

4005.2 Part II - Hospital Wage Index Information.--This worksheet provides for the collection of hospital wage data which is needed to update the hospital wage index applied to the labor-related portion of the national average standardized amounts of the PPS. It is important for hospitals to ensure that the data reported on Worksheet S-3, Parts II, III, and IV, are accurate. Beginning October 1, 1993, the wage index must be updated annually. (See §1886(d)(3)(E) of the Act.) Congress also indicated that any revised wage index must exclude data for wages incurred in furnishing SNF services. Complete Worksheet S-3, Parts II, III, and IV, for IPPS hospitals (see §1886(d)), any hospital with an IPPS subprovider, or any hospital that would be subject to the IPPS if not granted a waiver.

NOTE: Any line reference for Worksheets A and A-6 includes all subscripts of that line. For Worksheet A-6 reclassifications, see instructions for column 3 of this worksheet.

NOTE: Lines 4 and 22 apply to physician's Part A administrative costs.

NOTE: Capitalized labor costs (salaries, hours, and wage-related costs) including, but not limited to, capital projects associated with lines 1 and 2 of Worksheet A must not be included on Worksheet S-3, Parts II, and III.

Column 2

General instructions for completing column 2:

1. For each line item (except for wage-related costs on lines 17 through 25 or as otherwise indicated), report in column 2, the direct salaries and wages, including amounts for related paid vacation, holiday, sick leave, other paid-time-off (PTO), severance pay, and bonus pay for personnel associated with the line item.
2. Paid vacation, holiday, sick leave, other PTO, severance pay, and bonus pay must be reported in column 2, with related direct salaries and wages to be considered an allowable cost for the wage index.
3. Paid vacation, holiday, sick leave, other PTO, severance pay, and bonus pay must be reported in the same cost center as the related direct salaries and wages. For example, do NOT report the direct salaries and wages of an employee in one cost center and report the employee's paid vacation in a different cost center.
4. To be considered an allowable salary cost (i.e., direct salaries and wages plus paid vacation, holiday, sick leave, other PTO, and severance pay), the associated hours must also be reported in column 5. (See exceptions in column 5 instructions for bonus pay and overtime pay. Also, for wage-related costs, there are no associated hours.)
5. Bonus pay includes award pay and vacation, holiday, and sick pay conversion (pay in lieu of time off).

NOTE: Methodology for including and accruing direct salaries, paid vacation, paid holiday, paid sick, and other PTO in the wage index:

Salary cost--The required source for costs on Worksheet A is the general ledger (see §4013 and 42 CFR 413.24(e)). Worksheet S-3, Part II, (wage index) data are derived from Worksheet A; therefore, the proper source for costs for the wage index is also the general ledger. A hospital's current year general ledger includes both costs that are paid during the current year and costs that are expensed in the current year but paid in the subsequent year (current year accruals). Include on Worksheet S-3, Part II, the current year costs incurred from the general ledger; that is, both the current year costs paid and the current year accruals. (Costs that are expensed in the prior year but paid in the current year (prior year accruals) are not included on a hospital's current year general ledger; do not include on the hospital's current year Worksheet S-3, Part II.)

Hours--The source for paid hours on Worksheet S-3, Part II, is the provider's payroll report. Hours are included on the payroll report in the period the associated expense is paid. Include on Worksheet S-3, Part II, the hours from the current year payroll report,

including hours associated with costs expensed in the prior year but paid in the current year. The payroll report time period must cover the weeks that best match the provider's cost reporting period. (Hours associated with costs expensed in the current year but not paid until the subsequent year (current year accrual) are not included on the current year payroll report; do not include on the hospital's current year Worksheet S-3, Part II.) Although this methodology does not provide a perfect match between paid costs and paid hours for a given year, it approximates a match between costs and hours.

NOTE: The above methodology is recommended by CMS but does not preclude using a different approach that would produce a more accurate finding for purposes of the wage index. A hospital must obtain approval from its contractor to use a different methodology. For example, when the hospital is unable to match the general ledger and payroll report direct salaries and hours within the exact dates of its cost reporting period, they may request approval to accrue salaries and hours on Worksheet S-3, Part II (up to 15 days before the cost reporting period beginning date or 15 days after the cost reporting period ending date in order to include 365 or 366 days, depending on the year). Accrued costs must have associated hours and must be excluded from the subsequent Worksheet S-3, Part II.

Regardless of the methodology used, costs and hours reported must be consistent. That is, accrued costs must have associated hours reported in the same cost center and in the same cost reporting period. The hospital must ensure that supporting documentation for both salaries and hours are based on actual data maintained in a form that permits validation by the contractor. For example, the hospital must be able to provide a payroll report that is summarized by individual employee and type of pay, e.g., vacation, holiday, sick, etc.) so that the Medicare contractor can validate the hours reported. The use of estimates for these amounts is unacceptable for the wage index.

