
Program Memorandum Intermediaries

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal A-01-147

Date: DECEMBER 26, 2001

CHANGE REQUEST 1992

SUBJECT: Federal Fiscal Year (FY) 2003 Wage Index: Request for FY 1999 Wage Data from Hospitals Affected by the Filing Extensions Provided by Transmittal Numbers A-01-88 and A-01-117

The purpose of this Program Memorandum (PM) is to request all fiscal intermediaries (FIs) to contact and collect wage data from hospitals with cost reporting periods beginning during FY 1999 (that is, beginning on or after October 1, 1998 and before October 1, 1999; "FY 1999 cost report"), but ending August 31, 2000 through October 31, 2000. (See attached letter to hospitals.) In lieu of Transmittal Numbers A-01-88 and A-01-117, we are requesting that these hospitals submit their cost reports, or portions of their cost reports (see below for details), to their FIs by **January 23, 2002**.

Intermediaries must review and submit the data to CMS by **February 6, 2002**. The FY 2003 wage index will be calculated using data from cost reporting periods beginning during FY 1999. CMS estimates that approximately 150 hospitals have not filed their FY 1999 cost reports because of the filing extensions for cost reports with periods ending August 31, 2000 through December 31, 2001.

Hospitals may elect one of the following four options for submitting their wage data:

1. A hospital may officially file its entire FY 1999 cost report by **January 23, 2002**, using the hospital's own records and claims data. (FIs should exercise caution when issuing tentative settlements in the absence of the Provider Statistical and Reimbursement System (PS&R)). If the FI issues tentative settlement, once the PS&R is available, and if there is a material difference in settlement, the FI must accommodate any possible underpayments or initiate a retroactive payment. **However, wage data adjustments requested by a hospital after February 8, 2002 will not be included in the FY 2003 wage index.** In calculating the wage index, CMS will use wage data that are available within the specified timeframes for developing the FY 2003 wage index.

The FI must desk review the wage data and send the data, in *hdt* format, to CMS's Wage Index Team, either as a file attachment via e-mail or on a diskette via overnight delivery (see addresses below). The FI must also transmit the data directly to HCRIS.

2. A hospital may submit an **unofficial** electronic version of its FY 1999 cost report to its FI by **January 23, 2002**, excluding only the sections pertaining to the outpatient prospective payment system (that is, Schedule D, Part V and Schedule E, Part B). **The unofficial cost report will be used for wage index purposes only.** The FI MUST NOT transmit the unofficial cost report to HCRIS. The FI must desk review the wage data and input the wage data onto a Worksheet S-3 Excel spreadsheet (CMS will e-mail the spreadsheet to the FI wage index contacts.) The FI must send the completed electronic spreadsheet to CMS's Wage Index Team as an e-mail file attachment or on a diskette through overnight delivery (see addresses below).

Hospitals electing this option must officially file their entire cost reports by the dates specified in Transmittal Number A-01-117. However, **wage data adjustments included in cost reports filed after February 8, 2002 will not be included in the FY 2003 wage index.**

3. A hospital may submit to its FI by **January 23, 2002**: Worksheets A, A-6, A-8, A-8-2, Exhibit 7 of Form CMS-339, a manual Worksheet S-3 spreadsheet (as mentioned in Option 2 above), and other necessary supporting documentation for purposes of the wage index. The FI must desk review the wage data and send the hospital's manual Worksheet S-3 to CMS (see addresses below).

Such hospitals must file their entire cost reports by the dates specified in Transmittal Number A-01-117. **Wage data adjustments included in cost reports filed after February 8, 2002 will not be included in the FY 2003 wage index.**

4. A hospital having more than one cost reporting period beginning during FY 1999 may elect to allow CMS to use the wage data from a short period cost report that is already filed. For example, a hospital filed a cost report that began October 1, 1998 and ended June 30, 1999. The hospital also has a cost report that began July 1, 1999 and ended August 31, 2000 that it has not filed due to the extension provided by Transmittal Numbers A-01-88 and A-01-117. The hospital in this example may request the FI to use its wage data from the cost reporting period ending June 30, 1999 for the FY 2003 wage index. **CMS will not allow a hospital to substitute the short period cost report wage data when the PS&Rs become available for development of the August 31, 2000 through December 31, 2001 year end cost reports.** FIs must provide the CMS Wage Index Team a listing of hospitals requesting the use of their short period FY 1999 cost reports, including the hospitals' provider numbers and their cost reporting period begin and end dates.

The FI must desk review the short period cost report wage data and send the data, in *hdt* format, to CMS's Wage Index Team, either as a file attachment via e-mail or on a diskette via overnight delivery (see addresses below).

