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perspectives

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

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CMS Finalizes FY 2022 Skilled Nursing Facility 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 2022.

This rule updates the payment rates used under the prospective payment system (PPS) for skilled nursing facilities (SNFs) for fiscal year (FY) 2022.

In addition, the rule includes a forecast error adjustment for FY 2022, updates the diagnosis code mappings used under the Patient Driven Payment Model (PDPM), rebases and revises the SNF market basket, implements a recently-enacted SNF consolidated billing exclusion along with the required proportional reduction in the SNF PPS base rates, and includes a discussion of a PDPM parity adjustment.

In addition, the final rule includes updates for the SNF Quality Reporting Program (QRP) and the SNF Value-Based Purchasing (VBP) Program, including a policy to suppress the use of the SNF readmission measure for scoring and payment adjustment purposes in the FY 2022 SNF VBP Program because CMS has determined that circumstances caused by the public health emergency for COVID-19 have significantly affected the validity and reliability of the measure and resulting performance scores.

The 290-page document is scheduled for publication in the ***Federal Register*** on August 4. A copy is currently available at: <https://public-inspection.federalregister.gov/2021-16309.pdf> This link will change upon publication.

The wage index tables for this final rule can be accessed on the SNF PPS Wage Index home page, at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPSP/WageIndex.html>.

Comments

This rule contains a helpful table of contents. While it only reflects major heads, it is still very helpful.

CMS provides the following table regarding the impact of the final FY 2022 payments and rates.

Provision Description	Total Transfers/Costs
FY 2022 SNF PPS payment rate update.	The overall economic impact of this final rule is an estimated increase of \$410 million in aggregate payments to SNFs during FY 2022.
FY 2022 SNF QRP changes.	The overall economic impact of this final rule is an estimated increase in cost to SNFs of \$6.63 million.
FY 2022 SNF VBP changes.	The overall economic impact of the SNF VBP Program is an estimated reduction of \$191.64 million in aggregate payments to SNFs during FY 2020

Note, that the SNF Quality and Value-based purchasing programs are estimated to reduce SNF payments by nearly \$200 million.

SNF PPS Rate Setting Methodology and FY 2022 Update

SNF Market Basket Update

Based on IGI's second quarter 2021 forecast with historical data through the first quarter of 2021. The FY 2022 growth rate of the 2018-based SNF market basket is now estimated to be 2.7 percent.

The SNF PPS is the only PPS to employ a forecast error provision. For FY 2020 (the most recently available FY for which there is final data), the forecasted or estimated increase in the SNF market basket index was 2.8 percentage points, and the actual increase for FY 2020 was 2.0 percentage points, resulting in the actual increase being 0.8 percentage point lower than the estimated increase.

The FY 2022 market basket percentage change of 2.7 percent, based on the IGI second quarter 2021 forecast, is adjusted downward to account for the forecast error correction of 0.8 percentage point, resulting in a SNF market basket percentage change of 1.2 percent after also reducing the market basket update by the productivity adjustment of 0.7 percentage point. (2.7-0.8-0.7 = 1.2)

The proposed productivity adjustment was 0.2 percent.

SNFs that fail to submit data, as applicable, for a fiscal year will receive a 2.0 percentage point reduction to their market basket update for the fiscal year involved. The 2.0 percentage point reduction is applied in a noncumulative manner, so that any reduction made under section 1888(e)(6)(A)(i) of the Act applies only to the fiscal year involved, and that the reduction cannot be taken into account in computing the payment amount for a subsequent fiscal year.

Comment

CMS has (we believe) never provided any cumulative factors indicating the extent of market basket forecast errors over the years. In other words, how many times has the actual market basket increase exceeded the forecast and no adjustments would be made to increase hospital payments.

Unadjusted Federal Per Diem Rates for FY 2022

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.

The following tables reflect the updated unadjusted federal rates for FY 2022, prior to the adjustment for case-mix.

FY 2022 Unadjusted Federal Rate Per Diem—Urban

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$62.84	\$58.49	\$23.46	\$109.55	\$82.64	\$98.10

FY 2022 Unadjusted Federal Rate Per Diem—Rural

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$71.63	\$65.79	\$29.56	\$104.66	\$78.96	\$99.91

Case-Mix Adjustment

CMS lists the case-mix adjusted PDPM payment rates for FY 2022, 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.

