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# Medicare Skilled Nursing Facility Prospective Payment System

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Payment Rule Brief FINAL RULE provided by the Wisconsin Hospital Association  
Program Year: FFY 2018

## Overview and Resources

On July 31, 2017, the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2018 final payment rule for the Skilled Nursing Facility (SNF) Prospective Payment System (PPS). The final rule reflects the annual updates to the Medicare fee-for-service (FFS) SNF payment rates and policies.

The copy of 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/SNFPSP/index.html>.

An online version of the final rule is available at <https://federalregister.gov/a/2017-16256>.

Program changes finalized by CMS will be effective for discharges on or after October 1, 2017, unless otherwise noted. CMS estimates the overall economic impact of this final rule to be \$370 million in aggregate payments to SNFs in FFY 2018 over FFY 2017.

## SNF Payment Rates

*Federal Register pages 36532 – 36536, 36565 - 36566*

Incorporating the final updates with the effect of a budget neutrality adjustment, the table below shows the final urban and rural SNF federal per-diem payment rates for FFY 2018 compared to the rates currently in effect:

Rate Component	Urban SNFs			Rural SNFs		
	Final FFY 2017	Final FFY 2018	Percent Change	Final FFY 2017	Final FFY 2018	Percent Change
Nursing Case-Mix	\$175.28	\$177.26	+1.1% (as proposed)	\$167.45	\$169.34	+1.1% (as proposed)
Therapy Case-Mix	\$132.03	\$133.52		\$152.24	\$153.96	
Therapy Non-Case-Mix	\$17.39	\$17.59		\$18.58	\$18.79	
Non-Case-Mix	\$89.46	\$90.47		\$91.11	\$92.14	

CMS will continue the 128% add-on to the per-diem payment for patients with Acquired Immune Deficiency Syndrome (AIDS).

The Medicare Access and CHIP Reauthorization Act (MACRA) mandated the annual marketbasket update for FFY 2018, after applying the productivity adjustment, to be 1 percent.

The table below provides details of the final updates to the SNF payment rates for FFY 2018:

	SNF Rate Final Updates and Budget Neutrality Adjustment
Marketbasket Update	<b>+2.6%</b> (proposed at +2.7%)
Affordable Care Act (ACA)-Mandated Productivity Reduction	<b>-0.6 percentage points</b> (proposed at -0.4 percentage points)
MACRA Mandated 1.0% Marketbasket Update	<b>-0.98%</b> (proposed at -1.27%)
Wage Index/Labor-Related Share Budget Neutrality	<b>1.0013</b> (proposed at 1.0003)
<b>Overall Rate Change</b>	<b>+1.1 %</b> (as proposed)

## Revising and Rebasing of the SNF Market Basket

*Federal Register pages 36533, 36548 - 36566*

CMS is revising and rebasing the SNF market basket for FFY 2018 from a base year of 2010 to 2014. Specifically, the FFY 2018 market basket will reflect 2014 Medicare-allowable total cost data. The 2014-based SNF market basket will include one new major cost category from the Medicare cost reports that was not used in the 2010-based SNF market basket – Home Office Contract Labor Costs.

## Wage Index and Labor-Related Share

*Federal Register pages 36539 – 36543, 36563 - 36565*

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. CMS is using FFY 2014 cost report wage data to establish the labor share for SNF payments. The labor-related share for FFY 2018 is 70.8% (as proposed) compared to 68.8% in FFY 2017.

CMS is adopting a wage index and labor-related share budget neutrality factor of 1.0013 (proposed at 1.0003) for FFY 2018 to ensure that aggregate payments made under the SNF PPS are not greater or less than would otherwise be made if wage adjustments had not changed.

A complete list of the wage indexes to be used for payment in FFY 2018 is available on the CMS website at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html>.

## RUGS-IV

*Federal Register pages 36536 – 36538, 36543 - 36545*

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 assign 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) which are applied to the federal per-diem rates. CMS is not making any changes to RUGs-IV groupings in FFY 2018. 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 *Federal Register* pages 36537 - 36538.

