



Federal FY2019 SNF PPS Proposed Rule, SNF Value-Based Purchasing Program, and SNF Quality Reporting Program Analysis –

Part I: Update to the SNF VBP and QRP Programs

Part II: Payment Updates

Part III: Patient-Driven Payment Model

Overview:

On April 27, 2018, CMS issued the [FY2019 Skilled Nursing Facility \(SNF\) Prospective Payment System \(PPS\) Proposed Rule](#). The rule also includes proposals related to the SNF Value-Based Purchasing (VBP) Program and the SNF Quality Reporting Program (QRP).

LeadingAge staff has prepared an analysis of three key aspects of the proposed rule:

- Updates to the SNF VBP and QRP Programs,
- Payment Updates, and
- Patient Driven Payment Model.

Comment Period:

The rule comment period closes on June 26. LeadingAge will be submitting comments to CMS during the rule comment period. Members are encouraged to submit their own comments [directly to CMS](#) or provide their feedback to LeadingAge staff for inclusion in our comments. Feedback can be provided to Nicole Fallon at nfallon@leadingage.org, preferably by Friday, May 25 or as close to that date as possible so that it can be included in the LeadingAge comments.

Table of Contents:

Part I: Update to the SNF VBP and QRP Programs

SNF VBP- page 2-4

SNF Quality Reporting Program (QRP)-page 5-7

Part II: Payment Updates

SNF Market Basket Update-page 7

Quality Reporting Reduction-page 7

SNF Wage Index-page 7-8

Consolidated Billing-page 8

SNF Rate Calculator-page 8

Part III: Patient-Driven Payment Model-pages 9-19

Part I: Update to the SNF VBP and QRP Programs

SNF VBP

The SNF VBP program section of the proposed rule would:

- Change how performance for SNFs with low volumes or insufficient baseline performance data was scored
- Confirm baseline and performance measurement periods for FY 2021 and beyond
- Establish an extraordinary circumstances exception policy

VBP Background

The VBP program uses a single measure, the SNF 30-day all-cause readmission measure (SNFRM), to assess adjustments to SNF’s Medicare fee-for-services rates beginning October 1, 2018 (FY2019). This measure was finalized in the FY2016 SNF PPS final rule. Under law, CMS is required to transition from the SNFRM to the SNF 30-day Potentially Preventable Readmission (SNFPPR), whose definition was finalized in the FY2017 SNF PPS final rule. This transition to the SNFPPR is to happen “as soon as practicable” but according to CMS will not occur before FY2021 and this latest proposed rule reinforces this timeline.

CMS solicited feedback in FY2018 SNF PPS rules on how to account for social risk factors in the readmission measures under both SNF VBP and QRP programs. Under the proposed rule, CMS has proposed no new approach but instead has committed to continue working with ASPE, the public and other key stakeholders on this issue but with a slightly modified goal of seeking to attain health equity for all beneficiaries.

The proposed rule also provides key information on the implementation of the VBP program for FY2019 and beyond.

VBP Performance Standards, Performance and Baseline Periods

Payment Impact in	Achievement Threshold	Benchmark	Performance Period	Baseline Period
FY2019	0.80218	0.83721	CY2017	CY2015
FY2020	0.80218	0.83721	FY2018	FY2016
FY2021 - proposed	TBD- Final Rule	TBD- Final Rule	FY2019	FY2017
FY2022 - proposed	TBD	TBD	FY2020	FY2018

The Achievement Threshold and Benchmark values will apply to the SNFRM measure through FY2020.

The proposed rule does not contain FY2021 achievement and benchmark numbers due to timing of the compilation of FY2017 MedPAR data. However, these values will be published in the final FY2019 SNF PPS rule and are not expected to be significantly different than FY2020.

In addition, CMS has proposed a process in the rule where it can make a one-time correction to the published achievement threshold and benchmarks should it discover an error in the data used to calculate the originally published values. This type of correction could only be done once per fiscal year. These updates would be communicated through a variety of communications channels including the CMS website, listservs, etc. to ensure awareness.

VBP Performance Scoring

Under the VBP program, CMS calculates a SNF's performance on SNFRM in two ways: 1) the SNF's year-over-year improvement on the measure; and 2) the SNF's achievement or performance on the SNFRM for that year compared to other SNFs. The better of the two scores is used in calculating the value-based incentive payment (VBIP) that the SNF will receive in that fiscal year.

CMS has proposed changes to these performance calculations for two types of SNFs:

- **SNFs lacking sufficient baseline period data:** CMS is concerned that SNFs that lack sufficient baseline period data, such as those that were newly-opened during the baseline period, or only open a short time, or under extraordinary circumstance exceptions are at risk of being assessed unreliable improvement scores and performance scores. So, CMS is proposing to not measure SNFs with fewer than 25 eligible stays during the baseline period on improvement for that program year but only measure their achievement.
- **Low-Volume SNFs:** Last year, CMS sought input on how to fairly treat low-volume SNFs under the VBP performance score calculation. In the FY2019 SNF PPS proposed rules, CMS proposes to adopt an approach similar to one of the solutions that LeadingAge offered – to keep these low-volume SNFs whole, especially where there are 0 readmissions. Essentially, CMS holds all low-volume SNFs harmless by assigning a performance score that assures the low-volume SNF's per diem rate is not reduced, as if the VBP program did not apply to the facility. If this approach is approved, it means that CMS will be redistributing an additional \$6.7 million in value-based incentive payments to these low-volume SNFs in FY2019, increasing the total percentage of the payback to SNFs to 61.28%.

