

WASHINGTON

perspectives

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

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CMS Releases Final Skilled Nursing Facility FY 2021 PPS Update



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 2021.

The rule includes routine technical rate-setting updates to the payment rates and adopts a revised Office of Management and Budget (OMB) statistical area delineations report. In addition, the rule applies a 5.0 percent cap on wage index decreases from FY 2020 to FY 2021. In response to stakeholder feedback, CMS says it is also finalizing changes to the International Classification of Diseases, Version 10 (ICD-10) code mappings, effective October 1, 2020. Finally, the rule includes minor administrative changes related to the SNF Value-Based Purchasing (VBP) Program.

The 116-page document is scheduled for publication in the ***Federal Register*** on August 5. A copy is currently available at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2020-16900.pdf>. This link will change upon publication.

Comment

CMS says that the overall economic impact is an estimated increase of \$750 million in aggregate payments to SNFs during FY 2021. However, the overall economic impact of the SNF VBP Program is an estimated reduction of \$199.54 million in aggregate payments to SNFs during FY 2021. Further, CMS estimates that in FY 2021, SNFs in urban and rural areas will experience, on average, a 2.2 percent increase and 2.4 percent increase, respectively.

SNF PPS Rate Setting Methodology and FY 2021 Updates

SNF Market Basket Update

Based on IGI's second quarter 2020 forecast with historical data through the first quarter of 2020, the FY 2021 growth rate is now estimated to be **2.2 percent**. CMS notes that the first quarter 2020 forecast used for the proposed market basket update was developed prior to the economic impacts of the COVID-19 pandemic.

“This lower update (2.2 percent) for FY 2021 relative to the proposed rule (2.7 percent) is primarily driven by slower than anticipated compensation growth for both health-related and other occupations as labor markets are expected to be significantly impacted during the recession that started in February 2020 and throughout the anticipated recovery.”

CMS proposed a multi-factor productivity (MFP) adjustment as mandated by **Affordable Care Act** of 0.4 percentage point. Based on more recent data available for this final rule, the current estimate of the MFP adjustment is projected to be -0.1 percentage point.

“Mechanically subtracting the negative 10-year moving average growth of MFP from the market basket percentage increase using the data from the IGI June, 2020 macroeconomic forecast of the FY 2021 MFP adjustment would have resulted in a 0.1 percentage point increase in the FY 2021 hospice payment update percentage.”

“However, under sections 1886(b)(3)(B)(xi)(I) and 1814(i)(1)(C)(v) of the Act, the Secretary is required to reduce (not increase) the hospice market basket percentage increase by changes in economy-wide productivity. Accordingly, we will be applying a 0.0 percentage point MFP adjustment to the market basket percentage increase. The FY 2021 SNF market basket update is, therefore, equal to 2.2 percent.”

The proposed FY 2021 SNF market basket increase was 2.7 percent and would have been reduced by a MFP adjustment factor of 0.4 percent yielding an increase of 2.3 percent.

Unadjusted Federal Per Diem Rates for FY 2021

For FY 2020 CMS implemented a new case-mix classification system the Patient Driven Payment Model (PDPM).

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, as exists under RUG-IV.

The following tables reflect the final updated unadjusted federal rates for FY 2021, prior to adjustment for case-mix.

FY 2021 Unadjusted Federal Rate Per Diem—Urban

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$62.04	\$57.75	\$23.16	\$108.16	\$81.60	\$96.85

FY 2021 Unadjusted Federal Rate Per Diem—Rural

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$70.72	\$64.95	\$29.18	\$103.34	\$77.96	\$98.64

Case-Mix Adjustment

CMS lists the case-mix adjusted PDPM payment rates for FY 2021, 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, area wage index and OMB revised delineations.

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- 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, respectively, for the relevant PT group.
- Columns 4 and 5 provide the case-mix index and associated case-mix adjusted component rate, respectively, for the relevant OT group.
- Columns 6 and 7 provide the case-mix index and associated case-mix adjusted component rate, respectively, 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, respectively, for the relevant nursing group.
- Finally, columns 11 and 12 provide the case-mix index and associated case-mix adjusted component rate, respectively for the relevant NTA group.

