

# WASHINGTON

## perspectives

***An Analysis and Commentary on Federal Health Care Issues  
by Larry Goldberg***

**April 21, 2019**

### **CMS Proposes Skilled Nursing Facility FY 2020 PPS Update**



The Centers for Medicare and Medicaid Services (CMS) have issued a proposed rule to update the Medicare payment rates and the quality programs for skilled nursing facilities (SNFs) for FY 2020.

CMS will begin using a new case-mix model, the **Patient Driven Payment Model** (PDPM), which focuses on the patient's condition and resulting care needs rather than on the amount of care provided in order to determine Medicare payment. CMS proposes to revise the definition of group therapy under the SNF PPS, and to implement a subregulatory process for updating the code lists (International Classification of Diseases, Tenth Version (ICD-10) codes) used under PDPM.

The rule also finalizes updates to the SNF Quality Reporting Program (QRP) and the SNF Value-Based Purchasing (VBP) Program.

The 232-page document is scheduled for publication in the **Federal Register** on April 25<sup>th</sup>. A copy is currently available at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-08108.pdf>. This link will, of course, change upon publication. A 60-day comment period ending June 18<sup>th</sup> is provided.

#### **Comment**

CMS says that the overall economic impact of this proposed rule is an estimated increase of \$887 million in aggregate payments to SNFs during FY 2020. However, the SNF VBP program would save an estimated \$213.6 million in aggregate payments to SNFs during FY 2020. As required by statute, the program reduces SNFs' Medicare payments by 2.0 percentage points, then redistributes only 60 percent of those funds as incentive payments.

Changing from the SNF RUG IV to the PDPM is complex. At least complex from a non-clinical reader's perspective. Thus, the explanation of the transition and the new classification system is difficult to comprehend.

CMS notes that "under PDPM, the total rate is calculated as a combination of six different component rates, five of which are case-mix adjusted, and given the sheer volume of possible combinations of these five case-mix adjusted components, it is not feasible to provide tables similar to those that have existed in prior rulemaking."



## Proposed SNF PPS Rate Setting Methodology and FY 2020 Updates

### *SNF Market Basket Update*

For FY 2020, the growth rate of the SNF market basket is estimated to be 3.0 percent. The **Affordable Care Act** (ACA) requires the application of a multifactor productivity (MFP) adjustment.

The MFP adjustment is estimated to be 0.5 percent. The resulting MFP-adjusted SNF market basket update would be equal to 2.5 percent, or 3.0 percent less 0.5 percentage point.

### *Forecast error correction*

The SNF PPS is the only PPS that requires a market basket forecast for errors. However, CMS' rule only makes corrections if the error is 0.5 percent or more. There will be no correction for FY 2020.

### *Wage Index*

CMS says that it has "used hospital inpatient wage data in developing a wage index to be applied to SNFs. We propose to continue this practice for FY 2020, as we continue to believe that in the absence of SNF-specific wage data, using the hospital inpatient wage index data is appropriate and reasonable for the SNF PPS." The proposed budget neutrality factor for FY 2020 would be 1.0060.

The "final" wage index applicable to FY 2020 is set forth in Tables A and B available on the CMS website at: <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html>.

### **Comment**

Two items. Unlike the Inpatient Rehabilitation and Inpatient Psychiatric PPS FY 2020 proposals, the SNF update does appear to address using the concurrent inpatient PPS area wage index values for FY 2020. Using concurrent wage index values would eliminate a 1-year data lag.

Second the proposal references the CMS website to obtain the wage index values as "final." This reference appears to be an error.

### *Labor Share*

The proposed FY 2020 SNF labor share will be **70.8**. The current amount is 70.5 percent.

### **Unadjusted Federal per Diem Rates for FY 2020**

Under the PDPM, the unadjusted Federal per diem rates are divided into six components, five of which are case-mix adjusted components (Physical Therapy (PT), Occupational Therapy (OT), Speech-Language Pathology (SLP), Nursing, and Non-Therapy Ancillaries (NTA)), and one of which is a non-case-mix component,

The following tables reflect the proposed updated unadjusted federal rates for FY 2020, prior to adjustment for case-mix.