Line 1--Enter from Worksheet A, column 1, line 200, the direct salaries and wages, including the amounts for related paid vacation, holiday, sick leave, other PTO, severance pay, and bonus pay, paid to hospital employees. See Worksheet A instructions (§4013).

Lines 2 through 10--The amounts reported must be adjusted for vacation, holiday, sick, other paid time off, severance, and bonus pay if not already included. Do not include in lines 2 through 8 the salaries for employees associated with excluded areas lines 9 and 10.

Line 2--Enter the salaries for directly-employed Part A non-physician anesthetist (for rural hospitals that have been granted CRNA pass-through) to the extent these salaries are included in line 1. Add to this amount the costs for CRNA Part A services furnished under contract to the extent hours can be accurately determined. Report only the personnel costs associated with these contracts. DO NOT include costs for equipment, supplies, travel expenses, and other miscellaneous or overhead items. DO NOT include costs applicable to excluded areas reported on lines 9 and 10. Additionally, contract CRNA cost must be included on line 11. Report in column 5, the hours that are associated with the costs in column 4 for directly employed and contracted Part A CRNAs.

Line 3--Enter the non-physician anesthetist salaries included in line 1, subject to the fee schedule and paid under Part B by the contractor. Do not include salary costs for physician assistants, clinical nurse specialists, nurse practitioners, and nurse midwives.

Line 4--Enter the physician Part A administrative salaries, (excluding teaching physician salaries), that are included in line 1. Also, do not include I & R salary on this line. Report I & R salary on line 7. In accordance with 42 CFR 415.55(a) and 415.60, reasonable ER physician availability cost can be considered Part A services.

Line 4.01--Enter the Part A teaching physician salaries that are included in line 1.

Line 5--Enter the total physician, physician assistant, nurse practitioner and clinical nurse specialist on-call salaries and salaries associated with services that are billable under Part B that are included in line 1. Under Medicare, these services are related to direct patient care and can be billed separately under Part B. Also include physician salaries for patient care services reported for rural health clinics (RHC) and FQHCs included on Worksheet A, column 1, lines 88 and/or 89, as applicable. Do not include on this line amounts that are included on lines 9 and 10 for the SNF or excluded area salaries. Refer to CMS Pub. 15-1, §§2313.2.E. and 2182.3.E., for instructions related to keeping time studies to track time spent in Part A versus Part B activities. However, although §2313.2.E.2. states that, "A minimally acceptable time study must encompass at least one full week per month of the cost reporting period," the contractor makes the final determination on the adequacy of the records maintained. A 2-week semi-annual (every 6 months) time study can be adequate unless the contractor believes that a significant change in the pattern of physician time is likely to occur from one quarter to the next, in which case, the contractor may require more frequent time studies. Adequate documentation must be maintained to support total hours in a manner that is verifiable, and to serve as a condition of payment under Part A. In the absence of a written allocation agreement, the contractor assumes that 100 percent of the physician compensation cost is allocated to Part B services. Non-allowable services that are neither Part A nor Part B services (for example, research, teaching of residents in non-approved programs, teaching and supervision of medical students, writing for medical journals, reasonable availability services in departments/cost centers other than emergency room, etc.) are reported as nonreimbursable activities in the designated nonreimbursable cost centers (for example, Worksheet A, lines 190 through 194, see 42 CFR 415.60(b)(3)). Reasonable availability services for emergency rooms can be considered Part A in certain circumstances (see CMS Pub. 15-1, chapter 21, §2109.3.A. through C. for instances when emergency department physician availability services costs are allowable, and for the associated required documentation).

Line 6--Report on line 6 the non-physician on-call salaries and salaries reported for hospital-based RHC and FQHC services included on Worksheet A, column 1, lines 88 and/or 89, as applicable. Do not include on this line amounts that are included on lines 9 and 10 for the SNF or excluded area salaries.

Line 7--Enter from Worksheet A the salaries reported in column 1 of line 21 for interns and residents. Subscript this line and report salaries for contracted interns and residents in an approved program on line 7.01. Report only the personnel costs associated with these contracts. DO NOT include cost for equipment, supplies, travel expenses, and other miscellaneous or overhead items. DO NOT include costs applicable to excluded areas reported on lines 9 and 10. Additionally, contract intern and resident costs must be included on line 11. DO NOT include contract interns and residents costs on line 13. Report in column 5, the hours that are associated with the costs in column 4 for directly employed and contract interns and residents.