CMS considered an alternative approach assigning a performance score to low-volume SNFs that would result in them receiving a VBIP of 1.2%, translating to a

0.8% reduction in the SNFs' per diem rates. If CMS were to pursue this alternative approach, only \$1 million would be returned to low-volume SNFs regardless of actual readmission performance.

While LeadingAge did not think low-volume SNFs with 0 readmissions should receive a payment penalty, this approach provides neither incentive nor penalty for these facilities. So, a low-volume SNF that consistently has no or low readmissions doesn't have the opportunity to earn more than 2% back for their strong performance and conversely, is not penalized with a rate cut if they send all their patients back to the hospital. The alternative approach CMS considered also is arbitrary in it would apply the same VBIP to these low-volume SNFs regardless of actual performance.

Value-Based Incentive Payments (VBIP)

SNFs rate adjustment notifications based on their VBIP must be provided no later than 60 days prior to the fiscal year involved (by Aug 1, or sooner). This notification will be communicated in a SNF Performance Score Report that is accessed via the QIES-CASPER system. Once these reports are available, SNFs will have 30 days to review and submit corrections to their SNF performance score and ranking to: SNFVBPinquiries@cms.hhs.gov . (This process was approved last year.)

CMS will apply the 2% rate reduction required by the VBP program and the VBIP rate simultaneously to each SNF's Medicare payment rate establishing their net rate for the fiscal year. CMS did not include the range of VBIPs for FY2019 in the proposed rule but will publish them as part of the final rule.

Extraordinary Circumstances Exception (ECE) Policy for SNF VBP

CMS is proposing to establish an exceptions policy to provide relief to SNFs impacted by natural disasters or other circumstances beyond their control that affect the care provided to individuals in their facilities. Specifically, within 90 days after the event, SNFs would need to submit: an ECE request form identifying the calendar months that were impacted and supporting documentation that demonstrates the effects the extraordinary circumstance had on the care they provided. If approved, CMS would calculate improvement and achievement performance scores for the affected facilities using data from only those months not impacted by the extraordinary circumstance and in cases where the SNF had at least 25 eligible stays during the reduced performance period.

CMS would also be permitted to grant regional or local exceptions in circumstances where SNFs did not request the ECE. This process would be used for natural or man-made disasters, "which causes damages of sufficient severity and magnitude to partially or completely destroy or delay access to medical records and associated documentation or otherwise affect the facility's ability to continue normal operations." This policy is designed to align with a similar process adopted for the Quality Reporting Program.

SNF Quality Reporting Program (QRP)

Quality Measure Review

CMS launched its Meaningful Measures Initiative(MMI) in October 2017, which is one element of the Health and Human Service agency’s Patients over Paperwork Initiative. As part of MMI, CMS strives to “put patients first, ensuring that they, along with their clinicians, are empowered to make decisions about their own healthcare using data-driven information that is increasingly aligned with a parsimonious set of meaningful quality measures.”

CMS reviewed the SNF QRP program and determined that it substantially meets the MMI priorities --making care safer, strengthening personal and family engagement, promoting coordination of care, promoting effective prevention and treatment, and making care affordable. It also examined the factors used to remove a measure from the QRP program. There are currently 7 factors used in this process. Upon further review, CMS observed a need for one additional factor proposing to adopt an 8th factor to consider in determining whether a SNF QRP measure should be removed. This factor is essentially a cost-benefit analysis. Specifically, the proposed 8th Factor is: “The costs associated with a measure outweigh the benefit of its continued use in the program.” The costs CMS will consider include costs to providers to: collect and submit data, comply with the programmatic requirements, participate in multiple quality programs and tracking numerous, sometimes duplicative measures and the cost to CMS for oversight.

In addition, CMS intends to codify all 8 removal factors as part of the final rule. The 7 factors previously finalized by CMS include:

1. Measure performance among SNFs is so high and unvarying that meaningful distinctions in improvements in performance can no longer be made.
2. Performance or improvement on a measure does not result in better resident outcomes
3. A measure does not align with current clinical guidelines or practice.
4. A more broadly applicable measure (across settings, populations, or conditions) for the particular topic is available.
5. A measure that is more proximal in time to desired resident outcomes for the particular topic is available.
6. A measure that is more strongly associated with desired resident outcomes for the particular topic is available.
7. Collection or public reporting of a measure leads to negative unintended consequences other than resident harm.

FY2020 SNF QRP Measures – Already Adopted

CMS has already approved the following 12 measures for the FY2020 SNF QRP program.

