

Supporting Statement Part A for Paperwork Act Submissions
Hospital Wage Index Occupational Mix Survey

A. Background

Section 304(c) of Public Law 106-554 amended section 1886(d) (3) (E) of the Social Security Act to require CMS to collect data every 3 years on the occupational mix of employees for each short-term, acute care hospital participating in the Medicare program, in order to construct an occupational mix adjustment to the wage index, for application beginning October 1, 2004 (the FY 2005 wage index). The purpose of the occupational mix adjustment is to control for the effect of hospitals' employment choices on the wage index. For example, hospitals may choose to employ different combinations of registered nurses, licensed practical nurses, nursing aides, and medical assistants for the purpose of providing nursing care to their patients. The varying labor costs associated with these choices reflect hospital management decisions rather than geographic differences in the costs of labor.

On April 4 and September 19, 2003, respectively, a proposed and final notice appeared in the *Federal Register* (68 FR 16516 and 54905) of CMS's intent to begin collecting occupational mix data from hospitals using the Medicare Wage Index Occupational Mix Survey, Form CMS-10079 (the 2003 survey). In the FY 2005 hospital inpatient prospective payment system final rule (IPPS, 69 FR 49034, August 11, 2004), CMS provided a full discussion of the 2003 survey and the application of the occupational mix adjustment to the FY 2005 wage index. This survey was applied to the FY 2005 wage index.

CMS published subsequent occupational mix surveys as follows:

- The 2006 survey provided for the collection of hospital-specific wages and hours data for a 6-month prospective reporting period (that is from January 1, 2006 through June 30, 2006). This survey was applied beginning with the FY 2007 wage index. (71 FR 7047, February 10, 2006).
- The 2007/2008 survey provided for the collection of hospital-specific wages and hours data for a 1-year prospective reporting period (that is from July 1, 2007 through June 30, 2008). This survey was applied beginning with the FY 2010 wage index. (72 FR 52568, September 14, 2007)
- The 2010 survey provided for the collection of hospital-specific wages and hours data for calendar year 2010 (that is, payroll periods ending between January 1, 2010 and December 31, 2010). This survey was applied

beginning with the FY 2013 wage index, and will expire with the FY 2015 wage index. (75 FR 2548, January 15, 2010).

- The FY 2013 survey provided for the collection of hospital-specific wages and hours data for calendar year 2013 (that is, payroll periods ending between January 1, 2013 and December 31, 2013). The 2013 Medicare occupational mix survey was applied beginning with the FY 2016 wage index, and will expire with the FY 2018 wage index. (78 FR 13679, February 28, 2013).
- The FY 2016 survey will provide for the collection of hospital-specific wages and hours data for calendar year 2016 (that is, payroll periods ending between January 1, 2016 and December 31, 2016). The 2016 Medicare occupational mix survey will be applied beginning with the FY 2019 wage index.

B. Justification

1. Need and Legal Basis

Section 304(c) of Public Law 106-554 mandates an occupational mix adjustment to the wage index, requiring the collection of data every 3 years on the occupational mix of employees for each short-term, acute care hospital participating in the Medicare program. The proposed data collection that is included in this submission complies with this statutory requirement.

2. Information Users

CMS takes the data collected from the approximately 3,400 IPPS providers participating in the Medicare program and runs the data through mathematical formulas to create the occupational mix adjustment to the wage index. CMS informs hospitals of the occupational mix adjusted wage indexes through notice and comment rulemaking each year. The annual IPPS proposed and final rule contains the wage index and occupational mix calculation. For example, for FY 2016 see the final rule in the Federal Register at 80 FR 49491-49495.

3. Use of Information Technology

The Medicare contractors will be required to forward the survey, an electronic spreadsheet, to each IPPS provider via email. Once the provider has completed the survey, the provider will transmit the survey back to the Medicare contractors, who in turn will forward the survey to CMS.

4. Duplication of Efforts

There is no duplication of efforts.

5. Small Businesses

A majority of short term acute care hospitals are not small businesses. For the small portion of the 3,400 hospitals that employ less than 50 employees, the data we are requesting is basic payroll information. Every hospital has a payroll system. We have made our instructions and forms as clear and concise as possible to minimize the burden for all hospitals so they can easily take the data from their payroll system and fill out the occupational mix survey.

6. Less Frequent Collection

Section 304 of Public Law 106-554 requires CMS to collect occupational mix data no less than every three years. The Secretary has determined through rulemaking to collect this data every three years. Failure to collect this data will result in CMS being in default of this mandate.

7. Special Circumstances

There are no special circumstances.

8. Federal Register/Outside Consultation

A 60-day Federal Register notice was published on October 9, 2015 (80 FR 61212). The 30-day notice published on December 28, 2015 (80 FR 80771).