Line 8--If you are a member of a home office or related organization as defined in CMS Pub. 15-1, chapter 21, §2150, enter from your records, the wages and salaries for home office and/or related organization personnel that are included in line 1. Wage related costs are not included on this line.

Lines 9 and 10--Enter on line 9 the amount reported on Worksheet A, column 1, for line 44 for the SNF. On line 10, enter from Worksheet A, column 1, the sum of lines 20, 23, 40 through 42, 45, 45.01, 46, 94, 95, 98 through 101, 105 through 112, 114, 115 through 117, and 190 through 194. DO NOT include on lines 9 and 10 any salaries for general service personnel (e.g., housekeeping) which, on Worksheet A, column 1, may have been included directly in the SNF and the other cost centers detailed in the instructions for line 10.

General Instructions for Contract Labor:

Only contract labor costs reported on the provider's trial balance and, therefore, on Worksheet A, column 2, are included on Worksheet S-3, Part II. Do not include contract labor wages and hours on Worksheet S-3, Part II, line 1. Contract labor costs not reported in the proper cost center are disallowed from the wage index calculation. If hours cannot be accurately determined, the contract labor costs must not be included in the wage index. In general, for contract labor, the

minimum requirement for supporting documentation is the contract itself. If the wage costs, hours, and non-labor costs are not clearly specified in the contract, other supporting documentation is required, such as a representative sample of invoices that specify the wage costs, hours, and non-labor costs. Attestations or declarations from the vendor or hospital are not acceptable in lieu of supporting documentation for wages, hours, wage-related costs, and non-labor costs. Hospitals must be able to provide such documentation when requested by the contractor. Report only personnel costs associated with the contract. DO NOT include cost for equipment, supplies, travel expenses, and other miscellaneous or overhead items (non-labor costs).

Workers who are contracted solely for the purpose of providing services on-call can only be included on Worksheet S-3 when they actually work the on-call schedule. That is, they are actually delivering patient care at the hospital, or are at the hospital so as to be available to deliver patient care. If either of these latter two scenarios occur, then both the wages and associated hours actually worked must be included in the appropriate contract labor line on Worksheet S-3. For contractors that work a regular schedule in addition to being on-call, report the on-call wages, but not the hours associated with the time the contractors are on-call. Do not include wages or hours associated with Part B services.

Line 11--Enter the amount paid for services furnished under contract, rather than by employees, for direct patient care, as defined below. Do not include costs applicable to excluded areas reported on line 9 and 10. Include costs for contract CRNA and intern and resident services (these costs are also to be reported on lines 2 and 7.01, respectively). DO NOT include the costs for patient care services from the home office allocation and/or from related organizations. Include on this line contract pharmacy and laboratory wage costs as defined below.

Direct patient care services include, but are not limited to, nursing, diagnostic, therapeutic, and rehabilitative services. Report only personnel costs associated with these contracts. DO NOT apply the guidelines for contracted therapy services under §1861(v)(5) of the Act and 42 CFR 413.106. Direct patient care contracted labor, for purposes of this worksheet, DOES NOT include the following: services paid under Part B: (e.g., physician clinical services, physician assistant services), management and consultant contracts, billing services, legal and accounting services, clinical psychologist and clinical social worker services, housekeeping services, security personnel, planning contracts, independent financial audits, or any other service not directly related to patient care.

Contract pharmacy and laboratory services are furnished under contract, rather than by employees. These services include, but are not limited to, pharmacist, pharmacy assistant, medical technologist, laboratory technologist, laboratory technician, and other services directly related to patient care. These services exclude pathologist Part A. Instead, contract pathologist Part A services must be reported on line 13. DO NOT include the following services paid under Part B (e.g., physician clinical services, physician assistant services), management and consultant contracts, clerical and billing services, legal and accounting services, housekeeping services, security personnel, planning contracts, independent financial audits, or any other service not directly related to patient care. Report only personnel costs associated with the contracts.

If you have no contracts for direct patient care as defined above, enter a zero in column 2. If you are unable to accurately determine the number of hours associated with contracted labor, enter a zero in column 2.

Line 12--Enter the amount paid for **contracted top level management services, and other contract management and administrative services** furnished under contract, rather than by employees. Include on this line contract management and administrative services associated with cost centers other than those listed on lines 26 through 43 (and their subscripts) of this worksheet that are included in the wage index.

Contracted Top Level Management: Include the amount paid for **top level management services**, as defined below, furnished under contract rather than by employees. Contract management is limited to the personnel costs for those individuals who are working at the hospital facility in the capacity of chief executive officer, chief operating officer, chief financial officer, or nursing administrator. The titles given to these individuals may vary from the titles indicated above. However, the individual should be performing those duties customarily given these positions.

