Medicare Skilled Nursing Facility
Prospective Payment System

Payment Rule Brief — FINAL RULE
Program Year: FFY 2015

Overview and Resources

On August 5, 2014, the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2015 final payment rule for the Skilled Nursing Facility (SNF) Prospective Payment System (PPS). The final 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 final rule Federal Register (FR) and other resources related to the SNF PPS are available on the CMS website at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/index.html.

An online version of the final rule is available at https://federalregister.gov/a/2014-18335.

A brief of the final rule is provided below along with FR page references for additional details. In addition to the items summarized below, CMS also uses the rule to:

- provide slight clarification of SNF responsibility related to the administrative presumption policies;
- adopt minor updates to the Change of Therapy (COT) Other Medicare Required Assessment (OMRA) policies;
- provide general updates on the SNF Therapy Research Project and therapy utilization trends;
- respond to industry comment on services that could be added to the four consolidated billing exemption categories; and
- adopt clarifications regarding prior approval and appropriate use of civil money penalty funds collected from SNFs that violate federal certification requirements.

Program changes adopted by CMS will be effective for discharges on or after October 1, 2014, unless otherwise noted.

SNF Payment Rates
FR pages 45,630-45,632

Incorporating the adopted updates with the effect of a budget neutrality adjustment, the table below shows the urban and rural SNF federal per-diem payment rates for FFY 2015 compared to the rates currently in effect:
CMS will continue the 128% add-on to the per-diem payment for patients with Acquired Immune Deficiency Syndrome (AIDS).

The table below provides details of the adopted updates to the SNF payment rates for FFY 2015:

<table>
<thead>
<tr>
<th>Rate Component</th>
<th>Urban SNFs</th>
<th>Rural SNFs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Final FFY 2014</td>
<td>Final FFY 2015</td>
</tr>
<tr>
<td>Nursing Case-Mix</td>
<td>$165.81</td>
<td>$169.28</td>
</tr>
<tr>
<td>Therapy Case-Mix</td>
<td>$124.90</td>
<td>$127.51</td>
</tr>
<tr>
<td>Therapy Non-Case-Mix</td>
<td>$16.45</td>
<td>$16.79</td>
</tr>
<tr>
<td>Non-Case-Mix</td>
<td>$84.62</td>
<td>$86.39</td>
</tr>
</tbody>
</table>

**Effect of Sequestration**

*FR page reference not available*

While the final rule does not specifically address the 2.0% sequester reductions to all lines of Medicare payments authorized by Congress and currently in effect through FFY 2024, 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.

**Wage Index and Labor-Related Share**

*FR pages 45,636-45,640 and 45,644-45,647*

For FFY 2015, CMS is adopting its proposal to update the Core-Based Statistical Area (CBSA) delineations, the labor-markets that define a SNF’s Medicare wage index. Beyond the CBSA changes, CMS did not propose and is not adopting any major changes to the standard calculation of wage index for SNFs. As has been the case in previous years, CMS will use the current year’s inpatient hospital wage index, the FFY 2015 pre-rural floor and pre-reclassified hospital wage index, to adjust payment rates under the SNF PPS based on the CBSA where the SNF is located.

CMS’ changes to the CBSA delineations will have a direct impact on the Medicare wage index used for payment purposes under the SNF PPS. CMS last updated the CBSA delineations in 2005 (based on the 2000 Census). The CBSA changes for FFY 2015 (based on the 2010 Census) are not as substantial as those made in 2005 in terms of changes in the geographic make-up of the labor-market areas. However, under the new delineations there will be:

- newly created CBSAs;
- urban counties that become rural;
- rural counties that become urban; and
existing CBSAs that split apart or incorporate additional counties.

As adopted, the CBSA changes will have both positive and negative impacts on SNF payments. To mitigate the impact of the changes and maintain a reasonable wage index budget neutrality adjustment, CMS is adopting its proposal to implement a 1-year transitional wage index for SNFs experiencing an increase OR decrease in their wage index due solely to the new CBSA delineations (21% of SNFs). The transition value is for FFY 2015 only, using FFY 2015 wage data, with 50% based on the current CBSA delineations and 50% based on the new CBSA delineations. The transitional wage index will expire for FFY 2016. At that point, the wage index values will be fully based on the new CBSA delineations.

The transitional wage index adopted for SNFs is the same as the transition proposed for HHAs, but differs from the transition put forward for inpatient acute care, outpatient, and long-term care hospitals. For these payment systems, CMS would apply a transitional wage index value for hospitals experience a wage index reduction only.

The wage index, which is used to adjust payment for differences in area wage levels, is applied to the portion of the SNF rates that CMS considers to be labor-related. For FFY 2015, CMS will decrease the labor-related share from 69.545% for FFY 2014 to 69.180% for FFY 2015 (proposed at 69.513%). This change will provide a slight increase in payments to SNFs with a wage index less than 1.0.

A complete list of the wage indexes to be used for payment in FFY 2015 along with detail on the transitional wage index calculation is available on the CMS website at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html.

Changes in Urban/Rural Status

Under the adopted changes to the CBSA delineations for FFY 2015, the urban/rural status of a SNF may change. This change will influence the per-diem base rates utilized for payment. As adopted, if SNF status changes from urban to rural (37 counties) as a result of the CBSA changes, CMS will use the rural per-diem rates for services provided during FFY 2015; if SNF status changes from rural to urban (105 counties), CMS will use the urban per-diem rates. The impact of the status change depends on hospital-specific factors, but in most cases the urban to rural change will decrease payment levels; the rural to urban change will increase SNF payment levels.

RUGS-IV

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 did not propose and is not adopting any changes to the RUGs for FFY 2015 and will maintain the current RUGs-IV groupings and case-mix weights. The RUG-IV case-mix adjusted federal rates and associated indexes for both urban and rural SNFs are listed in Tables 4 and 5 on FR pages 45,634-45,636.

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