Medicare reimbursement, proper reporting is essential. Third party organizations can help review and request revisions to occupational mix surveys so that the data is accurately and consistently reported. The audited calendar year 2016 occupational mix data will be used in the setting of federal fiscal years (FFYs) 2019, 2020, and 2021 wage index values.

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