## SNF Value-Based Purchasing Program

*Federal Register pages 36608 - 36626*

**Background:** For FFYs 2019 and beyond, CMS is required by the Protecting Access to Medicare Act of 2014 (PAMA) to implement a VBP (Value-Based Purchasing) program for SNFs under which value-based incentive payments are made to the SNFs.

### SNF VBP Measures

*Federal Register pages 36609 - 36613*

In the FFY 2016 final rule, CMS adopted the Skilled Nursing Facility 30-Day All-Cause Readmission Measure, (SNFRM) (NQF #2510) as the sole measure to be used in the SNF VBP Program. In the FFY 2017 final rule, CMS finalized that they will replace the SNFRM measure in the SNF VBP Program with the SNF 30-Day Potentially Preventable Readmission measure (SNFPPR) as soon as is practical. In the FFY 2018 final rule, CMS stated that the best opportunity for transition from the SNFRM to the SNFPPR will be with the FFY 2021 program year.

CMS had also sought comment on if they should account for social risk factors in the SNF VBP program, and if so, how and which factors. A summary of the comments CMS received on this topic and CMS’ responses can be found on *Federal Register* pages 36612 – 36613.

### Performance Standards and Scoring

*Federal Register pages 36613 - 36621*

CMS will calculate rates for the SNF VBP quality measures using one year of data for each of the baseline and performance periods. For FFY 2019, these periods are:

Baseline period	Performance Period	Payment Period
January 1, 2015 – December 31, 2015	January 1, 2017 – December 31, 2017	FFY 2019

CMS is adopting a transition from calendar year to federal fiscal year baseline and performance periods for FFY 2020 shown in the table below:

Baseline period	Performance Period	Payment Period
October 1, 2015 – September 30, 2016	October 1, 2017 – September 30, 2018	FFY 2020

In the FFY 2017 final rule, CMS finalized achievement standards for SNF VBP quality measures as follows:

Performance Standard	Value
Achievement Threshold	25 <sup>th</sup> percentile of national SNF performance on the quality measure during the applicable baseline period
Benchmark	Mean of the top decile of SNF performance on the quality measure during the applicable baseline period
Achievement Range	SNFs would receive points on a scale between achievement threshold and benchmark

Similar to the Hospital VBP program, SNFs will receive achievement points if they meet or exceed the achievement threshold for the specified measure, and could increase their achievement score based on higher levels of performance.

The final values for the achievement threshold and benchmark for the SNFRM measure for the FFY 2019 program are:

Measure ID	Performance Standards
SNFRM	Achievement threshold 0.79590
	Benchmark 0.83601

CMS is adopting the following performance standards for the SNFRM measure for the FFY 2020 program year as follows:

Measure ID	Estimated Performance Standards
SNFRM	Achievement threshold 0.80218
	Benchmark 0.83721

As previously adopted, CMS will always publish the numerical values of the achievement threshold and benchmark no later than 60 days prior to the beginning of the performance period; but if necessary, outside of notice-and-comment rulemaking will be used to accomplish this requirement.

The improvement threshold is defined as each specific SNF’s performance on the specific measure during the applicable baseline period. SNFs’ performance would be measured during both the baseline and performance periods, and points for improvement would be awarded by comparing SNFs’ performance to the improvement threshold.

CMS will use a scoring methodology for the SNF VBP Program that utilizes a 0 to 100 point scale for achievement scoring and a 0 to 90 point scale for improvement, similar to that of the Hospital VBP Program. In order to avoid ties CMS has decided, in the FFY 2018 final rule, to round scores on the achievement and improvement scales to the nearest ten-thousandth of a point, rather than the nearest whole number in order to avoid ties.

