

Federal Budget Update

The Federal Budget Bill and Its Impact on SNF/HHA Payments

The U.S. House of Representatives Thursday passed a two-year federal budget agreement that if adopted by the Senate and signed into law by President Obama, as expected, will avert another possible government shutdown next year. Passage of the Bipartisan Budget Act of 2013 came on a 332-94 bipartisan vote, with Representative Mark Pocan (D-Madison) the only member of the Wisconsin Congressional delegation voting in opposition. Pocan opposed the bill because he said its relief from the sequestration cuts did not go far enough and because it failed to extend unemployment benefits.

The budget bill, which was negotiated by the chairs of the respective Budget Committees of the two houses, Senator Patty Murray (D-WA) and Representative Paul Ryan (R-Janesville), is expected to be taken up and passed by the U.S. Senate and signed into law by the President next week. Of interest to long-term care providers, the bill extends the 2% Medicare sequestration cut for an additional two years (from 2021 to 2023) and prevents the Medicare therapy caps from going into effect January 1st; it did not address the hospital observation days issue.

The following is a Q&A with Barbara Manard, LeadingAge Vice President, Long-Term Care Health Strategies, on the impact of the budget bill on skilled nursing facilities and home health agencies:

Medicare SNF and HHA payments: Effect of the Budget Deal

The compromise federal budget plan, worked out by House Budget Chairman Paul Ryan (R-WI) and Senate Chairwoman Patty Murray (D-WA) passed the House yesterday (December 12, 2013) and is expected to pass the Senate and be signed into law next week.

The Budget Deal affects various LeadingAge members differently. This message regards the effect on Medicare SNF and HHA payments. We present a set of answers to FAQs (frequently asked questions) below.

Medicare SNF and HHA Payment-Effect of the Budget Deal -- FAQs

Q1. Does the Budget Deal, which has "sequestration" in it, do anything to Medicare payments for SNFs or HHAs?

A1. Yes. The Budget Deal extends sequestration for Medicare providers, including SNFs and HHAs, for two more years than in the law that went into effect earlier in 2013. Originally, sequestration for Medicare providers was to be applied through 2021. Under the Budget Deal, sequestration for Medicare providers is extended for two more years: 2022 and 2023.

Q2. Is there a rate cut or change for SNFs or HHAs in January or February or the spring of 2014 because of this Budget Deal?

A2. No. There is no rate cut or rate change for SNFs or HHAs as part of the Budget Deal.

Q3. Does the Budget Deal, which has sequestration in it, mean that SNFs and or HHAs will get less money in January or later in 2014 than they get from Medicare now, *because of sequestration?*

A3. No. Medicare SNF and HHAs payments are currently subject to sequestration and that will continue just as it is now.

Q4. I heard that all HHAs are going to get a Medicare Payment cut in January. Is that true?

A4. No. Final Medicare HHA rates for Calendar Year (CY) 2014 were published on November 22, 2013. These 2014 rates begin on January 1, 2014. Rates for some HHAs will increase; rates for some HHAs will decrease. For all Medicare HHAs combined, the CY 2014 final rule reduces Medicare payments under the Home Health Prospective Payment System (HH PPS) by 1.05%, a reduction of \$200 million compared to CY 2013. This amount reflects the combined effects of an increase in the home health payment update percentage of 2.3% (\$440 million), offset by a decrease of \$520 million-the result of rebasing adjustments required by the Affordable Care Act-and a \$120 million decrease due to a refinement of the HH PPS Grouper.

Q5. Does the Budget Deal affect the Calendar Year 2014 HHA rates?

A5. No

Q6. Do SNFs get new rates in January, like the HHAs?

A6. No. HHA rates are on a Calendar Year (CY) basis; SNF rates are on a federal Fiscal Year (FY) basis. SNF rates for FY 2014 began October 1, 2013 and continue through September 30, 2014.

Q7. Does the Budget Deal affect the Fiscal Year 2014 SNF rates?

A7. No

Q8. Does the Budget Deal affect Medicare *rates* for HHAs or SNFs in any year -- 2014 or later?

A8. No

Q9. Does the Budget Deal affect Medicare *payments* for HHAs or SNFs in any year— 2014 or later?

A9. Yes, in 2022 and 2023. Previously sequestration for Medicare providers (including HHAs and SNFs) ended with 2021. The Budget Deal extends sequestration 2 more years: 2022 and 2023.

Q10. Does sequestration mean that SNF or HHA payments are calculated as a reduction off of the real market basket update –the inflation factor?

A10. No. Sequestration has nothing to do with the market basket update for either SNFs or HHAs

Q11. Does sequestration mean that a SNF or an HHA will be paid less by Medicare than it should be paid?

A11. With sequestration, providers submit bills to Medicare for the amount they should be paid, according to the published Medicare rates. Medicare then “sequesters” (holds back, deducts) about 2 percent of the payment that would have been paid. So, yes, sequestration means that SNFs and HHAs get less money for providing services than they would if there were no sequestration.

Q12. Is the sequestered amount (hold-back or deduction) 2 percent for both SNFs and HHAs? Do both SNFs and HHAs get 98 percent of what they bill Medicare for,

under sequestration?

A12. No. HHAs do get 98 percent of what they bill Medicare for under sequestration, but the amount is slightly different for SNFs because sequestration does not apply to the beneficiary share (co-pay). There is a required beneficiary co-pay (beginning on day 21) for SNF services, but there is no required co-pay for HHA services.

Q13. What do SNFs get paid under sequestration, if it is not 98 percent?

A13. The exact amount varies due to the length of the SNF stay (because the co-pay does not start until day 21) and with the particular RUG group of each of the days. Many SNFs just estimate (for planning purposes) their expected revenue to be "about 98 percent" and that is fine; in general, they will actually get back a bit more than that.

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