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perspectives

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

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Final FY 2023 Skilled Nursing Facility PPS Update Issued



The Centers for Medicare and Medicaid Services (CMS) have issued a final rule to update the Medicare skilled nursing facility prospective payment system (SNF) for FY 2023.

The rule includes final update payment rates; a forecast error adjustment; diagnosis code mappings; and a Patient Driven Payment Model (PDPM) parity adjustment.

“The rule includes requirements for the Skilled Nursing Facility Quality Reporting Program (SNF QRP) and the Skilled Nursing Facility Value-Based Purchasing Program (SNF VBP), including adopting new quality measures for the SNF VBP Program and finalizing several updates to the Program’s scoring methodology. The SNF QRP adopts one new measure to promote patient safety, begins collection of information which will improve the quality of care for all SNF patients, and revises associated

regulation text.”

It also establishes a permanent cap policy to smooth the impact of year-to-year changes in SNF payments related to changes in the SNF wage index.

The 348-page document is scheduled for publication in the ***Federal Register*** on August 3. A copy is currently available at: <https://public-inspection.federalregister.gov/2021-16309.pdf> This link will change upon publication.

The wage index tables can be accessed on the SNF PPS Wage page at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html>.

Comments

This rule contains a useful table of contents. CMS says “to assist readers in referencing sections contained in this document, we are providing [a] Table of Contents.”

As usual, we are including page numbers in **red** from where details emanate.

CMS provides the following regarding the impact of the final FY 2023 payments and rates.

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Provision Description	Total Transfers/Costs
FY 2023 SNF PPS payment rate update	The overall economic impact of this final rule is an estimated increase of \$904 million in aggregate payments to SNFs during FY 2023.
FY 2023 SNF QRP changes	The overall economic impact of this final rule is an estimated increase in aggregate cost to SNFs of \$30,949,079.36.
FY 2023 SNF VBP changes	The overall economic impact of the SNF VBP Program is an estimated reduction of \$185.55 million in aggregate payments to SNFs during FY 2023.

CMS now estimates “that the aggregate impact of the provisions in this final rule will result in an estimated net increase in SNF payments of **2.7 percent**, or \$904 million, for FY 2023. This reflects a 5.1 percent increase from the final update to the payment rates and a 2.3 percent decrease from the reduction to the SNF payment rates to account for a recalibrated parity adjustment.” (Page 6)

CMS says that it uses a multiplicative formula to derive total percentage change. This formula is:

$$(1 + \text{Parity Adjustment Percentage}) * (1 + \text{Wage Index Update Percentage}) * (1 + \text{Payment Rate Update Percentage}) - 1 = \text{Total Percentage Change}$$

Thus, the total change figure is 2.7 percent, which is $(1 - 2.3\%) * (1 + 0.0\%) * (1 + 5.1\%) - 1$. As a result of rounding and the use of this multiplicative formula based on percentage, derived dollar estimates may not sum. (Page 313)

SNF PPS Rate Setting Methodology and FY 2023 Update

SNF Market Basket Update

The FY 2023 growth rate of the 2018-based SNF market basket is estimated to be 3.9 percent based on IHS Global Inc.’s (IGI’s) fourth quarter 2021 forecast of the 2018-based SNF market basket (before application of the forecast error adjustment and productivity adjustment). (Page 15)

Forecast Error Adjustment

The SNF PPS is the only PPS to employ a forecast market-basket error provision.

For FY 2021 (the most recently available FY for which there is final data), the forecasted or estimated increase in the SNF market basket index was 2.2 percent, and the actual increase for FY 2021 is 3.7 percent, resulting in the actual increase being 1.5 percentage point higher than the estimated increase.

The FY 2023 market basket percentage change of 3.9 percent, will be adjusted upward to account for the forecast error correction of 1.5 percentage point, after being reduced by the mandated productivity adjustment of minus 0.3 percent, resulting in a SNF market basket percentage of **5.1 percent**. (3.9 plus 1.5 minus 0.3). (Page 16)

Unadjusted Federal Per Diem Rates for FY 2023 (Page 29)

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 updated unadjusted federal rates for FY 2023, prior to the adjustment for case-mix.