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

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	1.53	\$96.11	1.49	\$87.14	0.68	\$15.95	ES3	4.06	\$444.61	3.24	\$267.69
B	1.70	\$106.79	1.63	\$95.32	1.82	\$42.68	ES2	3.07	\$336.20	2.53	\$209.03
C	1.88	\$118.10	1.69	\$98.83	2.67	\$62.61	ES1	2.93	\$320.86	1.84	\$152.02
D	1.92	\$120.61	1.53	\$89.47	1.46	\$34.24	HDE2	2.40	\$262.82	1.33	\$109.88
E	1.42	\$89.20	1.41	\$82.46	2.34	\$54.87	HDE1	1.99	\$217.92	0.96	\$79.32
F	1.61	\$101.14	1.60	\$93.57	2.98	\$69.88	HBC2	2.24	\$245.30	0.72	\$59.49
G	1.67	\$104.91	1.64	\$95.91	2.04	\$47.84	HBC1	1.86	\$203.69	-	-
H	1.16	\$72.87	1.15	\$67.25	2.86	\$67.07	LDE2	2.08	\$227.78	-	-
I	1.13	\$70.99	1.18	\$69.01	3.53	\$82.78	LDE1	1.73	\$189.45	-	-
J	1.42	\$89.20	1.45	\$84.80	2.99	\$70.12	LBC2	1.72	\$188.36	-	-
K	1.52	\$95.49	1.54	\$90.06	3.7	\$86.77	LBC1	1.43	\$156.60	-	-
L	1.09	\$68.47	1.11	\$64.91	4.21	\$98.72	CDE2	1.87	\$204.78	-	-
M	1.27	\$79.78	1.30	\$76.02	-	-	CDE1	1.62	\$177.41	-	-
N	1.48	\$92.97	1.50	\$87.72	-	-	CBC2	1.55	\$169.74	-	-
O	1.55	\$97.37	1.55	\$90.64	-	-	CA2	1.09	\$119.37	-	-
P	1.08	\$67.85	1.09	\$63.74	-	-	CBC1	1.34	\$146.74	-	-
Q	-	-	-	-	-	-	CA1	0.94	\$102.94	-	-
R	-	-	-	-	-	-	BAB2	1.04	\$113.89	-	-
S	-	-	-	-	-	-	BAB1	0.99	\$108.41	-	-
T	-	-	-	-	-	-	PDE2	1.57	\$171.93	-	-
U	-	-	-	-	-	-	PDE1	1.47	\$160.98	-	-
V	-	-	-	-	-	-	PBC2	1.22	\$133.60	-	-
W	-	-	-	-	-	-	PA2	0.71	\$77.75	-	-
X	-	-	-	-	-	-	PBC1	1.13	\$123.75	-	-

PDPM Case-Mix Adjusted Federal Rates and Associated Indexes—RURAL

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	1.53	\$109.56	1.49	\$98.00	0.68	\$20.09	ES3	4.06	\$424.80	3.24	\$255.73
B	1.70	\$121.74	1.63	\$107.21	1.82	\$53.78	ES2	3.07	\$321.21	2.53	\$199.69
C	1.88	\$134.63	1.69	\$111.15	2.67	\$78.90	ES1	2.93	\$306.57	1.84	\$145.23
D	1.92	\$137.49	1.53	\$100.63	1.46	\$43.14	HDE2	2.40	\$251.11	1.33	\$104.98
E	1.42	\$101.69	1.41	\$92.74	2.34	\$69.15	HDE1	1.99	\$208.21	0.96	\$75.77
F	1.61	\$115.29	1.60	\$105.23	2.98	\$88.06	HBC2	2.24	\$234.37	0.72	\$56.83
G	1.67	\$119.59	1.64	\$107.86	2.04	\$60.28	HBC1	1.86	\$194.61	-	-
H	1.16	\$83.07	1.15	\$75.64	2.86	\$84.51	LDE2	2.08	\$217.63	-	-
I	1.13	\$80.92	1.18	\$77.61	3.53	\$104.31	LDE1	1.73	\$181.01	-	-
J	1.42	\$101.69	1.45	\$95.37	2.99	\$88.35	LBC2	1.72	\$179.96	-	-
K	1.52	\$108.85	1.54	\$101.29	3.7	\$109.34	LBC1	1.43	\$149.62	-	-
L	1.09	\$78.05	1.11	\$73.00	4.21	\$124.41	CDE2	1.87	\$195.66	-	-
M	1.27	\$90.94	1.30	\$85.50	-	-	CDE1	1.62	\$169.50	-	-
N	1.48	\$105.98	1.50	\$98.66	-	-	CBC2	1.55	\$162.18	-	-
O	1.55	\$111.00	1.55	\$101.94	-	-	CA2	1.09	\$114.05	-	-
P	1.08	\$77.34	1.09	\$71.69	-	-	CBC1	1.34	\$140.20	-	-
Q	-	-	-	-	-	-	CA1	0.94	\$98.35	-	-
R	-	-	-	-	-	-	BAB2	1.04	\$108.82	-	-
S	-	-	-	-	-	-	BAB1	0.99	\$103.58	-	-
T	-	-	-	-	-	-	PDE2	1.57	\$164.27	-	-
U	-	-	-	-	-	-	PDE1	1.47	\$153.81	-	-
V	-	-	-	-	-	-	PBC2	1.22	\$127.65	-	-
W	-	-	-	-	-	-	PA2	0.71	\$74.29	-	-
X	-	-	-	-	-	-	PBC1	1.13	\$118.23	-	-
Y	-	-	-	-	-	-	PA1	0.66	\$69.06	-	-