The equation for SNF achievement scores is below. SNFRM scores will be inverted so that a higher rate represents better performance:

$$\text{SNF Achievement Score} = \left( \left[ 9 \times \frac{(\text{SNFs' Perf. Period Inverted Rate} - \text{Achievement Threshold})}{(\text{Benchmark} - \text{Achievement Threshold})} \right] + 0.5 \right) \times 10$$

The equation for SNF improvement scores is:

$$\text{SNF Improvement Score} = \left( \left[ 10 \times \frac{(\text{SNFs' Perf. Period Inverted Rate} - \text{SNF Baseline Period Inverted Rate})}{(\text{Benchmark} - \text{SNF Baseline Period Inverted Rate})} \right] - 0.5 \right) \times 10$$

Under the PAMA, the SNF VBP program will take the higher of achievement and improvement scores in calculating the SNF performance score.

In the calculation of performance scores, CMS is concerned about SNFs with zero readmissions as a readmission rate of zero is the desired outcome. Risk-adjustment of these zero values creates increased rates which may result in a penalty under the program. As a result, CMS requested comments on how to

accommodate SNFs with readmission rates of zero. A discussion of these comments is on *Federal Register* pages 36615 – 36616.

After performance scores are calculated, they need to be converted to dollar impacts, and therefore CMS is adopting a logistic exchange function to translate SNF performance scores into value-based incentive payments under the SNF VBP Program beginning in FFY 2019. Use of a logistic exchange function would ensure that all statutory requirements by the PAMA are met, including:

- SNFs in the lowest 40 percent of rankings receive a reduced payment;
- There is an appropriate distribution of value-based incentive payment percentages; and
- The total amount of value-based incentive payments for all SNFs for a FFY would be between 50% and 70% of the amounts withheld from SNF's claims, resulting in a program that is not budget neutral.

Under the PAMA, 2% of SNF's adjusted federal per diem rate will fund the value-based incentive payments for a given FFY. CMS will return 60% of these reductions to payments back to SNFs as value-based incentive payments each program year. Each SNF's individual value-based incentive payment percentage will vary according to its SNF performance score. CMS will use a scaling factor in the calculation of incentive payments to ensure that value-based incentive payments under the program equal the 60% of reductions.

In order to determine how value-based incentive payments will be distributed to SNFs, CMS will compare SNF Medicare revenue for the FFY 2019 program year to the total amount of reductions returned to SNFs for that year (i.e. 60% of the 2% reductions) and apply a value-based payment multiplier to each SNF that corresponds to a point on the logistic exchange function, based on its SNF performance score.

The logistic exchange function that CMS is adopting to use for FFY 2019 is:

$$y_i = \frac{1}{1 + e^{-0.1(x_i - 50)}}$$

Where  $x_i$  is the SNF's performance score.

## Reporting/Review, Correction and Appeals Process

*Federal Register* pages 36621 - 36625

Since October 1, 2016, CMS has been required by PAMA to provide quarterly feedback reports to SNFs on their performance on the readmission or resource use measure (see below). CMS is finalizing a two-phase data review and collection process for SNFs' measure and performance data that will be made public.

### Phase One: Review and Correction of SNF's Quality Measure Information:

CMS previously finalized that they will provide quarterly confidential feedback reports to SNFs on their performance on the program's measures. Corrections to any quarterly reports provided during a calendar year will be accepted until March 31 of the following year.

### Phase Two: Review and Correction of SNF Performance Scores and Ranking:

CMS will inform each SNF of its payment adjustments as a result of the SNF VBP Program no later than 60 days prior to the fiscal year involved. In this report, CMS intends to provide SNFs with their SNF performance scores and ranking following phase one. Because SNFs will have had the opportunity to verify and correct their quality measure, CMS is finalizing that phase two correction requests be limited only to corrections to the SNF performance score's calculation and ranking and that requests be made no later than 30 days following the date that the report was posted.

Lastly, CMS will begin publishing SNF VBP performance information under the SNF VBP Program on *Nursing Home Compare* no later than October 1, 2017. CMS is also proposing to rank SNFs for the FFY 2019 program year and to publish that ranking after August 1, 2018.