For purposes of this worksheet, contract top level management services DO NOT include the following: physician Part A services, consultative services, clerical and billing services, legal and accounting services, unmet physician guarantees, physician services, planning contracts, independent financial audits, or any services other than the top-level management contracts listed above. Per instructions on Worksheet S-2, Part II, for top level management contracts, submit to your Medicare contractor the aggregate wages and hours.

Other Contract Management and Administrative Services: Examples of other contract management and administrative services that would be reported on line 12 include department directors, administrators, managers, ward clerks, and medical secretaries. Report only those personnel costs associated with the contract. DO NOT include on line 12 any contract labor costs associated with lines 26 through 43 and subscripts for these lines.

Line 13--Enter from your records the amount paid under contract (in accordance with the general instructions for contract labor) for Part A physician services - administrative, excluding teaching physician services. DO NOT include contract I & R services (to be included on line 7). DO NOT include the costs for Part A physician services from the home office allocation and/or from related organizations (to be reported on line 15). Do not include wages or hours associated with Part B services. As stated in the General Instructions for Contract Labor, "the minimum requirement for supporting documentation is the contract itself. If the wage costs, hours, and non-labor costs are not clearly specified in the contract, other supporting documentation is required, such as a representative sample of invoices that specify the wage costs, hours, and non-labor costs." Refer to CMS Pub. 15-1, §§2313.2E and 2182.3.E, for instructions related to keeping time studies to track time spent in Part A versus Part B activities. Adequate documentation must be maintained to support total hours in a manner that is verifiable. Total hours worked by the physicians cannot be imputed. In the absence of a written allocation agreement, the contractor assumes that 100 percent of the physician compensation cost is allocated to Part B services. Services that are neither Part A nor Part B services (for example, research, non-allowable teaching of residents in non-approved programs, teaching and supervision of medical students, writing for medical journals, reasonable availability services in departments/cost centers other than emergency room, etc.) are not reported on line 13. Reasonable availability services for emergency rooms can be considered Part A in certain circumstances (see CMS Pub. 15-1, chapter 21, §2109.3.A. through C. for instances when emergency department physician availability services costs are allowable, and for the associated required documentation).

Line 14--For cost reporting periods beginning before October 1, 2015, enter the salaries and wage-related costs (as defined on lines 17 and 18) paid to personnel who are affiliated with a home office and/or related organization, who provide services to the hospital, and whose salaries are not included on Worksheet A, column 1. In addition, add the home office/related organization salaries included on line 8 and the associated wage-related costs. This amount must be based on recognized methods of allocating an individual's home office/related organization salary to the

hospital. Obtain this information from the home office cost statement to report wages and hours for your hospital. Report only wages and hours associated with your hospital. If no home office/related organization exists or if you cannot accurately determine the hours associated with the home office/related organization salaries that are allocated to the hospital, then enter a zero in column 2. All costs for any related organization (as defined in CMS Pub. 15-1, chapter 10; 42 CFR 413.17; and CMS Pub. 15-1, chapter 21, §2150ff through §2153ff), must be shown as the cost to the related organization. For cost reporting periods beginning on or after October 1, 2015, do not use this line but use lines 14.01 and/or 14.02.

Line 14.01--For cost reporting periods beginning on or after October 1, 2015, enter the salaries paid to personnel affiliated with a home office, who provide services to the hospital, and whose salaries are not included on Worksheet A, column 1, but are included in Worksheet A, column 2, column 4 (if reported on Worksheet A-6), and/or column 6 (if reported on Worksheet A-8-1). In addition, add the home office salaries included on line 8. The amounts reported on this line must be based on recognized methods of allocating an individual's home office salary to the hospital. Obtain this information from the home office cost statement to report wages and hours for your hospital. Report only wages and hours associated with your hospital (and not other providers in the chain). If no home office exists or if you cannot accurately determine the hours associated with the home office salaries that are allocated to the hospital, then enter a zero in column 2. All costs for any home office (as defined in 42 CFR 413.17; and CMS Pub. 15-1, chapter 21, §2150ff through §2153ff), must be shown as the cost to the home office. Report only home office salary costs on this line; report home office wage-related costs on line 25.50.