**FY 2020 Unadjusted Federal Rate Per Diem—URBAN**

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
<b>Per Diem Amount</b>	\$61.16	\$56.93	\$22.83	\$106.64	\$80.45	\$95.48



## FY 2020 Unadjusted Federal Rate Per Diem—RURAL

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$69.72	\$64.03	\$28.76	\$101.88	\$76.86	\$97.25

### Case-Mix Adjustment

- Column 1 of the tables below represents the character in the Health Insurance Prospective Payment System (HIPPS) code associated with a given PDPM component.
- Columns 2 and 3 provide the case-mix index and associated case-mix adjusted component rate for the relevant PT group.
- Columns 4 and 5 provide the case-mix index and associated case-mix adjusted component rate for the relevant OT group.
- Columns 6 and 7 provide the case-mix index and associated case-mix adjusted component rate, for the relevant SLP group.
- Column 8 provides the nursing case-mix group (CMG) that is connected with a given PDPM HIPPS character.
- Columns 9 and 10 provide the case-mix index and associated case-mix adjusted component rate for the relevant nursing group.
- Finally, columns 11 and 12 provide the case-mix index and associated case-mix adjusted component rate for the relevant NTA group.

### PDPM Case-Mix Adjusted Federal Rates and Associated Indexes--URBAN

PDPM Group (1)	PT CMI (2)	PT Rate (3)	OT CMI (4)	OT Rate (5)	SLP CMI (6)	SLP Rate (7)	Nursing CMG (8)	Nursing CMI (9)	Nursing Rate (10)	NTA CMI (11)	NTA Rate (12)
A	1.53	\$93.57	1.49	\$84.83	0.68	\$15.52	ES3	4.06	\$432.96	3.24	\$260.66
B	1.70	\$103.97	1.63	\$92.80	1.82	\$41.55	ES2	3.07	\$327.38	2.53	\$203.54
C	1.88	\$114.98	1.69	\$96.21	2.67	\$60.96	ES1	2.93	\$312.46	1.84	\$148.03
D	1.92	\$117.43	1.53	\$87.10	1.46	\$33.33	HDE2	2.40	\$255.94	1.33	\$107.00
E	1.42	\$86.85	1.41	\$80.27	2.34	\$53.42	HDE1	1.99	\$212.21	0.96	\$77.23
F	1.61	\$98.47	1.60	\$91.09	2.98	\$68.03	HBC2	2.24	\$238.87	0.72	\$57.92
G	1.67	\$102.14	1.64	\$93.37	2.04	\$46.57	HBC1	1.86	\$198.35	-	-
H	1.16	\$70.95	1.15	\$65.47	2.86	\$65.29	LDE2	2.08	\$221.81	-	-
I	1.13	\$69.11	1.18	\$67.18	3.53	\$80.59	LDE1	1.73	\$184.49	-	-
J	1.42	\$86.85	1.45	\$82.55	2.99	\$68.26	LBC2	1.72	\$183.42	-	-
K	1.52	\$92.96	1.54	\$87.67	3.70	\$84.47	LBC1	1.43	\$152.50	-	-
L	1.09	\$66.66	1.11	\$63.19	4.21	\$96.11	CDE2	1.87	\$199.42	-	-
M	1.27	\$77.67	1.30	\$74.01	-	-	CDE1	1.62	\$172.76	-	-
N	1.48	\$90.52	1.50	\$85.40	-	-	CBC2	1.55	\$165.29	-	-
O	1.55	\$94.80	1.55	\$88.24	-	-	CA2	1.09	\$116.24	-	-
P	1.08	\$66.05	1.09	\$62.05	-	-	CBC1	1.34	\$142.90	-	-
Q	-	-	-	-	-	-	CA1	0.94	\$100.24	-	-
R	-	-	-	-	-	-	BAB2	1.04	\$110.91	-	-



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PDPM Group (1)	PT CMI (2)	PT Rate (3)	OT CMI (4)	OT Rate (5)	SLP CMI (6)	SLP Rate (7)	Nursing CMG (8)	Nursing CMI (9)	Nursing Rate (10)	NTA CMI (11)	NTA Rate (12)
S	-	-	-	-	-	-	BAB1	0.99	\$105.57	-	-
T	-	-	-	-	-	-	PDE2	1.57	\$167.42	-	-
U	-	-	-	-	-	-	PDE1	1.47	\$156.76	-	-
V	-	-	-	-	-	-	PBC2	1.22	\$130.10	-	-
W	-	-	-	-	-	-	PA2	0.71	\$75.71	-	-
X	-	-	-	-	-	-	PBC1	1.13	\$120.0	-	-
Y	-	-	-	-	-	-	PA1	0.66	\$70.38	-	-