FIs should immediately, upon receipt of this PM, send the attached letter to hospitals affected by this PM. Hospitals must inform their FIs by **January 9, 2002** regarding the option they have selected.

No additional funding will be provided by CMS for this requirement. The above FI activities are to be carried out within the FIs' FY 2002 operating budgets.

Electronic Mail Address

BPD-DPPS@cms.hhs.gov

Overnight Mail Address

Centers for Medicare & Medicaid Services
c/o Wage Index Team, CMM/PPG/DAC
Room C4-08-06
7500 Security Boulevard
Baltimore, Maryland 21244-1850

ATTACHMENT: Letter to Hospitals

The effective date for this PM is December 26, 2001.

The implementation date for this PM is December 26, 2001.

The instructions contained in this PM should be implemented within your current operating budget.

This PM may be discarded after September 30, 2002.

If you have any questions, contact the Wage Index Team (410-786-4548).

Dear [HOSPITAL CONTACT]:

The Centers for Medicare & Medicaid Services (CMS) has requested fiscal intermediaries (FIs) to contact hospitals with cost reporting periods beginning during FY 1999 (that is, beginning on or after October 1, 1998 and before October 1, 1999; the "FY 1999 cost report"), but ending August 31, 2000 through October 31, 2000. In lieu of Transmittal Numbers A-01-88 and A-01-117, which provide filing extensions for periods ending August 31, 2000 through December 31, 2001, CMS is requesting these hospitals to submit their FY 1999 cost reports, or portions of their cost reports (see below for details), to their FIs by **January 23, 2002**, so that the hospitals' wage data may be included in the FY 2003 wage index. (See Transmittal Number A-01-147, December 26, 2001.) A hospital's failure to submit a cost report could result in a misrepresentation of wage costs for the labor market area and could negatively impact the wage index value for all hospitals geographically located in or reclassifying to the area.

CMS is providing four options for hospitals to submit their FY 1999 (year end August 31, 2000 through October 31, 2000) cost report wage data:

Option 1

A hospital may officially file its entire FY 1999 cost report by **January 23, 2002**, using the hospital's own records and claims data. If the FI issues tentative settlement, once the PS&R is available, and if there is a material difference in settlement, the FI will accommodate any possible underpayments or initiate a retroactive payment. **However, wage data adjustments requested by a hospital after February 8, 2002 will not be included in the FY 2003 wage index.** In calculating the wage index, CMS will use wage data that are available within the specified timeframes for developing the FY 2003 wage index.

Option 2

A hospital may submit an **unofficial** electronic version of its FY 1999 cost report to its FI by **January 23, 2002**, excluding only the sections pertaining to the outpatient prospective payment system (that is, Schedule D, Part V and Schedule E, Part B). **The unofficial cost report will be used for wage index purposes only.**

Hospitals electing this option must officially file their entire cost reports by the dates specified in Transmittal Number A-01-117. However, **wage data adjustments included in cost reports filed after February 8, 2002 will not be included in the FY 2003 wage index.**

Option 3

A hospital may submit to its FI by **January 23, 2002**: Worksheets A, A-6, A-8, A-8-2, Exhibit 7 of Form CMS-339, a completed manual Worksheet S-3 spreadsheet (request spreadsheet from FI), and other necessary supporting documentation for purposes of the wage index. Hospitals electing this option must file their entire cost reports by the dates specified in Transmittal Number A-01-117. **Wage data adjustments included in cost reports filed after February 8, 2002 will not be included in the FY 2003 wage index.**

Option 4

A hospital having more than one cost reporting period beginning during FY 1999 may elect to allow CMS to use the wage data from a short period cost report that is already filed. For example, a hospital filed a cost report that began October 1, 1998 and ended June 30, 1999. The hospital also has a cost report that began July 1, 1999 and ended August 31, 2000 that it

has not filed due to the extension provided by Transmittal Numbers A-01-88 and A-01-117. The hospital in this example may request the FI to use its wage data from the cost reporting period ending June 30, 1999 for the FY 2003 wage index. **CMS will not allow a hospital to substitute the short period cost report wage data when the PS&Rs become available for development of the August 31, 2000 through December 31, 2001 year end cost reports.**

Please contact me [OR DESIGNEE] ([FI's PHONE NUMBER]) at your earliest convenience to discuss these options and your intentions. CMS requires that you notify us by **January 9, 2002** regarding the option you have selected.

Sincerely,

[FI CONTACT]

cc: Wage Index Team, CMS/CMM/PPG/DAC