The MDS-based measures include:

- % of Patients or Residents Experiencing One or More Falls with Major Injury (NQF#0674 – application)
- Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury measure - takes effect October 1, 2018 replacing % of Patients or Residents with Pressure Ulcers that are New or Worsened (NQF#0678)
- % of Patients with Functional Assessment and Care Plan at Admission and Discharge (NQF#2631 – application of LTCH measure)
- Drug Regimen Review Conducted with Follow Up for Identified issues PAC (*Data collection begins 10/1/18 for FY2020*)
- Change in Self-Care Score for Medical Rehabilitation Patients (NQF#2633) – *This is an application of the IRF Functional Outcome Measure*
- Change in Mobility Score for Medical Rehabilitation Patients (NQF#2634) – *This is an application of the IRF Functional Outcome Measure*
- Discharge Self-Care Score for Medical Rehabilitation Patients (NQF#2635) – *This is an application of the IRF Functional Outcome Measure*
- Discharge Mobility Score for Medical Rehabilitation Patients (NQF#2636) – *This is an application of the IRF Functional Outcome Measure*

Claims-based measures include:

- Medicare Spending Per Beneficiary – Post-Acute Care Skilled Nursing Facility Quality Reporting Program
- Discharge to Community – Post-Acute Care Skilled Nursing Facility Quality Reporting Program
- Potentially-Preventable, 30-Day Post-Discharge Hospital Readmissions

Two Quality Measures Delayed Another Year

CMS was considering adding two new measures in FY2021 by October 1, 2018 related to the accurate communication of health information and care preferences but have decided after public comments and pilot testing of the measures that they would like additional time to develop and test the two measures. The new timeline for specifying the measures is no later than October 1, 2019 with adoption for FY2022 and data collection is proposed to begin October 1, 2020.

Notifications of Non-compliance and CMS Reconsideration Decisions for SNF QRP

Currently, CMS notifies SNFs of their non-compliance with the SNF QRP in two ways through: the QIES ASAP system and the U.S. Mail. CMS is proposing to add a third option “via email from the Medicare Administrative Contractor (MAC)” with the caveat that upon finalizing this provision they will notify SNFs by at least one of these methods. This proposed change is in response to provider feedback. CMS is also proposing to make this same change for communicating its final decisions related to SNF QRP reconsideration requests.

Public Display of SNF QRP Measures:

CMS indicated last year its plans to publicly report FY2017 data for Medicare Spending Per Beneficiary and Discharge to Community measures on Nursing Home Compare beginning in CY2018. CMS proposes in this rule to begin reporting two years' worth of data instead of one year beginning in CY2019. This change would ensure that data on these measures are reported for roughly 95% of SNFs and the measures are aligned with the display periods for Inpatient Rehabilitation Facilities and Long-Term Care Hospitals. CMS also proposes to begin displaying performance data on the four Mobility and Self Care measures in CY2020 or soon thereafter. These measures will be based upon 4 rolling quarters of data beginning with data from CY2019. If a SNF has any of the 4 quarters of data with fewer than 20 eligible cases, CMS will note that the number of cases is too small to report.

Part II: Payment Updates

The fiscal year (FY) 2019 skilled nursing facility (SNF) proposed rule includes several payment updates proposed to begin on October 1, 2018 which are summarized in this Part.

SNF Market Basket Update

The SNF market basket update for FY 2019 is 2.4% based on the Bipartisan Budget Act of 2018 according to the proposed rule. This is an increase compared to prior law, which would have calculated the market basket update at 2.7% that would be adjusted down by a 0.8% multifactor productivity adjustment (MFP) yielding a 1.9% update. CMS projects the overall economic impact of this proposed rule at an estimated increase of \$850 million in aggregate payments to SNFs during FY 2019.

Quality Reporting Reduction

Beginning in FY 2018, SNFs that did not submit their quality reporting data for a fiscal year will receive a 2.0 percentage point reduction to their market basket update for the fiscal year involved. CMS is proposing to apply a 2.0 percentage point reduction to the SNF market basket percentage change for the fiscal year 2019 market basket update after adjusting for the MFP. This means SNFs that did not submit would receive a negative update of -0.1% for FY 2019. LeadingAge notes that last year CMS reduced the market basket by the special rule for payment of 1.0% as opposed to the calculated market basket update of 2.0% during FY 2018. We believe that CMS should once again apply the reduction to the special rule for payment which would mean SNFs that did not submit would lose 2 percentage points from the 2.4% payment update resulting in a 0.4% update as opposed to the proposed -0.1% update.

SNF Wage Index

CMS notes the repetitive request for a SNF-specific wage index as opposed to reliance on the inpatient hospital wage index. LeadingAge has commented on the desire to move towards a SNF-specific wage index as recently as last year's proposed rule. In this year's rule CMS specifically requests comment on how a SNF-specific wage index

could be developed without creating significant administrative burdens for providers, CMS, or its contractors. Further, they request comments on specific alternatives they may consider in future rulemaking, which could be implemented in advance of, or in lieu of, a SNF-specific wage index.