## PDPM Case-Mix Adjusted Federal Rates and Associated Indexes—Rural

PDPM Group (1)	PT CMI (2)	PT Rate (3)	OT CMI (4)	OT Rate (5)	SLP CMI (6)	SLP Rate (7)	Nursing CMG (8)	Nursing CMI (9)	Nursing Rate (10)	NTA CMI (11)	NTA Rate (12)
A	1.53	\$106.67	1.49	\$95.40	0.68	\$19.56	ES3	4.06	\$413.63	3.24	\$249.03
B	1.70	\$118.52	1.63	\$104.37	1.82	\$52.34	ES2	3.07	\$312.77	2.53	\$194.46
C	1.88	\$131.07	1.69	\$108.21	2.67	\$76.79	ES1	2.93	\$298.51	1.84	\$141.42
D	1.92	\$133.86	1.53	\$97.97	1.46	\$41.99	HDE2	2.40	\$244.51	1.33	\$102.22
E	1.42	\$99.00	1.41	\$90.28	2.34	\$67.30	HDE1	1.99	\$202.74	0.96	\$73.79
F	1.61	\$112.25	1.60	\$102.45	2.98	\$85.70	HBC2	2.24	\$228.21	0.72	\$55.34
G	1.67	\$116.43	1.64	\$105.01	2.04	\$58.67	HBC1	1.86	\$189.50	-	-
H	1.16	\$80.88	1.15	\$73.63	2.86	\$82.25	LDE2	2.08	\$211.91	-	-
I	1.13	\$78.78	1.18	\$75.56	3.53	\$101.52	LDE1	1.73	\$176.25	-	-
J	1.42	\$99.00	1.45	\$92.84	2.99	\$85.99	LBC2	1.72	\$175.23	-	-
K	1.52	\$105.97	1.54	\$98.61	3.70	\$106.41	LBC1	1.43	\$145.69	-	-
L	1.09	\$75.99	1.11	\$71.07	4.21	\$121.08	CDE2	1.87	\$190.52	-	-
M	1.27	\$88.54	1.30	\$83.24	-	-	CDE1	1.62	\$165.05	-	-
N	1.48	\$103.19	1.50	\$96.05	-	-	CBC2	1.55	\$157.91	-	-
O	1.55	\$108.07	1.55	\$99.25	-	-	CA2	1.09	\$111.05	-	-
P	1.08	\$75.30	1.09	\$69.79	-	-	CBC1	1.34	\$136.52	-	-
Q	-	-	-	-	-	-	CA1	0.94	\$95.77	-	-
R	-	-	-	-	-	-	BAB2	1.04	\$105.96	-	-
S	-	-	-	-	-	-	BAB1	0.99	\$100.86	-	-
T	-	-	-	-	-	-	PDE2	1.57	\$159.95	-	-
U	-	-	-	-	-	-	PDE1	1.47	\$149.76	-	-
V	-	-	-	-	-	-	PBC2	1.22	\$124.29	-	-
W	-	-	-	-	-	-	PA2	0.71	\$72.33	-	-
X	-	-	-	-	-	-	PBC1	1.13	\$115.12	-	-
Y	-	-	-	-	-	-	PA1	0.66	\$67.24	-	-

### Updating ICD-10 Code Mappings and Lists

The PDPM utilizes ICD-10 codes in several ways, including to assign patients to clinical categories used for categorization in the PT, OT, and SLP components, as well as identifying certain comorbidities relevant for classification under the SLP and NTA components. The ICD-10 mappings and lists that would be used under PDPM, once implemented, are available on the CMS PDPM website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/PDPM.html>.



## **Revised Group Therapy Definition**

CMS proposes to adopt a new definition of group therapy for use under PDPM, effective October 1, 2019.