FY 2021 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	\$94.92	1.49	\$86.05	0.68	\$15.75	ES3	4.06	\$439.13	3.24	\$264.38
B	1.70	\$105.47	1.63	\$94.13	1.82	\$42.15	ES2	3.07	\$332.05	2.53	\$206.45
C	1.88	\$116.64	1.69	\$97.60	2.67	\$61.84	ES1	2.93	\$316.91	1.84	\$150.14
D	1.92	\$119.12	1.53	\$88.36	1.46	\$33.81	HDE2	2.40	\$259.58	1.33	\$108.53
E	1.42	\$88.10	1.41	\$81.43	2.34	\$54.19	HDE1	1.99	\$215.24	0.96	\$78.34
F	1.61	\$99.88	1.60	\$92.40	2.98	\$69.02	HBC2	2.24	\$242.28	0.72	\$58.75
G	1.67	\$103.61	1.64	\$94.71	2.04	\$47.25	HBC1	1.86	\$201.18	-	-
H	1.16	\$71.97	1.15	\$66.41	2.86	\$66.24	LDE2	2.08	\$224.97	-	-
I	1.13	\$70.11	1.18	\$68.15	3.53	\$81.75	LDE1	1.73	\$187.12	-	-
J	1.42	\$88.10	1.45	\$83.74	2.99	\$69.25	LBC2	1.72	\$186.04	-	-
K	1.52	\$94.30	1.54	\$88.94	3.70	\$85.69	LBC1	1.43	\$154.67	-	-
L	1.09	\$67.62	1.11	\$64.10	4.21	\$97.50	CDE2	1.87	\$202.26	-	-
M	1.27	\$78.79	1.30	\$75.08	-	-	CDE1	1.62	\$175.22	-	-
N	1.48	\$91.82	1.50	\$86.63	-	-	CBC2	1.55	\$167.65	-	-
O	1.55	\$96.16	1.55	\$89.51	-	-	CA2	1.09	\$117.89	-	-
P	1.08	\$67.00	1.09	\$62.95	-	-	CBC1	1.34	\$144.93	-	-
Q	-	-	-	-	-	-	CA1	0.94	\$101.67	-	-
R	-	-	-	-	-	-	BAB2	1.04	\$112.49	-	-
S	-	-	-	-	-	-	BAB1	0.99	\$107.08	-	-
T	-	-	-	-	-	-	PDE2	1.57	\$169.81	-	-
U	-	-	-	-	-	-	PDE1	1.47	\$159.00	-	-
V	-	-	-	-	-	-	PBC2	1.22	\$131.96	-	-
W	-	-	-	-	-	-	PA2	0.71	\$76.79	-	-
X	-	-	-	-	-	-	PBC1	1.13	\$122.22	-	-
Y	-	-	-	-	-	-	PA1	0.66	\$71.39	-	-

