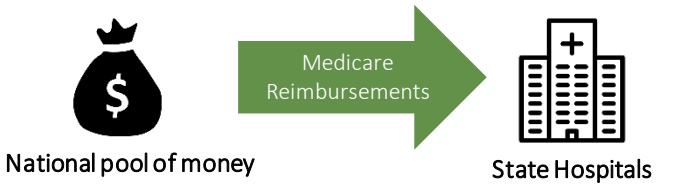


Medicare Wage Reimbursement Rules Have Been Contributing to Hospital Cuts Across the Country

Sec. 3141 of the ACA: Budget Neutrality and the Medicare Wage Index Floor

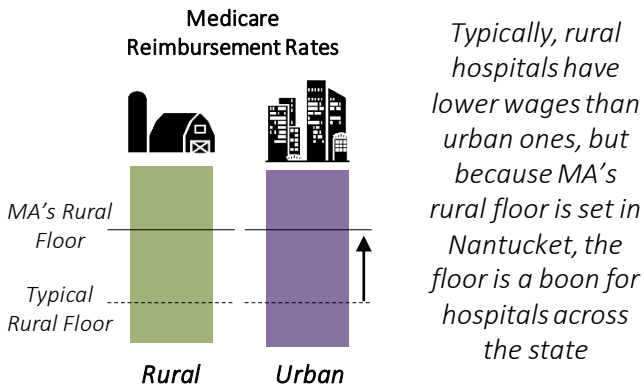


The amount the federal government reimburses hospitals for treating Medicare patients is based on the local area wage index (AWI), a relative measure to compare local average hourly wages to a national average

The “Rural Floor” and How It Has Changed

- In allocating Medicare reimbursement funds to hospitals, CMS stipulates that the AWI applicable to any hospital in an urban area of that state cannot be less than that in rural areas of that state
- In other words, **state urban hospitals must be reimbursed for wages at least at the levels of state rural hospitals**; rural hospitals typically have lower wages than urban ones
- Before the ACA, each state was allocated a pot of money to divvy among its hospitals; **the ACA changed this, requiring Medicare wage reimbursements to come from a national pool of money, rather than state allocations**

How This Benefits Massachusetts



- **MA's only rural hospital is located in Nantucket**, a wealthy and remote island off the coast of the state's mainland; MA's rural wage floor established on Nantucket has become a boon for hospitals in the rest of MA (81 of 82 MA hospitals benefit under these rules)
- **Medicare reimbursements come from a national pool of money, meaning any gain in MA means a decrease for other states**
- **Massachusetts is by far the largest beneficiary of these rules**, followed by California, which receives half as much money (according to FY13 figures)
- New York, Texas, Florida, Illinois and Michigan are among the biggest losers, losing tens of millions of dollars each year under the current system

Sources: Tracy Jan, "21 states take aim at Mass. Hospitals' Medicare windfall," Boston Globe, Jan 13, 2013; Kimberly A. Strassel, "John Kerry's ObamaCare Boondoggle," The Wall Street Journal, June 20, 2013; Noun Project, Bob Holzer, Ferran Brown, Ralf Schmitzer, Creative Stall