

Medicare Area Wage Index: September 2023

CMS adjusts SNF Medicare PPS rates to account for differences in area wages using hospital cost report data. Per MedPAC, this negatively impacts SNF reimbursement but also results in irrational differences in payment across regions with no discernable difference in cost of living.

Congress instructed CMS to develop SNF-specific wage index in 2002. For two decades, CMS has resisted due to the administrative burden in completing the requisite analysis. Worse, the SNFs are not permitted to apply for [geographic reclassification](#) or receive “[rural floor](#)” protection.

Annual AWI changes can significantly impact SNF rates. CMS instituted [5% loss protection](#) per year related to AWI, but that only slows implementation, not remove it.

See [2023 – 2024 AWI trends](#) for county-specific impact.



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Medicare Area Wage Index: Broad Strokes

AWI is a federal market-specific adjustment that reflects relative labor cost differences across the nation. Some markets become relatively more expensive, some less. In other words, inflation is not evenly distributed.

SNF stakeholders expecting a 4.0% rate increase October 1, 2023, may be caught off guard when the first check comes higher/lower than budgeted. This happens every year; we call it the “October Surprise” because new rates are effective for Service Dates on/after October 1st .

AWI is a “zero-sum game” – there are winners & losers. Most designated Core-Based Statistical Areas (CBSAs) remain relatively stable, but many change by more than 5% every year, and swings can be severe.



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Medicare AWI: \$NF Impact

- Medicare AWI causes significant mispricing across the country
- New rates are effective every October 1
- Congress instructed CMS to implement SNF-specific Index in 2002
- CMS says it lacks resources to audit SNF cost reports
- MedPAC: Recommends AWI system changes to benefit SNFs:
 - **5%+ change: 11% Decrease 27% Increase**
- Hospital Geographic Reclassification process excludes SNFs
 - 66% of Hospitals were granted reclassification to higher paying AWI regions in 2022, up from 40% in 2007
 - SNFs are penalized and effectively subsidize Hospitals



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AWI: Geographic Reclassification

Hospitals are permitted to apply for Geographic Reclassification if assigned a wage index that understates their costs, relative to neighboring counties.

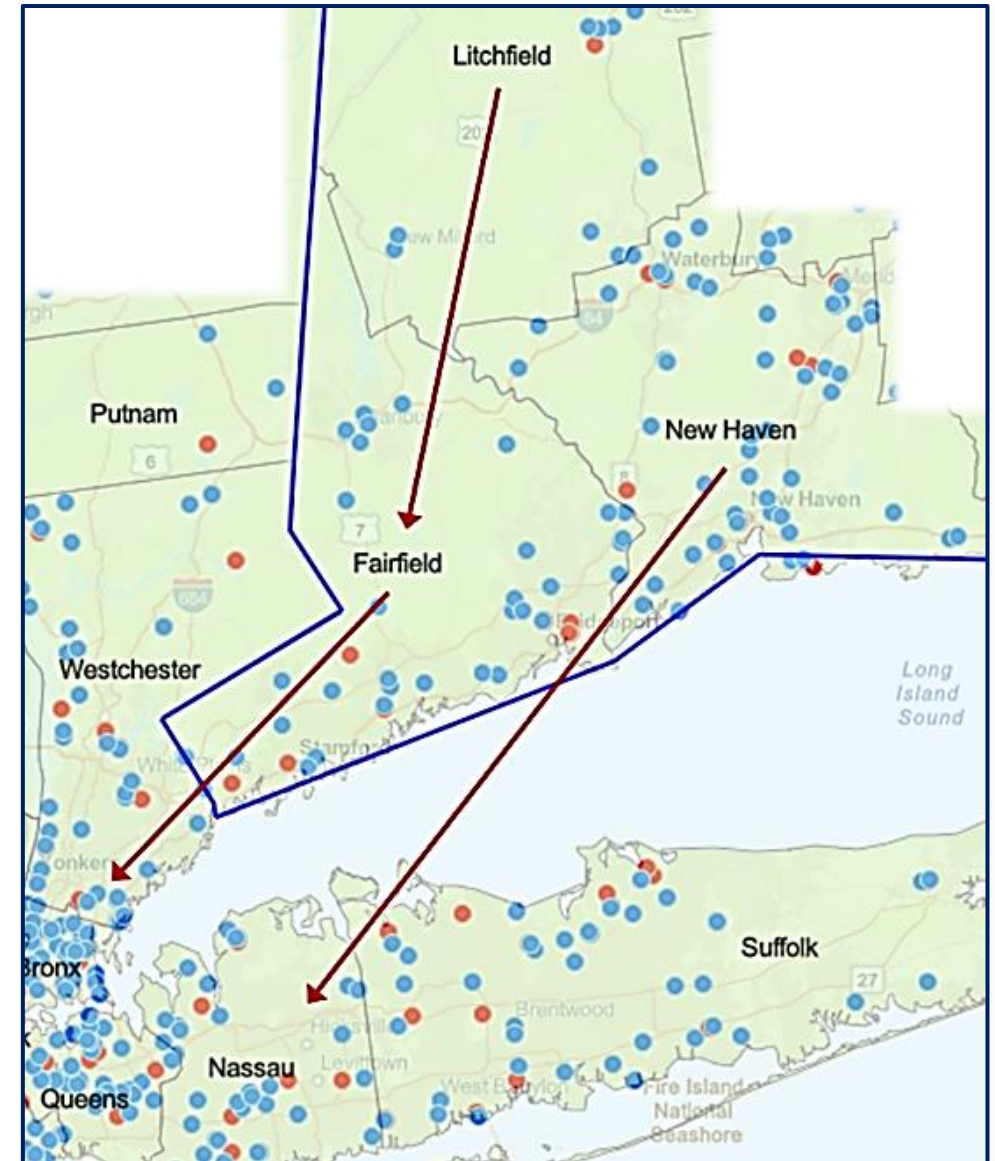
For example, **hospitals** in Connecticut won approval for reassignment to higher paying NY State AWIs, but **SNFs** are not afforded the same luxury.

If CT SNFs were reclassified the same way, their Medicare rates would average \$75 PPD higher.

SNFs are forced to use hospital data for AWI assignment because CMS defies a 20+ year Congressional request to develop one.



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SNFs are penalized by “Arbitrary” Wage Indexing

Medicare formula change to bring \$14.8 million reimbursement boost for GLOW hospitals

Rule change will reimburse \$14.8M to GLOW region facilities

By JULIE ABBASS and BEN BEAGLE
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May 6, 2023



Courtesy of Sen. Schumer's Office Sen. Charles E. "Chuck" Schumer, D-NY, speaks during an October 2022 appearance at Nicholas H. Noyes Memorial Hospital in Dansville.

A new federal rule in the works will give many GLOW region hospitals a major financial boost in the reimbursements they receive from Medicare for wage payments.

SNF Winners & Losers: 2024 AWI assignment

County / State		2023	2024	% Change	~\$PPD
Whatcom	WA	1.1777	1.2999	-10.4%	\$87
Racine	WI	0.8814	0.9931	-12.7%	\$76
Kingston	NY	0.9960	1.0911	-9.5%	\$70
Ithaca	NY	1.1030	0.9288	-17.42	(\$55)
Reading	PA	0.9929	0.8938	-9.91	(\$22)
Fort Knox	KY	0.8958	0.8248	-7.10	(\$10)

Hospitals in upstate Rural NY receive special Congressional allowance to jump from 0.8476 to 1.2200 (the SNF equivalent of \$641 to \$785 PPD).



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