Wage Index Adjustments

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

The wage index applicable to FY 2022 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>.

Based on updated information, the wage index budget neutrality factor for FY 2022 is 1.0006.

Labor Share

The FY 2022 SNF labor share will be **70.4**. The current amount is 71.3 percent.

Rebasing and Revising the SNF Market Basket

Comment

CMS spends nearly 40 pages explaining changes in rebasing and revising the SNF market basket from 2014 to 2018.

Excluded Items From Consolidated Billing

Effective with items and services furnished on or after October 1, 2021 (FY 2022), section 134 in Division CC of the ***Consolidated Appropriations Act, 2021*** has established an additional category of excluded codes for certain blood clotting factors for the treatment of patients with hemophilia and other bleeding disorders.

Any services that are unbundled from consolidated billing under section 1888(e)(2)(A)(iii) of the Act and, thus, become qualified for separate payment under Part B, there must also be a corresponding proportional reduction made in aggregate SNF payments under Part A. CMS is making a proportional reduction of \$0.02 in the unadjusted urban and rural rates to reflect these new exclusions.

Technical Updates to PDPM ICD-10 Mappings

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>.

Recalibrating the PDPM Parity Adjustment

For FY 2020, CMS implemented its new case-mix classification model, called the Patient Driven Payment Model (PDPM). When finalizing PDPM, CMS stated that this new payment model would be implemented in a budget neutral manner, meaning that the transition to this new payment model would not result in an increase or decrease in aggregate SNF spending.

Since PDPM implementation, currently available data suggest an unintended increase in payments of approximately 5.0 percent or \$1.7 billion in FY 2020. As with past payment model transitions, CMS has conducted the data analysis to recalibrate the parity adjustment used to achieve budget neutrality under PDPM. CMS also acknowledges that the COVID-19 public health emergency (PHE) could have affected the data used to perform these analyses. CMS sought comment on a potential methodology for recalibrating the PDPM parity adjustment to account for unintended increases in payments. In this final rule, CMS discusses comments received on the potential methodology for recalibrating the PDPM parity adjustment.

However, CMS is not making any changes for FY 2022, but deferring possible changes to FY 2023.

Comment

This \$1.7 billion overpayment is not part of the 0.8 percent reduction for changes in the market basket forecast error noted above.

Providers may be in for more reductions in FY 2023 over FY 2022.

Other SNF PPS Issues

Quality Measures Currently Adopted for the FY 2022 SNF QRP

The SNF QRP currently has 13 measures for the FY 2022 SNF QRP, which are outlined in the table below.

Quality Measures Currently Adopted for the FY 2022 SNF QRP

Short Name	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).
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 Information to the Provider Post-Acute Care (PAC).
TOH-Patient*	Transfer of Health 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).

*In response to the public health emergency (PHE) for the Coronavirus Disease 2019 (COVID-19), CMS released an Interim Final Rule (85 FR 27595 through 27597) which delayed the compliance date for collection and reporting of the Transfer of Health Information measures for at least two full fiscal years after the end of the PHE.