Line 14.02--For cost reporting periods beginning on or after October 1, 2015, enter the salaries paid to personnel affiliated with a related organization (other than home office), who provide services to the hospital, and whose salaries are not included on Worksheet A, column 1, but are included in Worksheet A, column 2, column 4 (if reported on Worksheet A-6), and/or column 6 (if reported on Worksheet A-8-1). In addition, add the related organization salaries, other than a home office, included on line 8. The amounts reported on this line must be based on recognized methods of allocating an individual's related organization salary to the hospital. If no related organization exists or if you cannot accurately determine the hours associated with the related organization salaries that are allocated to the hospital, then enter a zero in column 2. All costs for any related organization (as defined in CMS Pub. 15-1, chapter 10; and 42 CFR 413.17), must be shown as the cost to the related organization. Report only related organization salary costs on this line; report related organization wage-related costs on line 25.51.

NOTE: Do not include any costs for Part A physician services from the home office allocation and/or related organizations. These amounts are reported on line 15. Do not report any wages, wage-related costs, or hours associated with excluded areas (lines 9 and 10). Report the cost of home office services, whether employee or contract labor, in the most closely matched cost centers on Worksheet A (lines 4 through 17), column 2, and on the corresponding lines of Worksheet S-3, Part II (lines 26 through 43). Report allowable contract labor costs, if applicable, in accordance with instructions on lines 28, 33, or 35.

If a wage related cost associated with the home office is not "core" (as described in the Worksheet S-3, Part IV) and is not a category included in "other" wage related costs on line 18 (see Worksheet S-3, Part IV, and line 18 instructions below), the cost cannot be included on line 14, or subscripts. For example, if a hospital's employee parking cost does not meet the criteria for inclusion as a wage-related cost on line 18, any parking cost associated with home office staff cannot be included on line 14, or subscripts.

Line 15--For cost reporting periods beginning before October 1, 2015, enter from your records the salaries, wage-related costs, and amount paid under contract for Part A physician services - administrative, excluding teaching physician Part A services, from the home office allocation and/or related organizations. For cost reporting periods beginning on and after October 1, 2015, report only the salary costs and amount paid under contract on this line and report the wage-related costs (as defined on lines 17 and 18) on line 25.52. *For cost reporting periods beginning on or after October 1, 2022, do not use this line; instead, use lines 15.01 and/or 15.02.*

Line 15.01--For cost reporting periods beginning on or after October 1, 2022, enter from your records the salaries for physician Part A administrative services from the home office allocation and/or related organizations. Report the wage-related costs (as defined on lines 17) on line 25.52.

Line 15.02--For cost reporting periods beginning on or after October 1, 2022, enter from your records the amount paid for physician Part A administrative services under contract from the home office allocation and/or related organizations.

Line 16--For cost reporting periods beginning before October 1, 2015, enter from your records the salaries and wage-related costs for teaching physician Part A services from the home office allocation and/or related organizations. Also report on this line Part A teaching physicians' salaries under contract.

For cost reporting periods beginning on and after October 1, 2015, and before October 1, 2017, for teaching physician Part A services from the home office allocation and/or related organizations, report only the salary costs on this line and report the wage-related costs (as defined on lines 17) on line 25.53. For Part A teaching physicians' salaries under contract, continue to report salaries and wage related costs on this line. Do not complete this line effective for cost reporting periods beginning on or after October 1, 2017.

Line 16.01--For cost reporting periods beginning on or after October 1, 2017, enter from your records the salaries for teaching physician Part A services from the home office allocation and/or related organizations. Report the wage-related costs (as defined on lines 17) on line 25.53.

Line 16.02--For cost reporting periods beginning on or after October 1, 2017, enter from your records the *amount paid* for Part A teaching physicians under contract *from the home office allocation and/or related organizations*.

Lines 17 through 25 and 25.50 through 25.53--In general, the amount reported for wage-related costs must meet the "reasonable cost" provisions of Medicare. For pension and executive deferred compensation costs see the instructions below in Part IV. NOTE: Wage-related costs on lines 25.50 through 25.53 are not tied to wage-related costs reported on Worksheet S-3, Part IV.

For those wage-related costs that are not covered by Medicare reasonable cost principles, a hospital shall use generally accepted accounting principles (GAAP). For example, for purposes of the wage index, disability insurance cost should be developed using GAAP. Hospitals are required to complete Worksheet S-3, Part IV, a reconciliation worksheet to aid hospitals and contractors in implementing GAAP when developing wage-related costs. Upon request by the contractor or CMS, hospitals must provide a copy of the GAAP pronouncement, or other documentation, showing that the reporting practice is widely accepted in the hospital industry and/or related field as support for the methodology used to develop the wage-related costs. If a hospital does not complete Worksheet S-3, Part IV, or, if the hospital is unable, when requested, to provide a copy of the standard used in developing the wage-related costs, the contractor may remove the cost from the hospital's Worksheet S-3 due to insufficient documentation to substantiate the wage-related cost relevant to GAAP.