Consolidated Billing

The consolidated billing provisions of Medicare Part A include a number of individual high-cost, low probability services that are excluded from SNF consolidated billing within several broader categories (chemotherapy items, chemotherapy administration services, radioisotope services, and customized prosthetic devices) that otherwise remained subject to the provision. However, the Balanced Budget Refinement Act of 1999 gives CMS statutory authority to identify additional service codes for exclusion as essentially affording the flexibility to revise the list of excluded codes in response to changes of major significance that may occur over time. LeadingAge encourages members to submit comments that include the specific HCPCS code that is associated with the service in question, as well as their rationale for requesting that the identified HCPCS code(s) be excluded.

SNF Rate Calculator

LeadingAge makes available as a member benefit a [SNF rate calculator](#) based on the proposed rule. This tool allows an organization to view the specific rates by resource utilization group (RUG) category taking into account the proposed payment update and wage index data specific to the location. The tool's rates are applicable for SNFs that did report their quality and do not reflect quality reporting reductions. Additionally, positive and negative value-based purchasing (VBP) adjustments are not yet available and as such are not incorporated into the tool.

Part III: Patient-Driven Payment Model

The FY2019 skilled nursing facility (SNF) proposed rule includes a proposal to revise the payment model from the current Resource Utilization Groups (RUG-IV) case-mix classification to the Patient-Driven Payment Model (PDPM) beginning on October 1, 2019 for FY 2020.

According to a 2017 comparison between PDPM and RUG-IV, nonprofit and government owned SNFs would see increases of 1.9% and 4.2% respectively. Smaller SNFs see increases while those with capacity of greater than 100 certified units might expect declines. Rural providers would see increases as would facilities that service residents with less therapy utilization. CMS has made available a number of provider specific tools that we encourage you to examine to estimate facility specific impacts. A provider specific PDPM impact analysis is [available](#) for fiscal year 2017 and represents estimated payments under PDPM, assuming no changes in provider behavior or resident case-mix.

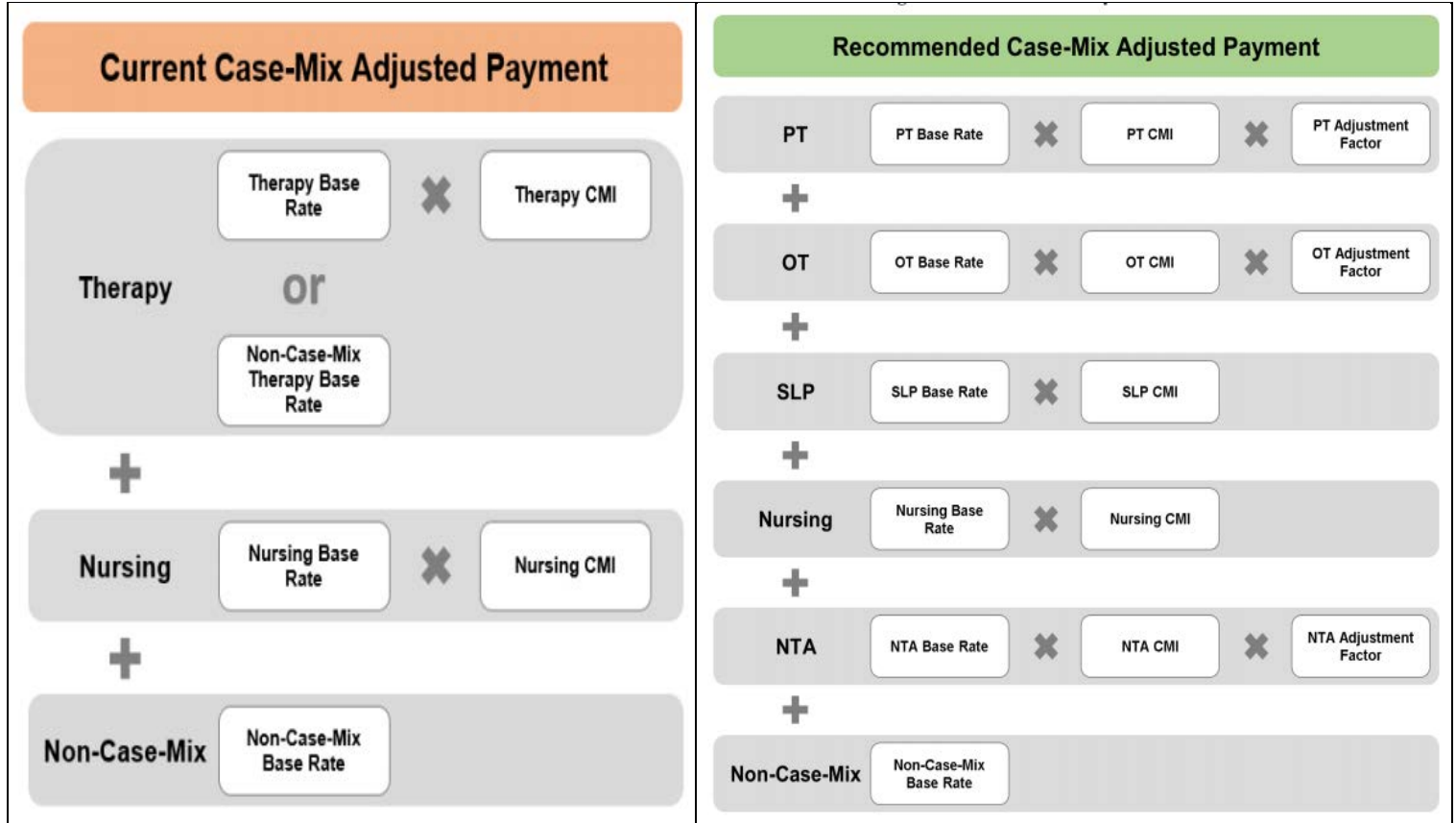
This Part summarizes highlights of the proposed changes that CMS has described in the proposed rule supported by research in a [technical report](#).