FY 2023 Unadjusted Federal Rate Per Diem—Urban

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$66.06	\$61.49	\$24.66	\$115.15	\$86.88	\$103.12

FY 2023 Unadjusted Federal Rate Per Diem—Rural

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$75.30	\$69.16	\$31.07	\$110.02	\$83.00	\$105.03

Case-Mix Adjustment (Page 30)

CMS lists the case-mix adjusted PDPM payment rates for FY 2023, provided separately for urban and rural SNFs, as shown in the tables below. Further, the tables do not reflect adjustments which may be made to the SNF PPS rates as a result of the SNF Value-Based Program, or other adjustments, such as the variable per diem adjustment, and area wage index.

The tables below incorporate the recalibration of the PDPM parity adjustment.

PDPM Case-Mix Adjusted Federal Rates and Associated Indexes—URBAN
(Including the Parity Adjustment Recalibration) (Page 33)

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
A	1.49	\$98.43	1.45	\$89.16	0.66	\$16.28	ES3	3.95	\$454.84	3.15	\$273.67
B	1.65	\$109.00	1.59	\$97.77	1.77	\$43.65	ES2	2.99	\$344.30	2.46	\$213.72
C	1.83	\$120.89	1.64	\$100.84	2.60	\$64.12	ES1	2.85	\$328.18	1.79	\$155.52
D	1.87	\$123.53	1.49	\$91.62	1.42	\$35.02	HDE2	2.33	\$268.30	1.29	\$112.08
E	1.38	\$91.16	1.37	\$84.24	2.28	\$56.22	HDE1	1.94	\$223.39	0.93	\$80.80
F	1.57	\$103.71	1.56	\$95.92	2.90	\$71.51	HBC2	2.18	\$251.03	0.70	\$60.82
G	1.62	\$107.02	1.60	\$98.38	1.98	\$48.83	HBC1	1.81	\$208.42	-	-
H	1.13	\$74.65	1.12	\$68.87	2.78	\$68.55	LDE2	2.02	\$232.60	-	-
I	1.10	\$72.67	1.15	\$70.71	3.43	\$84.58	LDE1	1.68	\$193.45	-	-
J	1.38	\$91.16	1.41	\$86.70	2.91	\$71.76	LBC2	1.67	\$192.30	-	-
K	1.48	\$97.77	1.50	\$92.24	3.60	\$88.78	LBC1	1.39	\$160.06	-	-
L	1.06	\$70.02	1.08	\$66.41	4.10	\$101.11	CDE2	1.82	\$209.57	-	-
M	1.24	\$81.91	1.26	\$77.48	-	-	CDE1	1.58	\$181.94	-	-
N	1.44	\$95.13	1.46	\$89.78	-	-	CBC2	1.51	\$173.88	-	-
O	1.51	\$99.75	1.51	\$92.85	-	-	CA2	1.06	\$122.06	-	-
P	1.05	\$69.36	1.06	\$65.18	-	-	CBC1	1.30	\$149.70	-	-
Q	-	-	-	-	-	-	CA1	0.91	\$104.79	-	-
R	-	-	-	-	-	-	BAB2	1.01	\$116.30	-	-

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
S	-	-	-	-	-	-	BAB1	0.96	\$110.54	-	-
T	-	-	-	-	-	-	PDE2	1.53	\$176.18	-	-
U	-	-	-	-	-	-	PDE1	1.43	\$164.66	-	-
V	-	-	-	-	-	-	PBC2	1.19	\$137.03	-	-
W	-	-	-	-	-	-	PA2	0.69	\$79.45	-	-
X	-	-	-	-	-	-	PBC1	1.10	\$126.67	-	-
Y	-	-	-	-	-	-	PA1	0.64	\$73.70	-	-