FY 2021 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	\$108.20	1.49	\$96.78	0.68	\$19.84	ES3	4.06	\$419.56	3.24	\$252.59
B	1.70	\$120.22	1.63	\$105.87	1.82	\$53.11	ES2	3.07	\$317.25	2.53	\$197.24
C	1.88	\$132.95	1.69	\$109.77	2.67	\$77.91	ES1	2.93	\$302.79	1.84	\$143.45
D	1.92	\$135.78	1.53	\$99.37	1.46	\$42.60	HDE2	2.40	\$248.02	1.33	\$103.69
E	1.42	\$100.42	1.41	\$91.58	2.34	\$68.28	HDE1	1.99	\$205.65	0.96	\$74.84
F	1.61	\$113.86	1.60	\$103.92	2.98	\$86.96	HBC2	2.24	\$231.48	0.72	\$56.13
G	1.67	\$118.10	1.64	\$106.52	2.04	\$59.53	HBC1	1.86	\$192.21	-	-
H	1.16	\$82.04	1.15	\$74.69	2.86	\$83.45	LDE2	2.08	\$214.95	-	-
I	1.13	\$79.91	1.18	\$76.64	3.53	\$103.01	LDE1	1.73	\$178.78	-	-
J	1.42	\$100.42	1.45	\$94.18	2.99	\$87.25	LBC2	1.72	\$177.74	-	-
K	1.52	\$107.49	1.54	\$100.02	3.70	\$107.97	LBC1	1.43	\$147.78	-	-
L	1.09	\$77.08	1.11	\$72.09	4.21	\$122.85	CDE2	1.87	\$193.25	-	-
M	1.27	\$89.81	1.30	\$84.44	-	-	CDE1	1.62	\$167.41	-	-
N	1.48	\$104.67	1.50	\$97.43	-	-	CBC2	1.55	\$160.18	-	-
O	1.55	\$109.62	1.55	\$100.67	-	-	CA2	1.09	\$112.64	-	-
P	1.08	\$76.38	1.09	\$70.80	-	-	CBC1	1.34	\$138.48	-	-
Q	-	-	-	-	-	-	CA1	0.94	\$97.14	-	-
R	-	-	-	-	-	-	BAB2	1.04	\$107.47	-	-
S	-	-	-	-	-	-	BAB1	0.99	\$102.31	-	-
T	-	-	-	-	-	-	PDE2	1.57	\$162.24	-	-
U	-	-	-	-	-	-	PDE1	1.47	\$151.91	-	-
V	-	-	-	-	-	-	PBC2	1.22	\$126.07	-	-
W	-	-	-	-	-	-	PA2	0.71	\$73.37	-	-
X	-	-	-	-	-	-	PBC1	1.13	\$116.77	-	-
Y	-	-	-	-	-	-	PA1	0.66	\$68.20	-	-

Wage Index Adjustments

Since the inception of the SNF PPS, CMS has used hospital inpatient wage data in developing an index to be applied to SNFs.

The final wage indexes applicable to FY 2021 are set forth in Tables A and B and are available on the CMS Website at: <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html>.

Table A provides a crosswalk between the FY 2021 wage index for a provider using the current OMB delineations in effect in FY 2020 and the FY 2021 wage index using the revised OMB delineations, as well as the final transition wage index values that will be in effect in FY 2021.

The final area wage index budget neutrality factor will be 0.9982.

CMS proposed to adopt the updates in OMB delineations announced in OMB Bulletin No. 18-04 effective beginning in FY 2021. CMS is doing so.

In addition, CMS will, as proposed, implement a 1-year transition policy under which the agency will apply a 5.0 percent cap in FY 2021 on any decrease in a hospital’s wage index compared to its wage index in FY 2020. This transition policy would be for a 1-year period, going into effect October 1, 2020, and continuing through September 30, 2021. That is, no cap would be applied to any reductions in the wage index for FY 2022.

CMS lists 34 urban counties that will become rural. They are as follows:

Urban Counties That Will Become Rural

FIPS County Code	County/County Equivalent	State	Current CBSA	Labor Market Area
01127	Walker	AL	13820	Birmingham-Hoover, AL
12045	Gulf	FL	37460	Panama City, FL
13007	Baker	GA	10500	Albany, GA
13235	Pulaski	GA	47580	Warner Robins, GA
15005	Kalawao	HI	27980	Kahului-Wailuku-Lahaina, HI
17039	De Witt	IL	14010	Bloomington, IL
17053	Ford	IL	16580	Champaign--Urbana, IL
18143	Scott	IN	31140	Louisville/Jefferson County, KY-IN
18179	Wells	IN	23060	Fort Wayne, IN
19149	Plymouth	IA	43580	Sioux City, IA-NE-SD
20095	Kingman	KS	48620	Wichita, KS
21223	Trimble	KY	31140	Louisville/Jefferson County, KY-IN
22119	Webster	LA	43340	Shreveport-Bossier City, LA
26015	Barry	MI	24340	Grand Rapids-Wyoming, MI
26159	Van Buren	MI	28020	Kalamazoo-Portage, MI
27143	Sibley	MN	33460	Minneapolis-St. Paul-Bloomington, MN-WI
28009	Benton	MS	32820	Memphis, TN-MS-AR
29119	Mc Donald	MO	22220	Fayetteville-Springdale-Rogers, AR-MO
30037	Golden Valley	MT	13740	Billings, MT
31081	Hamilton	NE	24260	Grand Island, NE
38085	Sioux	ND	13900	Bismarck, ND
40079	Le Flore	OK	22900	Fort Smith, AR-OK
45087	Union	SC	43900	Spartanburg, SC
46033	Custer	SD	39660	Rapid City, SD
47081	Hickman	TN	34980	Nashville-Davidson-Murfreesboro-Franklin, TN
48007	Aransas	TX	18580	Corpus Christi, TX
48221	Hood	TX	23104	Fort Worth-Arlington, TX
48351	Newton	TX	13140	Beaumont-Port Arthur, TX
48425	Somervell	TX	23104	Fort Worth-Arlington, TX
51029	Buckingham	VA	16820	Charlottesville, VA