Background

Concerns have been raised for several years about the current SNF prospective payment system (PPS) and the potential for service provision based on financial incentives as opposed to resident characteristics. Resident classification under RUG-IV is based primarily on the amount of therapy the SNF chooses to provide to a SNF resident. While the RUG-IV model classifies residents into rehabilitation groups, where payment is determined primarily based on the intensity of therapy services received by the resident, and into nursing groups, based on the intensity of nursing services received by the resident and other aspects of the resident's care and condition, only the higher paying of these groups is used for payment purposes. RUG-IV classifies each resident into a single RUG, with a single payment for all services.

By contrast, the proposed PDPM would classify each resident into five components (physical therapy (PT), occupational therapy (OT), speech-language pathology (SLP), non-therapy ancillary (NTA), and nursing) and provide a single payment based on the sum of these individual classifications. The payment for each component would be calculated by multiplying the case-mix index (CMI) for the resident's group first by the component federal base payment rate, then by the specific day in the variable per diem adjustment schedule. The proposed PDPM is designed to separately identify and adjust for the varied needs and characteristics of a resident's care and combine this information together to determine payment. CMS believes that the proposed PDPM would improve the SNF PPS by basing payments predominantly on clinical characteristics rather than service provision, thereby enhancing payment accuracy and strengthening incentives for appropriate care.

Visual Comparison of RUGs-IV v. PDPM



Case-Mix Components

CMS indicates that each resident's actual care needs, as opposed to service-based metrics, should be the basis for the SNF PPS and payments ought to derive from verifiable resident characteristics. Each resident would be classified into a resident group for each of the five case-mix-adjusted components. This is a revision as compared to the Resident Classification Model (RCS-I) that CMS described in an advanced notice of proposed rulemaking in 2017. In this model PT and OT each receive their own component as opposed to being combined as in RCS-I. The base rate for each case-mix-adjusted component would be multiplied by the CMI corresponding to the assigned resident group. Additionally, as noted above, separate adjustments would be applied to each resident's PT, OT, and NTA payments depending on the day of the stay. Unlike the existing RUG-IV model, no single component dominates the others in the PDPM.

Physical and Occupational Therapy

In the research that first examined the creation of the new case-mix components, it was noted that PT and OT costs were highly correlated while, SLP had a very weak correlation. However, based on feedback received regarding the RCS-I model, CMS

agreed with commenters and clinicians that PT and OT services should be addressed via separate components given the different aims of the two therapy disciplines and differences in the clinical characteristics of the resident subpopulations for which PT or OT services are warranted. For example, clinicians consulted during development of PDPM advised that personal hygiene, dressing, and upper extremity motion may bear a closer clinical relationship to OT utilization, while lower extremity motion may be more closely related to PT utilization. However, analyses found that predictors of high PT costs per day were also predictive of high OT costs per day.

Because of the strong correlation between the cost predictors between PT and OT, CMS proposes to maintain the same case-mix classification model for both components. In practice, this means that the same resident characteristics will determine a resident’s classification for PT and OT payment. However, each resident will be assigned separate case-mix groups for PT and OT payment, which correspond to separate case-mix indexes and payment rates. CMS believes that providing separate case-mix-adjusted payments for PT and OT may allay concerns about inappropriate substitution across disciplines and encourage provision of these services according to clinical need.

The characteristics being proposed to assign a resident to a clinical category are the clinical reasons for the SNF stay and the resident’s functional status. CMS proposes to categorize a resident into a PDPM clinical category using item I8000 on the MDS 3.0. Providers would use the first line in item I8000 to report the ICD–10–CM code that represents the primary reason for the resident’s Part A SNF stay. In addition, they propose that providers record the type of surgical procedure performed during the prior inpatient stay by coding an ICD–10–PCS code that corresponds to the inpatient surgical procedure in the second line of item I8000 in cases where inpatient surgical information is required to appropriately categorize a resident under PDPM.