NOTE: All costs for any related organization must be shown as the cost to the related organization. (For Medicare cost reporting principles, see CMS Pub. 15-1, chapter 10, §1000. For GAAP, see FASB 57.) If a hospital's consolidation methodology is not in accordance with GAAP or if there are any amounts in the methodology that cannot be verified by the contractor, the contractor may apply the hospital's cost-to-charge ratio to reduce the related party expenses to cost.

NOTE: All wage-related costs, including FICA, workers' compensation, and unemployment compensation taxes, associated with physician services are to be allocated according to the services provided; that is, those taxes and other wage-related costs attributable to Part A administrative services must be placed on line 22, to Part A teaching services must be placed on line 22.01, and to Part B (patient care services) must be placed on line 23. Line 17 must not include wage-related costs that are associated with physician services.

Line 17--Enter the core wage-related costs from Worksheet S-3, Part IV, line 24. (See note below for costs that are not to be included on line 17). Only the wage-related costs reported on Worksheet S-3, Part IV, line 24, are reported on this line. (Wage-related costs are reported in column 2, not column 1, of Worksheet A.)

NOTE: Do not include wage-related costs applicable to the excluded areas reported on lines 9 and 10. Instead, these costs are reported on line 19. Also, do not include the wage-related costs for physicians Parts A and B, non-physician anesthetists Parts A and B, interns and residents in approved programs, and home office/related party personnel. (See lines 14, 15, and 20 through 25, and 25.50 through 25.53.)

Health Insurance and Health-Related Wage Related Costs:

The following are the allowable health insurance and health-related costs for the wage index.

1) Purchased Health Insurance:

- Premium costs.
- Costs paid to external organizations for plan administration.

2) Self (or Self-Funded) Health Insurance:

- Costs paid to external organizations for plan administration.
- Without a Third-Party Administrator (TPA).
 - Costs the hospital incurs in providing services under the plan to its employees. (Domestic claim charges must be reduced to cost. Costs must also exclude any copayments and deductibles paid by employees.) Employee withholdings and contributions are employee costs, not hospital costs. Hospitals are not permitted to treat as hospital wage-related costs the amounts that their employees incur for their health insurance benefits.
 - Hospital's payment to unrelated health care providers for services rendered, under the plan, to hospital's employees.
- With a TPA.
 - Amount the TPA pays to the hospital or other health care providers for services rendered under the plan. (For domestic claims, the hospital must provide documentation from its TPA to demonstrate that payments for services rendered to employees are based on a discount from full charges. Also, the payments must be reasonable; that is, the costs included for domestic claims must not exceed the amount that commercial insurers pay the hospital for the same services rendered to non-employees.) Employee withholdings and contributions are employee costs, not hospital costs. Hospitals are not permitted to treat as hospital wage-related costs the amounts that their employees incur for their health insurance benefits. Hospitals cannot claim additional net wage-related costs for employee claims not fully reimbursed by the TPA payment.

NOTE: Hospitals and contractors are not required to remove from domestic claims costs, the personnel costs that are associated with hospital staff who deliver the services to employees. Regardless of whether self-funded insurance is with or without a TPA, where hospitals provide healthcare services to their employees, hospitals cannot claim as a wage-related cost the amount by which the hospitals reduce copays or deductibles of employees receiving the health care services.

3) Health-Related Services: Inpatient and outpatient health services that are not covered under the hospital's health insurance plan, but are provided to employees at no cost or at a discount, for example, employee physicals, flu shots, smoking cessation, and weight control programs, are to be included as a core wage-related cost. (Domestic claim charges must be reduced to cost. Costs must also exclude any copayments and deductibles paid by employees.)

NOTE: Hospitals and contractors are not required to remove from domestic claims costs, the personnel costs that are associated with hospital staff who deliver the services to employees.

Line 18--Enter the total of "other" wage-related costs. Line 18, column 4, must equal the sum of Worksheet S-3, Part IV, line 25, and its subscripts. Complete instructions for Worksheet S-3, Part IV, line 25, are below in §4005.4. Do not complete this line effective for cost reporting periods beginning on or after October 1, 2015.

NOTE: Do not include wage-related costs applicable to the excluded areas reported on lines 9 and 10. Instead, these costs are reported on line 19. Also, do not include the wage-related costs for physician Parts A and B, non-physician anesthetists Parts A and B, interns and residents in approved programs, and home office personnel.

Line 19--Enter the total (core and other) wage-related costs applicable to the excluded areas reported on lines 9 and 10.