PDPM Case-Mix Adjusted Federal Rates and Associated Indexes—RURAL
(Including the Parity Adjustment Recalibration) (Page 34)

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
A	1.49	\$112.20	1.45	\$100.28	0.66	\$20.51	ES3	3.95	\$434.58	3.15	\$261.45
B	1.65	\$124.25	1.59	\$109.96	1.77	\$54.99	ES2	2.99	\$328.96	2.46	\$204.18
C	1.83	\$137.80	1.64	\$113.42	2.60	\$80.78	ES1	2.85	\$313.56	1.79	\$148.57
D	1.87	\$140.81	1.49	\$103.05	1.42	\$44.12	HDE2	2.33	\$256.35	1.29	\$107.07
E	1.38	\$103.91	1.37	\$94.75	2.28	\$70.84	HDE1	1.94	\$213.44	0.93	\$77.19
F	1.57	\$118.22	1.56	\$107.89	2.90	\$90.10	HBC2	2.18	\$239.84	0.70	\$58.10
G	1.62	\$121.99	1.60	\$110.66	1.98	\$61.52	HBC1	1.81	\$199.14	-	-
H	1.13	\$85.09	1.12	\$77.46	2.78	\$86.37	LDE2	2.02	\$222.24	-	-
I	1.10	\$82.83	1.15	\$79.53	3.43	\$106.57	LDE1	1.68	\$184.83	-	-
J	1.38	\$103.91	1.41	\$97.52	2.91	\$90.41	LBC2	1.67	\$183.73	-	-
K	1.48	\$111.44	1.50	\$103.74	3.60	\$111.85	LBC1	1.39	\$152.93	-	-
L	1.06	\$79.82	1.08	\$74.69	4.10	\$127.39	CDE2	1.82	\$200.24	-	-
M	1.24	\$93.37	1.26	\$87.14	-	-	CDE1	1.58	\$173.83	-	-
N	1.44	\$108.43	1.46	\$100.97	-	-	CBC2	1.51	\$166.13	-	-
O	1.51	\$113.70	1.51	\$104.43	-	-	CA2	1.06	\$116.62	-	-
P	1.05	\$79.07	1.06	\$73.31	-	-	CBC1	1.30	\$143.03	-	-
Q	-	-	-	-	-	-	CA1	0.91	\$100.12	-	-
R	-	-	-	-	-	-	BAB2	1.01	\$111.12	-	-
S	-	-	-	-	-	-	BAB1	0.96	\$105.62	-	-
T	-	-	-	-	-	-	PDE2	1.53	\$168.33	-	-
U	-	-	-	-	-	-	PDE1	1.43	\$157.33	-	-
V	-	-	-	-	-	-	PBC2	1.19	\$130.92	-	-
W	-	-	-	-	-	-	PA2	0.69	\$75.91	-	-
X	-	-	-	-	-	-	PBC1	1.10	\$121.02	-	-
Y	-	-	-	-	-	-	PA1	0.64	\$70.41	-	-

Recalibration of the PDPM Parity Adjustment (Pages 85 & 308)

In finalizing the PDPM case-mix classification model, CMS say it would be implemented in a budget neutral manner, meaning that the transition to PDPM from the prior case-mix classification model, the Resource Utilization Group, Version 4 (RUG-IV), would not result in an increase or decrease in aggregate SNF spending.

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Since PDPM implementation, CMS’ data analysis has shown an unintended increase in payments of 4.6 percent, or \$1.7 billion in FY 2020.

CMS is finalizing a recalibration of the PDPM parity adjustment with a 2-year phase-in, resulting in a reduction in FY 2023 of 2.3 percent, or \$780 million, and a reduction in FY 2024 of 2.3 percent.

Wage Index Adjustments

CMS will continue, in the absence of SNF-specific wage data, to use the hospital inpatient wage index data. (Page 34)

The wage index applicable to FY 2023 is set forth in Tables A and B available at: <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html>.