An alternative approach, also discussed, considers using a resident’s primary diagnosis as reflected in MDS item I0020 as the basis for assigning the resident to a clinical category. The MDS item I0020 would require facilities to select a primary diagnosis from a prepopulated list of primary diagnoses representing the most common types of beneficiaries treated in a SNF, while item I8000, if used to assign residents to clinical categories, would require facilities to code a specific ICD–10–CM code that corresponds to the primary reason for the resident’s Part A SNF stay. CMS is proposing the following clinical categories for PT and OT case-mix classifications:

Proposed PT and OT Clinical Categories

Major Joint Replacement or Spinal Surgery	Non-Orthopedic Surgery and Acute Neurologic
Other Orthopedic	Medical Management

In addition to clinical categories, a resident’s functional ability as measured by independence in activities of daily living (ADL) is highly correlated with PT and OT costs. Under the RUG–IV case-mix system, a resident’s ADL or function score is calculated based on a combination of self-performance and support items coded by SNFs in section G of the MDS 3.0 for four ADL areas: Transfers, eating, toileting, and bed mobility. These four areas are referred to as late-loss ADLs because they are typically the last functional abilities to be lost as a resident’s function declines. Under the proposed PDPM, CMS proposes that section G items would be replaced with functional items from section GG of the MDS 3.0 (Functional Abilities and Goals) as the basis for calculating the function score for resident classification used under PDPM. Section GG offers standardized and more comprehensive measures of functional status and therapy needs.

Proposed Section GG Items for Functional Ability

GG0130A1	Self-care: Eating
GG0130B1	Self-care: Oral Hygiene
GG0130C1	Self-care: Toileting Hygiene
GG0170B1	Mobility: Sit to lying
GG0170C1	Mobility: Lying to sitting on side of bed
GG0170D1	Mobility: Sit to stand
GG0170E1	Mobility: Chair/bed-to-chair transfer
GG0170F1	Mobility: Toilet Transfer
GG0170J1	Mobility: Walk 50 feet with 2 turns
GG0170K1	Mobility: Walk 150 feet

Based on analyses and administrative decisions, CMS proposes 16 case-mix groups to classify residents for PT and OT payment. This improves upon the complexity present in the previously proposed RCS-I model by reducing the number of potential case-mix groups. Two factors would be used to classify each resident for PT and OT payment: clinical category and function score. Each case-mix group corresponds to one clinical category and one function score range. Under the proposed PDPM, all residents would be classified into one and only one of these 16 PT and OT case-mix groups for each of the two components. As opposed to the RUG–IV system that determines therapy payments based only on the amount of therapy provided, these groups classify residents based on the two resident characteristics shown to be most predictive of PT

and OT utilization: Clinical category and function score. The proposed case-mix classification groups for PT and OT can be found in the proposed rule on page 21049.

Speech-Language Pathology

Research indicates the appropriateness of having a separately adjusted case-mix SLP component that is specifically designed to predict relative differences in SLP costs. CMS identified three categories of predictors relevant in predicting relative differences in SLP costs: clinical reasons for the SNF stay, presence of a swallowing disorder or mechanically altered diet, and the presence of an SLP related comorbidity or cognitive impairment. One clinical category in particular, the acute neurologic group, was particularly predictive of increased SLP costs. Residents would first be categorized into one of two groups using the clinical reasons for the resident’s SNF stay recorded on the first line of Item I8000 on the MDS assessment: either the “acute neurologic” clinical category or a “non-neurologic” group.

Following the clinical category, residents who exhibited the signs and symptoms of a swallowing disorder, as identified using K0100Z on the MDS 3.0, or the presence of a mechanically-altered diet, as determined by item K0510C2 on the MDS 3.0, or both showed increased SLP costs. Finally, SLP costs were notably higher for residents who had a mild to severe cognitive impairment or who had an SLP- related comorbidity present. If the resident has at least one SLP-related comorbidity, the combined flag is turned on. Based on research results CMS proposes to combine all SLP-related comorbidities into a single indicator because they found that the predictive ability of including a combined SLP comorbidity indicator is comparable to the predictive ability of including each SLP-related comorbidity as an individual predictor.

Proposed SLP-Related Comorbidities

Aphasia	Laryngeal cancer
CVA, TIA, or Stroke	Apraxia
Hemiplegia or Hemiparesis	Dysphagia
Traumatic Brain Injury	ALS
Tracheostomy Care (While a Resident)	Oral Cancers
Ventilator or Respirator (While a Resident)	Speech and Language Deficits

To develop the SLP case-mix categories CMS proposes combining the clinical category, cognitive impairment, and the presence of an SLP-related comorbidity into a single predictor combined with the presence of a swallowing disorder or mechanically

altered diet results into 12 groups. The proposed case-mix classification groups for SLP can be found in the proposed rule on page 21051.

Nursing

For the nursing component, CMS proposes to use the existing RUG–IV methodology for classifying residents into non-rehabilitation RUGs to develop a proposed nursing classification that helps ensure nursing payment reflects expected nursing utilization rather than therapy utilization. A measure of nursing utilization based on current data was not possible, as facilities do not report resident-specific nursing costs. In order to reduce complexity of the grouping classifications, the research indicates that collapsing contiguous ADL score bins for RUGs, otherwise defined by the same set of clinical traits, is unlikely to notably affect payment accuracy. This proposed revision would decrease the number of nursing case-mix groups from 43 to 25.

