

Medicare hospital wage index

ISSUE: The role of the Medicare wage index is to adjust the national base payment rates in the inpatient and other prospective payment systems (IPPS) for differences in wage rates across geographic areas. In 2007, the Commission recommended an alternative method to compute the wage index. However, since then, Congress and CMS have added additional adjustments to an already complex system. Between 2007 and 2022, the percent of IPPS hospitals that received at least one special adjustment to their wage index increased from about 40 percent to 67 percent.

KEY POINTS: The Commission remains concerned about Medicare’s current wage index policies, including the system’s inaccuracy, the circularity of hospital-reported data, the large volume of permitted exceptions, and administrative complexity

ACTION: Commissioners will review and discuss the material.