Permanent Cap on Wage Index Decreases (Page 60)

For FY 2023 and subsequent years, CMS is applying a permanent 5.0 percent cap on any decreases to a provider's wage index from its wage index in the prior year, regardless of the circumstances causing the decline.

Labor Share

The FY 2023 SNF labor share will be **70.8**. The current amount is 70.4 percent. (Page 40)

Technical Updates to PDMP ICD-10 Mappings (Page 61)

CMS is finalizing several changes to the PDPM ICD-10 code mappings. The ICD-10 code mappings and lists used under PDPM are available on the PDPM Website at: <https://www.cms.gov/Medicare/MedicareFee-for-Service-Payment/SNFPPS/PDPM>.

Skilled Nursing Facility Quality Reporting Program (SNF QRP) Update (Page 97)

Quality Measures Currently Adopted for the FY 2023 SNF QRP

The SNF QRP currently has 15 measures for the FY 2023 SNF QRP, which are detailed in the table below.

Quality Measures Currently Adopted for the FY 2023 SNF QRP

Short	Measure Name & Data Source
Resident Assessment Instrument Minimum Data Set (Assessment-Based)	
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).

Short	Measure Name & Data Source
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).
TOH-Provider	Transfer of Health (TOH) Information to the Provider Post-Acute Care (PAC).
TOH-Patient	Transfer of Health (TOH) Information to the Patient Post-Acute Care (PAC).
Claims-Based	
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) (NQF #3481).
PPR	Potentially Preventable 30-Day Post-Discharge Readmission Measure for Skilled Nursing Facility (SNF) Quality Reporting Program (QRP).
SNF HAI	SNF Healthcare-Associated Infections (HAI) Requiring Hospitalization
NHSN	
HCP COVID-19 Vaccine	COVID-19 Vaccination Coverage among Healthcare Personnel (HCP)

SNF QRP Quality Measure Beginning with the FY 2024 SNF QRP

CMS is adopting one new measure for the SNF QRP beginning with the FY 2024 SNF QRP: the Influenza Vaccination Coverage among Healthcare Personnel (HCP) (NQF #0431). SNFs will submit the measure data through the CDC National Healthcare Safety Network with an initial data submission period from October 1, 2022, through March 31, 2023, with a reporting deadline of May 15, 2023. (Page 123)

Revised Compliance Date for Certain SNF QRP Requirements

CMS is revising the compliance date for the collection of the Transfer of Health (TOH) Information to the Provider-PAC measure, the TOH Information to the Patient-PAC measure, and certain standardized patient assessment data elements from October 1st of the year that is at least 2 full fiscal years after the end of the COVID-19 PHE to October 1, 2023. (Page 132)

SNF QRP Quality Measures under Consideration for Future Years: Request for Information (RFI) (Page 150)

In the FY 2023 SNF PPS proposed rule, CMS sought feedback on:

- SNF QRP Quality Measures under Consideration for Future Years
- Overarching Principles for Measuring Equity and Healthcare Quality Disparities Across CMS Quality Programs
- Inclusion of the CoreQ: Short Stay Discharge Measure in a Future SNF QRP Program Year

While CMS is not responding to comments in this final rule, CMS says it will continue to take all comments into consideration as it continues work to address and develop policies on these important topics.

Skilled Nursing Facility Value-Based Purchasing (SNF VBP) Program (Page 169)

Suppressing the Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM) (NQF #2510) for the FY 2023 Program Year (Page 173)

The rule finalizes a proposal to suppress (not apply) the Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM) as part of the performance scoring for the FY 2023 SNF VBP Program Year. While performance on this measure will be reported publicly, it will not affect payment.