The second modification to the RUG–IV nursing classification methodology would update the nursing ADL score to incorporate section GG items, similar to the modification for PT and OT. Under the proposed PDPM, section G items would be replaced with an eating item, a toileting item, three transfer items, and two bed mobility items from the admission performance assessment of section GG from the MDS.

Another proposal is to update the existing nursing CMI's using the STRIVE staff time measurement data that were originally used to create the indexes. Under the current payment system, non-rehabilitation nursing indexes were calculated to capture variation in nursing utilization by using only the staff time collected for the non-rehabilitation population. CMS believes that, to provide a more accurate reflection of the relative nursing resource needs of the SNF population, the nursing indexes should reflect nursing utilization for all residents.

Finally, an 18 percent increase in payment for the nursing component for residents with HIV/AIDS. This adjustment would be applied based on the presence of ICD–10–CM code B20 on the SNF claim. The proposed case-mix classification groups for nursing can be found in the proposed rule beginning on page 21054.

Non-Therapy Ancillary

Under the current SNF PPS, payments for NTA costs incurred by SNFs are incorporated into the nursing component but there have been concerns that the current nursing CMI's do not accurately reflect the basis for or the magnitude of relative differences in resident NTA costs. The categories of cost-related resident characteristics identified through this analysis were resident comorbidities and the use of extensive services (services provided to residents that are particularly expensive and/or invasive) as predictors of NTA costs. Clinicians identified MDS items that correspond to conditions/extensive services likely related to NTA utilization. However, since many conditions/extensive services related to NTA utilization are not included on the MDS assessment, CMS mapped ICD–10 diagnosis codes from the prior inpatient claim, the first SNF claim, and section I8000 of the 5-day MDS assessment to condition categories from the Part C risk adjustment model (CCs) and the Part D risk adjustment model

(RxCCs). As a result of those analyses, a list that encompasses as many diverse and expensive conditions and extensive services as possible from the MDS assessment, the CCs, the RxCCs, and diagnoses was developed.

As a compromise between an additive count and the selection of the costliest comorbidity, CMS proposes basing a resident's NTA score, which would be used to classify the resident into an NTA case-mix classification group, on a weighted-count methodology. A resident's total comorbidity score, which would be the sum of the points associated with all of a resident's comorbidities and services, would be used to classify the resident into an NTA case-mix group. The results of the cost split analyses indicates that 6 case-mix groups would be necessary to classify residents adequately in terms of their NTA costs in a manner that captures sufficient variation in NTA costs without creating unnecessarily granular separations.

The proposed case-mix classification groups for NTA can be found in the proposed rule on page 21058.

Variable Per-Diem

In examining costs over a stay, CMS found that for certain categories of SNF services, notably PT, OT and NTA services, costs declined over the course of a stay. The PDPM model proposes to revise the consistent per-diem rate to a variable per-diem rate. Constant per diem rates, by definition, do not track variations in resource use throughout a SNF stay. We believe this may lead to too few resources being allocated for SNF providers at the beginning of a stay.

In the case of the PT and OT components, costs start higher at the beginning of the stay and decline slowly over the course of the stay. The NTA component cost analyses indicate significantly increased NTA costs at the beginning of a stay that then drop to a much lower level that holds relatively constant over the remainder of the SNF stay. In addition to proposing a variable per diem adjustment, CMS further proposes separating adjustment schedules and indexes for the PT and OT components and the NTA component to more closely reflect the rate of decline in resource utilization for each component.

The adjustment factor for the PT and OT components is 1.00 for days 1 to 20. This is because the analyses indicated that PT and OT costs remain relatively high for the first 20 days and then decline. The estimated daily rates of decline for PT and OT costs relative to the initial 20 days are both 0.3 percent. Therefore, CMS proposes to set the adjustment factors such that payment would decline 2 percent every 7 days after day 20 ($0.3 * 7 = 2.1$).

NTA costs are very high at the beginning of the stay, drop rapidly after the first three days, and remain relatively stable from the fourth day of the stay. Starting on day 4 of a stay, the per diem costs drop to roughly one-third of the per diem costs in the initial 3 days. This suggests that many NTA services are provided in the first few days of a SNF stay. Therefore, CMS proposes setting the NTA adjustment factor to 3.00 for days 1 to 3 to reflect the extremely high initial costs, then setting it at 1.00 (two-thirds lower than the

initial level) for subsequent days. The value of the adjustment factor was set at 3.00 for the first 3 days and 1.00 after (rather than, for example, 1.00 and 0.33, respectively) for simplicity.

Case-mix adjusted federal per diem payment for a given component and a given day would be equal to the base rate for the relevant component (either urban or rural), multiplied by the CMI for that resident, multiplied by the variable per diem adjustment factor for that specific day, as applicable.