FIPS County Code	County/County Equivalent	State	Current CBSA	Labor Market Area
51033	Caroline	VA	40060	Richmond, VA
51063	Floyd	VA	13980	Blacksburg-Christiansburg-Radford, VA
53013	Columbia	WA	47460	Walla Walla, WA
53051	Pend Oreille	WA	44060	Spokane-Spokane Valley, WA

CMS lists 47 counties (and county equivalents) that are currently located in rural areas will be located in urban areas.

Counties That Will Gain Urban Status

FIPS County Code	County/County Equivalent	State Name	New CBSA	Counties
01063	Greene	AL	46220	Tuscaloosa, AL
01129	Washington	AL	33660	Mobile, AL
05047	Franklin	AR	22900	Fort Smith, AR-OK
12075	Levy	FL	23540	Gainesville, FL
13259	Stewart	GA	17980	Columbus, GA-AL
13263	Talbot	GA	17980	Columbus, GA-AL
16077	Power	ID	38540	Pocatello, ID
17057	Fulton	IL	37900	Peoria, IL
17087	Johnson	IL	16060	Carbondale-Marion, IL
18047	Franklin	IN	17140	Cincinnati, OH-KY-IN
18121	Parke	IN	45460	Terre Haute, IN
18171	Warren	IN	29200	Lafayette-West Lafayette, IN
19015	Boone	IA	11180	Ames, IA
19099	Jasper	IA	19780	Des Moines-West Des Moines, IA
20061	Geary	KS	31740	Manhattan, KS
21043	Carter	KY	26580	Huntington-Ashland, WV-KY-OH
22007	Assumption	LA	12940	Baton Rouge, LA
22067	Morehouse	LA	33740	Monroe, LA
25011	Franklin	MA	44140	Springfield, MA
26067	Ionia	MI	24340	Grand Rapids-Kentwood, MI
26155	Shiawassee	MI	29620	Lansing-East Lansing, MI
27075	Lake	MN	20260	Duluth, MN-WI
28031	Covington	MS	25620	Hattiesburg, MS
28051	Holmes	MS	27140	Jackson, MS
28131	Stone	MS	25060	Gulfport-Biloxi, MS
29053	Cooper	MO	17860	Columbia, MO

FIPS County Code	County/County Equivalent	State Name	New CBSA	Counties
29089	Howard	MO	17860	Columbia, MO
30095	Stillwater	MT	13740	Billings, MT
37007	Anson	NC	16740	Charlotte--Concord-Gastonia, NC-SC
37029	Camden	NC	47260	Virginia Beach-Norfolk-Newport News, VA-NC
37077	Granville	NC	20500	Durham-Chapel Hill, NC
37085	Harnett	NC	22180	Fayetteville, NC
39123	Ottawa	OH	45780	Toledo, OH
45027	Clarendon	SC	44940	Sumter, SC
47053	Gibson	TN	27180	Jackson, TN
47161	Stewart	TN	17300	Clarksville, TN-KY
48203	Harrison	TX	30980	Longview, TX
48431	Sterling	TX	41660	San Angelo, TX
51097	King and Queen	VA	40060	Richmond, VA
51113	Madison	VA	47894	Washington-Arlington-Alexandra, DC-VA-MD-WV
51175	Southampton	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
51620	Franklin City	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
54035	Jackson	WV	16620	Charleston, WV
54065	Morgan	WV	25180	Hagerstown-Martinsburg, MD-WV
55069	Lincoln	WI	48140	Wausau-Weston, WI
72001	Adjuntas	PR	38660	Ponce, PR
72083	Las Marias	PR	32420	Mayagüez, PR

The table below lists urban counties that will move from one urban CBSA to another.

