

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services**

Decision of the Administrator

IN THE CASE OF:

Sharon Hospital

Provider No. 07-0004

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MGCRB Case No. 25C0393

Dated: January 23, 2024

This case is before the Administrator, Centers for Medicare & Medicaid Services (CMS), for review of the decision entered by the Medicare Geographic Classification Review Board (MGCRB). The review is during the time period in 42 C.F.R. § 412.278. The Hospital commented, requesting that the Administrator reverse the MGCRB’s denial of its reclassification application. Accordingly, this case is now before the Administrator for final agency review.

ISSUE AND MGCRB DECISION

The issue involves whether the MGCRB properly denied the Hospital’s request to reclassify from rural Connecticut (CT)¹ to the urban Bridgeport-Stamford-Norwalk, CT Core-Based Statistical Area (CBSA) for purposes of using the area’s wage index to determine its payment rate under the Medicare inpatient prospective payment system (IPPS) for the Federal Fiscal Years (FFY) 2025 through 2027. The MGCRB found that the Hospital’s average hourly wage (AHW) is required to be at least 106.0000 percent of the AHW of all other hospitals in the area in which the Hospital is located; but in this case, it calculated the Hospital’s AHW to be 105.4511 percent of the AHW of all other hospitals in the area in which the Hospital is located.

HOSPITAL’S COMMENTS

The Hospital commented, requesting review by the Administrator. The Hospital stated that the MGCRB failed to exclude the Hospital’s salaries and wages from the salaries and wages of “all other hospitals” for the area in which the hospitals is located to determine the 106 percent AHW calculation. The rule requires that the Hospital’s AHW must be at least 106 percent of the AHW of “all other hospitals” in the area in which the Hospital is located. When the proper data is used the Hospital argues it meets the 106 percent criteria.

Specifically, the Hospital pointed out that the attached Excel spreadsheet was submitted with the Hospital’s application and demonstrated that the Hospital’s AHW is 107.1 percent of the AHW of

¹ In its application, the Hospital stated that it was rural under 42 C.F.R. § 412.103. However, the accompanying documentation demonstrates that the Hospital is geographically located in Litchfield Ct with CBSA Code: 07, as does the “Three Year MGCRB Reclassification Data for FY 2025 Applications.”

all other Hospitals in the area in which the provider is located. The Hospital replicated the 105.4511 percent figure referenced in the decision letter in an attached excel and the difference between the two figures showed that the 105.4511 percent figure used by the MGCRB was based on the Hospital's wages as a percent of the wages of all Hospitals in the area (including the Hospital's own wages) while the 107.1 percent figure submitted with the Hospital's calculation is based on the Hospital's wages as a percent of the wages of all other Hospitals in the area (excluding the Hospital's own wages).

DISCUSSION

The entire record furnished by the MGCRB has been examined, including any correspondence, position papers, exhibits, and subsequent submissions. All comments received timely are included in the record and have been considered.

Section 1886(d)(10)(C)(iii)(II) of the Social Security Act and the Medicare regulations at 42 C.F.R. § 412.278 provide for the CMS Administrator's review of the MGCRB decisions. In exercising its authority under § 1886(d)(10) of the Act, the MGCRB must comply with all provisions of Title XVIII of the Act and the regulations issued there under, including the regulations at 42 C.F.R. § 412.230, *et seq.* Likewise, the regulations promulgated by the Secretary establishing procedures and criteria for the MGCRB are binding on the agency and on the Administrator in reviewing MGCRB decisions.

Section 1886(d)(10) of the Act provides for the MGCRB to consider the application of any subsection (d) hospital requesting that the Secretary change the hospital's geographic classification for purposes of determining for a fiscal year its wage index. Further, § 1886(d)(10)(D)(i)(I) requires the Secretary to publish guidelines for comparing wages, considering to the extent the Secretary determines appropriate, the occupational mix in the area in which the hospital is classified and the area in which the hospital is applying to be classified.

Pursuant to the statute, the Secretary established 42 C.F.R. § 412.230 setting forth criteria for an individual hospital seeking redesignation to another rural area or an urban area. Per the regulation in subsection (a):

(ii) Effective for fiscal year 2005 and subsequent fiscal years, an individual hospital may be redesignated from an urban area to another urban area, from a rural area to another rural area, or from a rural area to another urban area for the purposes of using the other area's wage index value.

(iii) An urban hospital that has been granted redesignation as rural under § 412.103 is considered to be located in the rural area of the state for the purposes of this section.

A hospital must demonstrate that it meets certain proximity criteria to be redesignated to the requested area. There are also wage criteria which must be met. Pertinent to this case, the regulation at 42 C.F.R. § 412.230(d)(1)(iii)(C) states:

With respect to redesignations for Federal fiscal year 2006 and subsequent years, the hospital's average hourly wage is, in the case of a hospital located in a rural area, at least 106 percent and in the case of a hospital located in an urban area, at least 108 percent of the average hourly wage of all other hospitals in the area in which the hospital is located.

In addition, 42 C.F.R. § 412.230(d)(1)(iv)(E) states:

With respect to redesignations for fiscal year 2011 and later fiscal years, the hospital's average hourly wage is equal to, in the case of a hospital located in a rural area, at least 82 percent, and in the case of a hospital located in an urban area, at least 84 percent of the average hourly wage of hospitals in the area to which it seeks redesignation.

Regarding what wage data the hospital must submit, for redesignations effective beginning FY 2003, 42 C.F.R. § 412.230(d)(2)(ii) states:

(A) For hospital-specific data, the hospital must provide a weighted 3-year average of its average hourly wages using data from the CMS hospital wage survey used to construct the wage index in effect for prospective payment purposes.

(B) For data for other hospitals, the hospital must provide a weighted 3-year average of the average hourly wage in the area in which the hospital is located and a weighted 3-year average of the average hourly wage in the area to which the hospital seeks reclassification. The wage data are taken from the CMS hospital wage survey used to construct the wage index in effect for prospective payment purposes.

In this case, the Hospital is geographically located in rural Connecticut. The MGCRB found that the Hospital met all of the criteria for redesignation to the urban Bridgeport-Stamford-Norwalk, CT CBSA except that the Hospital's AHW was only 105.4511 percent of the AHW of all other hospitals in rural Connecticut. However, the Administrator finds that the MGCRB's calculation of 105.4511 percent did not exclude the Hospital from the computation of the AHW for "all other hospitals" in the area in which the Hospital is located. The Administrator finds that the Hospital's AHW, compared to all other hospitals in the rural Connecticut, is 107.1056 percent. Thus, the Hospital met the 106 percent criteria at 42 C.F.R. § 412.230(d)(1)(iii)(C).

In light of the foregoing and based on the record presented by the Hospital for this reclassification period, the Administrator reverses the MGCRB decision. As the Hospital also met the other necessary criteria, the Hospital qualifies for redesignation to the urban Bridgeport-Stamford-Norwalk, CT CBSA, for purposes of using that area's wage index to determine its payment rate under the Medicare IPPS for the FFYs 2025 through 2027.

DECISION

The Administrator reverses the MGCRB's decision in accordance with the foregoing opinion.

**THIS CONSTITUTES THE FINAL ADMINISTRATIVE DECISION OF THE
SECRETARY OF HEALTH AND HUMAN SERVICES**

Date: April 11, 2024

/s/
Jonathan Blum
Principal Deputy Administrator
Centers for Medicare & Medicaid Services