Assessments

Within the SNF PPS, there are two categories of assessments, scheduled and unscheduled. In terms of scheduled assessments, SNFs are currently required to complete assessments on or around days 5, 14, 30, 60, and 90 of a resident's Part A SNF stay, including certain grace days. Unscheduled assessments, such as the Start of Therapy (SOT) Other Medicare Required Assessment (OMRA), the End of Therapy OMRA (EOT OMRA), the Change of Therapy (COT) OMRA, and the Significant Change in Status Assessment (SCSA or Significant Change), may be required during the resident's Part A SNF stay when triggered by certain defined events. An issue, which has been raised in the past with regard to the existing SNF PPS assessment schedule, is that the sheer number of assessments, as well as the complex interplay of the assessment rules, significantly increases the administrative burden associated with the SNF PPS.

In an effort to reduce the administrative burden on providers by concurrently proposing to revise the assessments that would be required under the proposed SNF PDPM, CMS is proposing to use the 5-day SNF PPS scheduled assessment to classify a resident under the proposed SNF PDPM for the entirety of his or her Part A SNF stay effective beginning FY 2020 in conjunction with the implementation of the proposed PDPM. Effective October 1, 2019 in conjunction with the proposed implementation of the PDPM, CMS proposes requiring providers to reclassify residents as appropriate from the initial 5-day classification using a new assessment called an Interim Payment Assessment (IPA), which would be comprised of the 5-day SNF PPS MDS Item Set (Item Set NP).

Providers would be required to complete an IPA in cases where the following two criteria are met:

1. There is a change in the resident's classification in at least one of the first-tier classification criteria for any of the components under the proposed PDPM or
2. The change(s) are such that the resident would not be expected to return to his or her original clinical status within a 14-day period.

The IPA is meant to capture substantial changes to a resident's clinical condition and not every day, frequent changes. CMS considered whether an SNF completing an IPA should cause a reset in the variable per diem adjustment schedule for the associated resident. However, where an IPA is completed, CMS proposes that the assessment

would reclassify the resident for payment purposes but the resident's variable per diem adjustment schedule would continue rather than being reset on the basis of completing the IPA.

To respond to critiques of the RCS-I model and the potential to greatly limit access to therapy services, CMS proposes requiring that SNFs continue to complete the PPS Discharge Assessment, as appropriate (including the proposed therapy items), for each SNF Part A resident at the time of Part A or facility discharge. CMS believes that the combination of the 5-day Scheduled PPS Assessment, the IPA Assessment, and PPS Discharge Assessment would provide flexibility for providers to capture and report accurately the resident's condition, as well as accurately reflect resource utilization associated with that resident, while minimizing the administrative burden on providers under the proposed SNF PDPM.

Impact Analysis

CMS offers estimates of the differences between the current RUG-IV payment model and the proposed PDPM system. However, some caveats should be noted.

- The impacts presented assume consistent provider behavior in terms of how care is provided under RUG-IV and how care might be provided under the proposed PDPM.
- Changes in state Medicaid programs resulting from PDPM implementation would not have a notable impact on payments for Medicare-covered SNF stays.
- Impacts are assumed in a budget neutral manner through application of a parity adjustment to the case-mix weights under the proposed PDPM.
- Estimates are a comparison between RUG-IV and the proposed PDPM using claims data from FY 2017.

Broadly, for providers nonprofit and government owned SNFs would see increases of 1.9% and 4.2% respectively. Smaller SNFs see increases while those with capacity of greater than 100 certified units might expect declines. Rural providers would see increases as would facilities that service residents with less therapy utilization. CMS has made available a number of provider specific tools that we encourage you to examine to estimate facility specific impacts. A provider specific PDPM impact analysis is [available](#) for fiscal year 2017 and represents estimated payments under PDPM, assuming no changes in provider behavior or resident case-mix.

To assist stakeholders in understanding the process by which SNF residents would be classified into PDPM payment groups, CMS has provided three files. The [first file](#) provides a narrative step-by-step walkthrough that would allow stakeholders to manually determine a resident's PDPM classification based on the data from an MDS assessment. The [second file](#) is a spreadsheet-based grouper tool which can be used to test certain combinations of MDS items used to classify residents under the proposed PDPM, and observe their impact on the resident's PDPM classification. These files should be used in conjunction with the discussions found in the proposed rule and accompanying files to better understand the process for resident classification under

PDPM. The [third file](#) is a mapping, referenced in the narrative walkthrough file, between ICD-10-CM codes and the comorbidities used for resident classification under the NTA component.

LeadingAge Wisconsin has reviewed the PDPM's estimated impact on Wisconsin's nursing facilities and found that: Overall, our State's nursing home payments would be approximately 4.2% higher under PDPM than under the current RUGs-IV system. By ownership, nonprofit homes, on average, would see an increase of 4.5%; governmental homes, 6.7%; and for-profit homes, 3.5%. However, some facilities potentially would see a sizable swing in payments, ranging from a gain of \$452,000 to a loss of \$263,000. **An excerpt of the CMS data showing an abbreviated facility-specific data for Wisconsin's nursing homes is attached and posted [here](#).**

Facilities are listed by Medicare provider number. Caution should be taken in reviewing this CMS data as the estimates derived are from multiple data sources and do not reflect facilities' current residents' case-mix, assessments or care plans.

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