SNF QRP Quality Measure Proposals Beginning with the FY 2023 SNF QRP

CMS is adopting two new measures for the SNF QRP beginning with the FY 2023 SNF QRP:

- The SNF Healthcare-Associated Infections Requiring Hospitalization measure (SNF HAI); and
- The COVID-19 Vaccination Coverage among Healthcare Personnel (HCP) measure as an “other measure.”

CMS will publicly report the SNF HAI measure beginning with the April 2022 refresh as proposed, and to publicly report the COVID-19 Vaccination Coverage among Healthcare Personnel (HCP) measure beginning with the October 2022 Care Compare refresh or as soon as technically feasible using data collected for Q4 2021 (October 1, 2021 through December 31, 2021).

CMS is also updating the Transfer of Health Information to the Patient – Post-Acute Care (PAC) measure denominator to exclude residents discharged home under the care of an organized home health service or hospice, as proposed.

Comment

It is interesting that CMS spends 34-pages responding to comments and yet adopts these proposed measures without any changes.

Fast Healthcare Interoperability Resources (FHIR) in Support of Digital Quality Measurement in Post-Acute Care Quality Reporting Programs

“CMS is working to further the mission to improve the quality of healthcare for beneficiaries through measurement, transparency and public reporting of data. The SNF QRP and CMS’s other quality programs are foundational for contributing to improvements in healthcare, enhancing patient outcomes, and informing consumer choice. CMS believes that advancing our work with use of the FHIR standard offers the potential for supporting quality improvements and reporting, which will improve care for our beneficiaries. CMS sought feedback on our future plans to define digital quality measures (dQMs) for the SNF QRP. CMS also sought feedback on the potential use of FHIR for dQMs within the SNF QRP, aligning where possible with other quality programs.

“We received a number of comments and will actively consider all input as we develop future regulatory proposals or future subregulatory policy guidance.”

Closing the Health Equity Gap in Post-Acute Care Quality Reporting Programs – Request for Information (RFI)

CMS invited public comment on the following:

- Recommendations for quality measures, or measurement domains that address health equity, for use in the SNF QRP.
- As finalized in the FY 2020 SNF PPS final rule SNFs must report certain standardized patient assessment data elements (SPADEs) on social determinants of health (SDOH), including race, ethnicity, preferred language, interpreter services, health literacy, transportation and social isolation. CMS is seeking guidance on any additional items, including SPADEs that could be used to assess health equity in the care of SNF residents, for use in the SNF QRP.
- Recommendations for how CMS can promote health equity in outcomes among SNF residents. For example, CMS say it is interested in feedback regarding whether including facility-level quality measure results stratified by social risk factors and social determinants of health (for example, dual eligibility for Medicare and Medicaid, race) in confidential feedback reports could allow facilities to identify gaps in the quality of care they provide. (For example, methods similar or analogous to the CMS Disparity Methods which provide hospital-level confidential results stratified by dual eligibility for condition-specific readmission measures, which are currently included in the Hospital Readmission Reduction Program.
- Methods that commenters or their organizations use in employing data to reduce disparities and improve patient outcomes, including the source(s) of data used, as appropriate.
- Given the importance of structured data and health IT standards for the capture, use, and exchange of relevant health data for improving health equity, the existing challenges providers’ encounter for effective capture, use, and exchange of health information, including data on race, ethnicity, and other social determinants of health, to support care delivery and decision-making.

Comment

CMS is still assessing this issue and says, “We received a number of comments and will actively consider all input as we develop future regulatory proposals or future subregulatory policy guidance.”

This RFI also has been presented in CMS’ other recent final rules regarding Hospice, Inpatient Rehabilitation and Inpatient Psychiatric updates, as well.

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 has finalized only one measure for the VBP -- the Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM) (NQF #2510).

CMS will suppress the SNFRM for the FY 2022 SNF VBP Program Year because circumstances caused by the PHE for COVID-19 have significantly affected the measure and the ability to make fair, national comparisons of SNFs’ performance scores. As part of a special scoring policy for FY 2022, 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 percentage. Finally, SNFs that qualify for the low-volume adjustment will continue to receive 100 percent of that 2.0 percent withhold.

The special scoring policy will maintain compliance with the previously finalized payback percentage policy (per statute, the SNF VBP Program must withhold 2.0 percent of SNF Medicare Part A FFS payment and redistribute 50–70 percent of the withhold to SNFs in the form of incentive payments). CMS finalized a 60 percent payback percentage in prior 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.