Medicare Skilled Nursing Facility Prospective Payment System

Payment Rule Brief — Proposed rule
Program Year: FFY 2014

Overview and Resources

On May 6, 2013, the Centers for Medicare and Medicaid Services (CMS) officially released the federal fiscal year (FFY) 2014 proposed rule for the Medicare Skilled Nursing Facility (SNF) Prospective Payment System (PPS). The proposed rule reflects the annual update to the Medicare fee-for-service (FFS) SNF payment rates and policies based on regulatory changes put forward by CMS and legislative changes previously adopted by Congress.

A copy of the proposed rule Federal Register (FR) and other resources related to the SNF PPS are available on the CMS Web site at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/index.html.

An online version of the proposed rule is available at https://federalregister.gov/a/2013-10558.

A brief of the proposed rule is provided below along with Federal Register page references for additional details. Program changes adopted by CMS would be effective for discharges on or after October 1, 2013 unless otherwise noted. Comments on the proposed rule are due to CMS by Monday, July 1 and can be submitted electronically at http://www.regulations.gov by using the Web site’s search feature to search for file code “1446-P.”

SNF Payment Rates
FR pages 26,441-26,443

Incorporating the proposed updates with the effect of a budget neutrality adjustment, the table below shows the FFY 2014 urban and rural SNF federal per diem payment rates compared to the rates currently in effect.

<table>
<thead>
<tr>
<th>Rate Component</th>
<th>Urban SNFs</th>
<th>Rural SNFs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Case-Mix</td>
<td>$163.58</td>
<td>$165.92</td>
</tr>
<tr>
<td>Therapy Case-Mix</td>
<td>$123.22</td>
<td>$124.98</td>
</tr>
<tr>
<td>Therapy Non-Case-Mix</td>
<td>$16.23</td>
<td>$16.46</td>
</tr>
<tr>
<td>Non-Case-Mix</td>
<td>$83.48</td>
<td>$84.67</td>
</tr>
</tbody>
</table>
The table below provides details of the updates and budget neutrality factor proposed for FFY 2014.

<table>
<thead>
<tr>
<th>Proposed FFY 2014 SNF Rate Updates and Budget Neutrality Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketbasket (MB) Update</td>
</tr>
<tr>
<td>Full MB update of 2.3% minus Affordable Care Act (ACA)-mandated 0.4% productivity reduction</td>
</tr>
<tr>
<td>Marketbasket Forecasting Error Adjustment</td>
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<tr>
<td>Wage Index/Labor-Related Share Budget Neutrality (BN)</td>
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<td><strong>Overall Rate Update (including budget neutrality)</strong></td>
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</tbody>
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**Marketbasket Update & Forecasting Error Adjustment**  
*FR pages 26,441-43 and 26,450-26,461*

CMS is required by law to provide a marketbasket index that reflects changes over time in the prices of goods and services included in covered SNF services. As such, CMS is proposing to revise and rebase the SNF marketbasket using a base year of FFY 2010. As a result, CMS is proposing a marketbasket update of 2.3% for FFY 2014. CMS estimates the marketbasket update would have been 2.5% without the rebasing and revisions.

CMS is also required to provide a marketbasket forecast error adjustment to SNF providers whenever the actual marketbasket increase differs from CMS’ projection by a certain amount. Beginning in 2008, CMS set the marketbasket forecast error threshold at 0.5 percentage points.

For FFY 2014, CMS proposes that the SNF per diem rates include a forecast error reduction of 0.5 percentage points. This proposed adjustment is warranted because the FFY 2012 estimated increase in the marketbasket index was 0.5 percentage point lower than actual marketbasket increases for the year (2.7% and 2.2%, respectively).

**Wage Index and Labor-Related Share for FFY 2014**  
*FR pages 26,446–26,448; 26,462-26,463 and 26,471-26,480*

The labor-related portion of the SNF federal per diem payment rates are adjusted for differences in area wage levels using a wage index. CMS is not proposing any major changes to the calculation of Medicare SNF wage indexes. As has been the case in prior years, CMS will use the current year’s inpatient hospital wage index, the FFY 2014 pre-rural and pre-reclassified hospital wage index, to adjust payment rates under the SNF PPS. A complete list of the wage indexes for payment in FFY 2014 is available in the federal register (pages 26471-26480).

Based on updates to this year’s proposed marketbasket value, CMS is proposing to increase the labor-related share of the standard rate from 68.383% for FFY 2013 to 69.764% for FFY 2014. An increase to the labor-related share will decrease payments to SNFs with a wage index less than 1.0 and increase payments for those with a wage index greater than 1.0.

**Effect of Sequestration for FFY 2014**  
*FR page reference not available*

While the proposed rule does not specifically address the 2.0% sequester reductions to all lines of Medicare payments authorized by the Budget Control Act (BCA) of 2011 and currently in effect through FFY 2021, sequester will continue unless Congress intervenes. Sequester is not applied to the payment rate; instead, it is applied to Medicare claims after determining co-insurance, any applicable deductibles, and any applicable Medicare secondary payment adjustments.
AIDS Per Diem Adjustment

FR pages 26,443-26,444

CMS will continue the 128% add-on to the per diem payment for patients with Acquired Immune Deficiency Syndrome (AIDS). The Medicare Modernization Act (MMA) of 2003 established this payment add-on effective for services furnished on or after October 1, 2004. The AIDS add-on must remain in effect until the Secretary of Health and Human Services (HHS) determines there is an appropriate adjustment in the case mix to compensate for the increased costs associated with these SNF patients.

Currently, the AIDS clinical indication is based on the International Classification Diseases, Ninth Revision, Clinical Modification, (ICD-9-CM) code 042. CMS plans to retire the use of ICD-9-CM code 042 with the implementation of the ICD-10-CM on October 1, 2014. As a result of this conversion, the equivalent ICD-10-CM code for AIDS will be B20. However, the ICD-10 B20 code, unlike ICD-9 code 042, does not include “AIDS like syndrome” among the symptoms applicable to this particular code, and therefore payment for these patients would not include the AIDS per diem adjustment described above.

RUGS-IV

FR pages 26,443-26,446

CMS classifies residents into resource utilization groups (RUGs) that are reflective of the different resources required to provide care to SNF patients. The RUGs classification reflects resident characteristic information, relative resource use, resident assessment, and the need for skilled nursing care and therapy. RUGs-IV, the current version, was implemented beginning FFY 2011. The patient assessment tool, the Minimum Data Set (MDS) 3.0, is used to assigned patients to RUG-IV categories. Each of the 66 RUGs recognized under the SNF PPS have associated nursing and/or therapy case-mix indexes (CMIs). These CMIs are applied to the federal per diem rates.

CMS will maintain the current RUGs-IV groupings and case-mix weights for FFY 2014. The RUG-IV case-mix adjusted federal rates and associated indexes for both urban and rural SNFs are listed in Tables 4 and 5 of the federal register (FR pages 26445-26446).

CMS is also clarifying its policy regarding some of the classification criteria for the Rehabilitation RUG categories: In particular, they include a requirement that the resident receive the requisite number of distinct calendar days or therapy to be classified into a Rehabilitation RUG category. To capture this correctly on the Minimum Data Set (MDS), CMS proposes to add item O0420 to the MDS Item Set, Distinct Calendar Days of Therapy, effective for October 1, 2013.

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