Lines 20 through 25, and 25.50 through 25.53--Enter from your records the core wage-related costs for each category of employee listed. Do not include the other wage-related costs reported on Worksheet S-3, Part II, line 18, and Worksheet S-3, Part IV, line 25. Do not include wage-related costs for excluded areas reported on line 19. Subscript line 22, and report the wage-related costs for Part A teaching physicians reported on line 4.01, on line 22.01. On line 23, do not include wage-related costs related to non-physician salaries reported for hospital-based RHCs and FQHCs services included on Worksheet A, column 1, lines 88 and/or 89, as applicable. These wage-related costs are reported separately on line 24.

Line 25.50--For cost reporting periods beginning on or after October 1, 2015, enter the core wage-related costs (as defined on line 17) paid to personnel who are affiliated with a home office whose salaries are reported on line 14.01.

Line 25.51--For cost reporting periods beginning on or after October 1, 2015, enter the core wage-related costs (as defined on line 17) paid to personnel who are affiliated with a related organization (other than home office) whose salaries are reported on line 14.02.

Line 25.52--For cost reporting periods beginning on or after October 1, 2015, enter the core wage-related costs (as defined on line 17) for Part A physician services - administrative, excluding teaching physicians Part A services, from the home office allocation and/or related organizations, whose salaries are reported on line 15.

Line 25.53--For cost reporting periods beginning on or after October 1, 2015, enter the core wage-related costs (as defined on line 17) for teaching physicians Part A services from the home office allocation and/or related organizations, whose salaries are reported on line 16, or for cost reporting periods beginning on or after October 1, 2017, line 16.01.

NOTE: For cost reporting periods beginning prior to October 1, 2015, other wage related costs associated with the home office are reported on Worksheet S-3, Part II, line 18, and on Worksheet S-3, Part IV, line 25, and its subscripts. For lines 25.50 through 25.53 of Worksheet S-3, Part II, if a wage-related cost associated with the home office is not "core" (as described in the Worksheet S-3, Part IV), the cost must not be included on line 14 and its subscripts, or on line 25 and its subscripts.

Lines 26 through 43--These lines provide for the collection of hospital wage data for overhead costs to properly allocate the salary portion of the overhead costs to the appropriate service areas for excluded units. Enter the direct salary and wages with related salary amounts for paid vacation, holiday, sick, other PTO, severance, and bonus pay from Worksheet A, column 1, for lines 26, 27, 29 through 32, 34, and 36 through 43. Enter the contract labor costs from Worksheet A, column 2, for lines 28, 33, and 35.

Line 26--Salaries and hours reported on this line correlate to the salaries reported on line 4, column 1, of Worksheet A, for the personnel working in the Employee Benefit Department, or the Human Resources Department. Do not report costs or hours associated with other hospital employees on this line.

Lines 28, 33, and 35--Enter the amount paid for services performed **under contract** (in accordance with the general contract labor instructions above), rather than by employees, for A&G, housekeeping, and dietary services, respectively. Continue to report on the standard lines (line 27, 32, and 34), the amounts paid for services rendered by employees not under contract. Only contract labor costs reported on Worksheet A, column 2, column 4 (if reported on Worksheet A-6), and/or column 6 (if reported on Worksheet A-8-1), are included on these lines. Contract labor costs not reported in the proper cost center on Worksheet A, are excluded from the wage index.

Line 28--Administrative and General (A&G) costs are expenses a hospital incurs in carrying out its administrative and/or general management functions. Include on line 28, the contract services that are included on Worksheet A, line 5, and subscripts, columns 2, 4 and/or 6 ("Administrative and General"). Contract information and data processing services, legal, tax preparation, cost report preparation, and purchasing services are examples of contract labor costs that would be included on this line and must not be reported on lines 11 or 12. Do not include on line 28 the costs for top level management contracts (these costs are reported on line 12). Do not include on this line contract labor which is more closely matched to another overhead cost center, such as, but not limited to, contract housekeeping or dietary services, which must be reported on line 33 or line 35.

Lines 32 through 35--All hospitals must incur costs for housekeeping and dietary services, either direct, under contract, or both. It is not acceptable to report zeroes for housekeeping or dietary services. Report wages and hours for housekeeping services on either line 32 (direct) or line 33 (contract), and for dietary services, on either line 34 (direct) or line 35 (contract). See 79 FR 49965 (August 22, 2014). Hospitals are encouraged to ensure that their contracts clearly specify the salaries, wages, and hours related to all of their contract labor. If, in rare instances, hours for these services cannot be determined exactly from the contract, determine the hours based on a reasonable estimation. Examples of reasonable estimates are regional average hourly rates, including an average of the wages and hours for dietary and housekeeping services of other hospitals in the same CBSA. Hospitals also may conduct time studies to determine hours worked. If regional averages or time studies cannot be used, data from the Bureau of Labor Statistics may be used to obtain average wages and hours for housekeeping and dietary services.