## SNF Quality Reporting Program (QRP)

*Federal Register pages 36566 - 36608*

The Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014 mandates the implementation of a quality reporting program for SNFs. As previously finalized, beginning in FFY 2018, the IMPACT Act requires a 2 percentage point penalty for those SNFs that fail to submit required quality data to CMS.

CMS is considering methods to account for social risk factors in the SNF QRP such as income, education, race and ethnicity, employment, disability, community resources, and social support. CMS is continuing to seek comment on how to incorporate social risk factors and which social risk factors should be incorporated. A summary of the comments CMS received on this topic during the FFY 2018 SNF proposed rule making process are on *Federal Register* pages 36567 – 36568.

<b>Summary Table of Domains and Measures Previously Finalized for the SNF Quality Reporting Program</b>		
<b>Domain</b>	<b>Measures</b>	<b>Payment Determination Year</b>
<b>Skin Integrity and Changes in Skin Integrity</b>	Percent of Residents or Patients with Pressure Ulcers that are New or Worsened (Short-Stay) (NQF #0678)	FFY 2017+
<b>Incidence of Major Falls</b>	Application of Percent of Residents Experiencing One of More Falls with Major Injury (Long Stay) (NQF #0674)	FFY 2017+
<b>Functional Status, Cognitive Function, and Changes in Function and Cognitive Function</b>	Application of Percent of Patients or Residents With an Admission and Discharge Functional Assessment and a Care Plan that Addresses Function (NQF#2631; endorsed on July 23,2015)	FFY 2017+
<b>Resource Use and Other Measures</b>	Total Estimated Medicare Spending per Beneficiary (MSPB)	FFY 2018+
<b>Resource Use and Other Measures</b>	Discharge to Community	FFY 2018+
<b>Resource Use and Other Measures</b>	Potentially Preventable 30-Day Post Discharge Readmission Measure	FFY 2018+
<b>Medication Reconciliation</b>	Drug Regimen Review Conducted with Follow-Up for Identified Issues	FFY 2020+

For the FFY 2020 SNF QRP, CMS is removing the current Percent of Residents or Patients with Pressure Ulcers That Are New or Worsened (Short Stay) (NQF #0678) measure and replacing it with a modified version of the measure, Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury.

In addition, CMS is adopting four more function outcome measures on resident functional status for FFY 2020:

- Application of Inpatient Rehabilitation Facility (IRF) Functional Outcome Measure: Change in Self-Care Score for Medical Rehabilitation Patients (NQF #2633);
- Application of IRF Functional Outcome Measure: Change in Mobility Score for Medical Rehabilitation Patients (NQF #2634);
- Application of IRF Functional Outcome Measure: Discharge Self-Care Score for Medical Rehabilitation Patients (NQF #2635); and
- Application of IRF Functional Outcome Measure: Discharge Mobility Score for Medical Rehabilitation Patients (NQF #2636).

Several measures are also under consideration for the SNF QRP program for future years: (1) Application of Percent of Residents Who Self-Report Moderate to Severe Pain; (2) Application of Percent of Residents or Patients Who Were Assessed and Appropriately Given the Seasonal Influenza Vaccine; (3) Percent of SNF Residents Who Newly Received an Antipsychotic Medication; and (4) Modification of the Discharge to Community Measure.

To comply with the IMPACT act, in order to enable access to longitudinal information and to facilitate coordinated care, CMS is finalizing that SNFs begin reporting standardized patient assessment data with respect to five specified patient assessment categories required by law for the FFY 2020 SNF QRP, including:

- Functional status
- Cognitive function
- Special services, treatments, and interventions
- Medical conditions and comorbidities
- Impairments

CMS is not finalizing the standardized resident assessment data elements proposed for the FFY 2020 SNF QRP for cognitive function, special services, treatments and interventions, and impairments due to the newly imposed reporting burden they would cause on SNFs. However, CMS is finalizing the standardized resident assessment data elements proposed for the other two patient assessment categories, functional status and medical conditions and comorbidities.

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