CMS provided public notifications of the 2003 occupational mix survey in the Federal Register on April 4, 2003 (68 FR 16516), September 19, 2003 (68 FR 54905), May 18, 2004 (69 FR 28252), and August 11, 2004 (69 FR 49034). In response to those notices, CMS received several suggestions for improving the survey, from MedPAC, national and State hospital associations, hospitals, and others. CMS received additional comments and suggestions from the public after stating in the FY 2006 IPPS proposed rule (70 FR 23371, May 4, 2005) the agency's intent to revise the occupational mix survey for future data collections. CMS developed a new 2006 occupational mix survey that included the suggested improvements (70 FR 60092 and 71 FR 7047). In response to the FY 2007 IPPS proposed rule, we received additional comments for improving the survey. Based on public comments, CMS issued the 2007/2008 occupational mix survey to make further improvements to the occupational mix survey. Although CMS did not solicit comments in the IPPS FY 2010 IPPS proposed rule (74 FR 24137), we received several public comments with suggestions for improving the next update of the occupational mix survey. The 2010 survey provided for the collection of hospital-specific wages and hours data for calendar year 2010 (that is, payroll periods ending between January 1, 2010 and December 31, 2010). This survey was applied beginning with the FY 2013 wage index, and will expire with the FY 2015 wage index. (75 FR 2548, January 15, 2010). CMS did not receive any public comments for the FY 2013 proposed rule (77 FR 27870, May 11, 2012) with regard to the occupational mix survey, and the only changes to the survey were to update the relevant reporting period dates, and the applicable wage index years. CMS did not solicit comments in the IPPS FY 2016 IPPS proposed rule (80

FR 24323); however, several public comments were received with suggestions for improving the next update of the occupational mix survey. The 2016 survey provides for the collection of hospital-specific wages and hours data for calendar year 2016 (that is, payroll periods ending between January 1, 2016 and December 31, 2016). This survey will be applied beginning with the FY 2019 wage index, and will be applied through the FY 2021 wage index. (80 FR 49325, August 17, 2015). However, the occupational mix adjusted wage indexes are also used to determine payment under the OPPS, and therefore, will be applied through the CY 2021 OPPS wage index.

9. Payments/Gift to Respondents

There are no payments/gifts to respondents.

10. Confidentiality

This collection is public information. CMS does not assure confidentiality.

11. Sensitive Questions

There are no sensitive questions.

12. Burden Estimates (Hours & Wages)

We do not collect survey data for hospitals that become designated as critical access hospitals (CAHs) and for hospitals that terminated participation in the Medicare program. Currently, there are approximately 3,400 short-term and acute care hospitals in the Medicare program.

The occupational mix data for a 1-year collection period will be collected from payroll periods beginning on or after January 1, 2016 and on or before December 31, 2016. We estimate the time associated with collecting the occupational mix data and submitting the data electronically to CMS to be 5 working days (5 days x 8 hours per day = 40 hours). Once hospitals submit the data to CMS the data is then audited. We estimate an additional four hours per provider for answering questions and clarifying information during the audit. We estimate 149,600 total burden hours for the 1-year collection period (that is 3,400 hospitals x 44 hours). When computed, assuming a current salary of \$36.19 per hour (based on data from the Bureau of Labor and Statistics website at <http://www.bls.gov/oes/current/oes132011.htm> for the position of Accountants and Auditors) plus 100 percent for fringe benefits (($\$36.19 \text{ per hour} \times 40 \text{ hours per hospital} \times 2$), the estimated cost of burden for the 12-month collection period is \$2,895.20 per hospital.

13. Capital Costs

The total annual cost burden to respondents or record-keepers resulting from the collection of this information is \$9,843,680 ($2,895.20 \times 3,400 \text{ hospitals}$). Other than the costs above, we do not expect hospitals to purchase any additional software or systems as this collection of information is available from a payroll system and software that the hospital has purchased for purposes other than this

collection.

14. Cost to Federal Government

The Medicare Administrative Contractors (MACs) will be responsible for reviewing the survey, once received from the hospitals.

An auditor review of each hospital's occupational mix survey data for the 1-year collection period should take approximately 5 hours. When computed, 3,400 hospitals x 5 hours MAC review per hospital x \$36.19 per hour plus 20 percent for fringe benefits (Auditor/Financial Analyst average hourly wage (AHW) based on annual salary of \$75,280 [from the Bureau of Labor and Statistics website at <http://www.bls.gov/oes/current/oes132011.htm>]), the Federal cost is approximately \$738,276.

15. Changes to Burden

We do not require the occupational mix survey data to be completed by hospitals that have become designated as CAHs or hospitals that have terminated participation in the Medicare program. For the 2013 occupational mix survey, we estimated that 3,500 hospitals would need to complete the survey based on the wage information that we collected at that time for the annual IPPS update. Currently, there are approximately 3,400 short-term and acute care hospitals participating in the Medicare program. We based this estimate on the number of hospitals that submitted wage index information for the FY 2017 IPPS rule.

The 2016 survey will provide for the collection of hospital-specific wages and hours data for a 1-year reporting period (that is, payroll periods ending between January 1, 2016 and December 31, 2016). The estimated hospital burden hours for the 2016 Occupational Mix survey will decrease from 1,680,000 hours to 124,000 hours because we estimate fewer hospitals will be required to submit the occupational mix survey and we excluded the burden for the MACs since they are not respondents of this collection.

16. Publication/Tabulation Dates

The information provided by the survey will be made public through the CMS public use file website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Wage-Index-Files.html>.

17. Expiration Date

The requested expiration date is September 30, 2019 and will be displayed on the instrument.

18. Certification Statement

There are no exceptions to the certification statement.

C. **Collection of Information Employing Statistical Methods**

There are no statistical methods.