CMS will assign a performance score of zero to all participating SNFs, irrespective of how they perform using the previously finalized scoring methodology, to mitigate the effect that PHE-impacted measure results would otherwise have on SNF performance scores and incentive payment multipliers. CMS will reduce the otherwise applicable federal per diem rate for each SNF by 2.0 percent and award SNFs 60 percent of that withhold, resulting in a 1.2 percent payback to those SNFs. SNFs that do not meet the case minimum for FY 2023 will be excluded from the Program for FY 2023.

CMS says it intends to resume the use of the SNFRM for scoring and payment adjustment purposes beginning with the FY 2024 program year. That is, for FY 2024, for each SNF, CMS will calculate measure scores in the SNF VBP Program. CMS will then calculate a SNF performance score for each SNF and convert the SNF performance scores to value-based incentive payments. (Page 179)

Quality Measure for the SNF VBP Expansion Beginning with the FY 2026 Program Year (Page 185)

Section 111 of Division CC of the **Consolidated Appropriations Act** (CAA) allows the Secretary to expand the SNF VBP Program beyond its current use of a single, all-cause hospital readmission measure and apply up to an additional nine measures with respect to payments beginning in FY 2023, which may include measures of functional status, patient safety, care coordination, or patient experience.

Using this authority, CMS is finalizing the adoption of three new measures into the SNF VBP Program — two claims-based measures and one payroll-based journal staffing measure.

The two new quality measures beginning with the FY 2026 program year are: (1) Skilled Nursing Facility (SNF) Healthcare Associated Infections (HAI) Requiring Hospitalization (SNF HAI) measure; and (2) Total Nursing Hours per Resident Day Staffing (Total Nurse Staffing) measure.

CMS is also adopting an additional quality measure beginning with the FY 2027 program year: Discharge to Community (DTC) – Post-Acute Care (PAC) Measure for Skilled Nursing Facilities (NQF #3481).

Comment

CMS spends some 50+ pages explaining these measures. Once again, one must question whether these measures will improved quality or simply reduce payment amounts.

SNF VBP Performance Period and Baseline Period Proposals

The baseline period for the SNFRM for the FY 2025 program year will be FY 2019. (Page 238)

CMS is finalizing its proposal to adopt FY 2024 (October 1, 2023 through September 30, 2024) as the performance period for the SNF HAI measure for the FY 2026 program year. (Page 241)

Also, CMS is finalizing its proposal to adopt FY 2024 (October 1, 2023 through September 30, 2024) as the performance period for the Total Nurse Staffing measure for the FY 2026 program year. (Page 244)

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Requests for Comment Related to Future SNF VBP Program Expansion Policies (Page 277)

CMS sought comments on a number of SNF VBP Program Measure Considerations for Future Years. These included:

- a. Staffing Turnover Measure
- b. COVID-19 Vaccination Coverage among Healthcare Personnel Measure
- c. Updating the SNF VBP Program Exchange Function
- d. Validation of SNF Measures and Assessment Data
- e. Approach to Measuring and Improving Health Equity

CMS' response to all is "We will take this feedback into consideration as we develop our policies for future rulemaking."

Final Thoughts

There are many facets and details in this final rule that are not identified in the above material. Most of these items are in the SNF quality reporting section and the Value-based Purchasing provisions. Such items include examples, timing and formats for reporting the required information.

These sections at 207 pages accounts for 60 percent of the entire rule.

Again, actual payment changes are easy to understand. Its quality and so-called Value-based Purchasing that are extensive and complicated.

The rule contains much unneeded and redundant history material. For example, the rule's Section II recites the origin of the SNF program going back to 1997. Further it even contains the initial adoption transition to the PPS program. What value does the inclusion of such information bring to the changes for FY 2023?

The issues of forecasting errors reinforces the need for all the PPS programs to incorporate the SNF provision. This is especially true for the outlier and other budget neutral calculations. CMS has continuously said the such corrections defeat the concept of a PPS system by making retroactive adjustments.

It depends on how one makes such corrections. They do not have to be retroactive if the errors are corrected prospectively. That is, by adjusting the following year's update factors for under/ over estimates.