Column 3--Enter on each line, as appropriate, the **salary and wages** portion (as defined in column 2 instructions) of any reclassifications made on Worksheet A-6. NOTE: Adjust the hours in column 5 associated with the reclassified salary and wages. See the NOTE for column 5 below.

Column 4--Enter on each line the result of column 2 plus or minus column 3.

Column 5--Enter on each line the number of **paid** hours corresponding to the amounts reported in column 4. Paid hours include regular hours (including paid lunch hours), overtime hours, paid holiday, vacation and sick leave hours, paid time-off hours, and hours associated with severance pay. For Part II, lines 1 through 15 (including subscripts), lines 26 through 43 (including subscripts), and Part III, line 7, if the hours cannot be determined, then the associated salaries must not be included in columns 2 through 4.

NOTE: The hours reported in column 5 must reflect any changes to salaries reported in column 3. Report the on-call wages for employees and contractors that work a regular schedule in addition to being on-call (not present at the hospital but off-site and ready to be called in if needed); however, do not report the on-call hours. Report both the wages and hours for on-call employees and contractors when they are called in to work. Overtime hours are calculated as one hour when an employee is paid time and a half. No hours are required for bonus pay. The intern and resident hours associated with the salaries reported on line 7 must be based on 2080 hours per year for each full-time intern and resident employee. The hours reported for salaried employees who are paid a fixed rate are recorded as 40 hours per week or the number of hours in your standard work week.

NOTE: Workers who are contracted solely for the purpose of providing services on-call can only be included on Worksheet S-3 when they actually work the on-call schedule; that is, they are actually delivering patient care at the hospital, or are at the hospital so as to be available to deliver patient care. If either of these latter two scenarios occur, then both the wages and associated hours actually worked must be included in the appropriate contract labor line on Worksheet S-3. Do not include wages or hours associated with Part B services.

Column 6--Enter on all lines (except lines 17 through 25) the average hourly wage resulting from dividing column 4 by column 5.

4005.3 Part III - Hospital Wage Index Summary.--This worksheet provides for the calculation of a hospital's average hourly wage (without overhead allocation, occupational mix adjustment, and inflation adjustment) as well as analysis of the wage data.

Columns 1 through 6--Follow the same instructions discussed in Part II, except for column 6, line 5.

Line 1--From Part II, enter the result of line 1 minus the sum of lines 2, 3, 4.01, 5, 6, 7, 7.01, and 8. Add to this amount lines: 28, 33, and 35.

Line 2--From Part II, enter the sum of lines 9 and 10.

Line 3--Enter the result of line 1 minus line 2.

Line 4--From Part II, enter the sum of lines 11, 12, 13, 14, 14.01, 14.02, and 15. (Line 16 is omitted from Part III, line 4, because physicians' teaching services are excluded from the wage index.)

Line 5--For cost reporting periods beginning prior to October 1, 2015, from Part II, enter the sum of lines 17, 18, 22, 25.50, 25.51, and 25.52. Enter on this line in column 6 the wage-related cost percentage computed by dividing Part III, column 4, line 5, by Part III, column 4, line 3. Round the result to two decimal places.

For cost reporting periods beginning on or after October 1, 2015, from Part II, enter the sum of lines 17, 22, 25.50, 25.51, and 25.52. Enter on this line in column 6 the wage-related cost percentage computed by dividing Part III, column 4, line 5, by Part III, column 4, line 3. Round the result to two decimal places.

Line 6--Enter the sum of lines 3 through 5.

Line 7--Enter from Part II above, the sum of lines 26 through 43. If the hospital's ratio for excluded area salaries to net salaries is greater than 5 percent, the hospital must complete all columns for this line. (See instructions in Part II, lines 26 through 43 for calculating the percentage.)

4005.4 Part IV - Wage Related Costs.--The hospital must provide the contractor with a complete list of all core wage related costs included in Part II (§4005.2), lines 17 and 19 through 25. This worksheet provides for the identification of such costs.

For lines 1 through 23, for wage related costs not covered by Medicare reasonable cost principles (excluding the reporting of certain defined benefit pension costs; see instructions below), a hospital shall use GAAP in reporting wage related costs. In addition, some costs such as payroll taxes, which are reported as a wage related cost(s) on Worksheet S-3, Part IV, are not considered fringe benefits for Medicare cost finding.

See instructions for line 25 on including "other" wage related costs in the wage index that are not a core wage related cost reported on lines 1 through 23.