Urban Counties That Will Move from One Urban CBSA to Another

FIPS County Code	County Name	State	Current CBSA	Current CBSA Name	New CBSA Code	Proposed CBSA Name
17031	Cook	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17043	Du Page	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17063	Grundy	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17093	Kendall	IL	16974	Chicago-Naperville-Arlington Heights, IL	20994	Elgin, IL
17111	Mc Henry	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17197	Will	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
34023	Middlesex	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ

FIPS County Code	County Name	State	Current CBSA	Current CBSA Name	New CBSA Code	Proposed CBSA Name
34025	Monmouth	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ
34029	Ocean	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ
34035	Somerset	NJ	35084	Newark, NJ-PA	35154	New Brunswick-Lakewood, NJ
36027	Dutchess	NY	20524	Dutchess County-Putnam County, NY	39100	Poughkeepsie-Newburgh-Middletown, NY
36071	Orange	NY	35614	New York-Jersey City-White Plains, NY-NJ	39100	Poughkeepsie-Newburgh-Middletown, NY
36079	Putnam	NY	20524	Dutchess County- Putnam County, NY	35614	New York-Jersey City-White Plains, NY-NJ
47057	Grainger	TN	28940	Knoxville, TN	34100	Morristown, TN
54043	Lincoln	WV	26580	Huntington-Ashland, WV-KY-OH	16620	Charleston, WV
72055	Guanica	PR	38660	Ponce, PR	49500	Yauco, PR
72059	Guayanilla	PR	38660	Ponce, PR	49500	Yauco, PR
72111	Penuelas	PR	38660	Ponce, PR	49500	Yauco, PR
72153	Yauco	PR	38660	Ponce, PR	49500	Yauco, PR

Labor Share

The FY 2021 SNF labor share will be **71.3**. The current amount is 70.9 percent.

Updating ICD-10 Code Mappings and Lists

CMS is making several changes to the PDPM ICD-10 code mappings and lists. The updated mappings and lists can be viewed online at the SNF PDPM Website at:

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/PDPM>.

Please note that CMS has detailed numerous changes. This section is 15 pages or 13 percent of the rule.

SNF Value-Based Purchasing Program (VBP)

The SNF VBP Program applies to freestanding SNFs, SNFs affiliated with acute care facilities, and all non-CAH swing-bed rural hospitals.

CMS is amending the definition of "SNF Readmission Measure" under 42 CFR 413.338(a)(11) to reflect the updated Skilled Nursing Facility Potentially Preventable Readmissions after Hospital Discharge measure name.

Final FY 2023 SNF VBP Program Performance Standards

Measure ID	Measure Description	Achievement Threshold	Benchmark
SNFRM	SNF 30-Day All-Cause Readmission Measure (NQF #2510)	0.79270	0.83028

SNF Quality Reporting Program (QRP)

There are no changes to the SNF Quality Reporting System. 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.

Final Thought

There are numerous areas in the rule where CMS responds to comments and notes that it is bound by law and cannot make requested exceptions, especially those items impacted by the Covid-19 pandemic. Yes, there is no doubt that legislation always super cedes rulemaking.

For example, CMS states that, "statutory authority to designate additional service codes for exclusion only when they fall within one of the four categories originally specified in the BBRA and set forth at section 1888(e)(2)(A)(iii) of the Act: that is, chemotherapy items, chemotherapy administration services, radioisotope services, and customized prosthetic devices. We do not have statutory authority to create a new category of excluded items, such as for diagnostic imaging services. Excluding portable x-ray services from SNF Consolidated Billing would require congressional action, as existing law does not provide for such an exclusion."

However, CMS does not always implement legislative requirements when specified. For example, CMS states that, "section 315 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) (Pub. L. 106-554, enacted December 21, 2000) authorized us to establish a geographic reclassification procedure that is specific to SNFs, but only after collecting the data necessary to establish a SNF PPS wage index that is based on wage data from nursing homes. However, to date, this has proven to be unfeasible due to the volatility of existing SNF wage data and the significant amount of resources that would be required to improve the quality of that data."

The statutory amendment has been around nearly 20 years. CMS' excuse for not doing such appears not only unacceptable, but lame.