CMS is proposing to define group therapy in the SNF Part A setting as a qualified rehabilitation therapist or therapy assistant treating two to six patients at the same time who are performing the same or similar activities.

## **SNF Quality Reporting Program (QRP)**

SNFs that fail to submit the required quality data to CMS will be subject to a 2.0 percentage point reduction from the applicable fiscal year's annual market basket percentage update.

### *Measures Currently Adopted*

The SNF QRP currently has 11 measures for the FY 2021 program year.

### **Quality Measures Currently Adopted for the FY 2021 SNF QRP**

Short Name	Measure Name & Data Source
<b>Resident Assessment Instrument Minimum Data Set</b>	
Pressure Ulcer/Injury	Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury.
Application of Falls	Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long Stay) (NQF #0674).
Application of Functional Assessment/Care Plan	Application of Percent of Long-Term Care Hospital (LTCH) Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function (NQF #2631).
Change in Mobility Score	Application of IRF Functional Outcome Measure: Change in Mobility Score for Medical Rehabilitation Patients (NQF #2634).
Discharge Mobility Score	Application of IRF Functional Outcome Measure: Discharge Mobility Score for Medical Rehabilitation Patients (NQF #2636).
Change in Self-Care Score	Application of the IRF Functional Outcome Measure: Change in Self-Care Score for Medical Rehabilitation Patients (NQF #2633).
Discharge Self-Care Score	Application of IRF Functional Outcome Measure: Discharge Self-Care Score for Medical Rehabilitation Patients (NQF #2635).
DRR	Drug Regimen Review Conducted With Follow-Up for Identified Issues–Post Acute Care (PAC) Skilled Nursing Facility (SNF) Quality Reporting Program (QRP).
<b>Claims-Based</b>	
MSPB SNF	Medicare Spending Per Beneficiary (MSPB)–Post-Acute Care (PAC) Skilled Nursing Facility (SNF) Quality Reporting Program (QRP).
DTC	Discharge to Community (DTC)–Post-Acute Care (PAC) Skilled Nursing Facility (SNF) Quality Reporting Program (QRP).
PPR	Potentially Preventable 30-Day Post-Discharge Readmission Measure for Skilled Nursing Facility (SNF) Quality Reporting Program (QRP).

### *Proposed new measures/ items beginning in FY 2022*

CMS is proposing to adopt two process measures: (1) Transfer of Health Information to the Provider–Post-Acute Care (PAC); and (2) Transfer of Health Information to the Patient–Post-Acute Care (PAC) beginning with the FY 2022 SNF QRP



In addition, CMS is proposing to update the specifications for the Discharge to Community – PAC SNF QRP measure to exclude baseline nursing facility (NF) residents from the measure.

Also, CMS proposes to adopt a number of standardized patient assessment data elements that assess either cognitive function and mental status, special services, treatments and interventions, medical conditions and comorbidities, impairments, or social determinants of health (race and ethnicity, preferred language and interpreter services, health literacy, transportation, or social isolation).

#### **Comment**

CMS devotes some 145 pages discussing quality issues. This amounts to 62.5 percent of the entire rule. The importance of CMS' quality requirements and its impact of payments cannot be overly stressed.

While CMS continues to emphasize quality over volume, one must question if the approaches being mandated are accomplishing the overarching objective. It is certainly adding burden to providers.

#### **SNF Value-Based Purchasing Program (VBP)**

CMS adopted for the SNF VBP Program, Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM) (NQF #2510). CMS also finalized the Skilled Nursing Facility 30-Day Potentially Preventable Readmission Measure (SNFPPR) that CMS says it will use for the SNF VBP Program instead of the SNFRM as soon as practicable.

The SNFPPR utilizes a 30-day post-hospital discharge readmission window whereas the SNF QRP potentially preventable readmission measure utilizes a 30-day post-SNF discharge readmission window.

Based on the baseline period for the FY 2022 program year, CMS is estimating that the performance standards would have the numerical values noted in the table below. CMS notes that these values represent estimates based on the most recently-available data, and will be updated in the SNF PPS final rule.

**Estimated FY 2022 SNF VBP Program Performance Standards**

Measure ID	Measure Description	Achievement Threshold	Benchmark
SNFRM	SNF 30-Day All-Cause Readmission Measure (NQF #2510)	0.79476	0.83212