

Issue Brief

FEDERAL ISSUE BRIEF • July 31, 2015

KEY POINTS

- The finale rule is virtually identical to the proposed rule.
- Aggregate impact of this update will be an increase of \$430 million, as compared to the proposed increase of \$500 million, in payments to SNFs. This change is the result of the SNF market basket update to the payment rates, as adjusted by the applicable forecast error adjustment, and by the MFP adjustment.

CMS Finalizes Skilled Nursing Facility FY 2016 PPS Update: Increase Will Be 1.2 Percent

The Centers for Medicare & Medicaid Services have issued a final rule that will update the payment rates used by the prospective payment system for skilled nursing facilities for fiscal year 2016.

In addition, it specifies a SNF all-cause all-condition hospital readmission measure, as well as adopts that measure for a new SNF Value-Based Purchasing Program, and includes a discussion of SNF VBP Program policies being considered for future rulemaking. Additionally, this final rule will implement a new quality reporting program for SNFs as specified in the Improving Medicare Post-Acute Care Transformation Act of 2014 (IMPACT Act).

The document is currently on display at the *Federal Register* office. Publication is scheduled for August 4th. A copy of the 308-page document is at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2015-18950.pdf>. This link will be superseded upon publication.

PROVISIONS OF THE FINAL FY 2016 SNF PPS RULE

Market Basket and Rate of Increase

In the FY 2016 proposed rule, the SNF market basket was estimated to be 2.6 percent. Based on newer information, CMS now projects a market basket increase of 2.3 percent.

Multifactor Productivity Factor

The final market basket percentage is reduced by the Affordable Care Act's multifactor productivity adjustment — the 10-year moving average of changes in MFP for the period ending Sept. 30, 2016. CMS proposed the MFP to be 0.6 percent. CMS now calculates the MFP to 0.5 percent.

Forecast error correction

The SNF PPS is the only PPS that requires a market basket forecast for errors. However, CMS' rule only makes corrections if the error is 0.5 percent or more. CMS says that for FY 2016 there will be a 0.6 reduction to the market basket increase inasmuch as last year's projected rate was 2.3 percent, but the actual increase was 1.7 percent.

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Update

The resulting net SNF market basket update would equal 1.2 percent, or 2.3 percent less the 0.6 percentage point forecast error adjustment, less the 0.5 percentage point MFP adjustment.

Labor-Related Share

CMS is finalizing the SNF PPS labor-related share at a tenth of a percentage point, rather than at a thousandth of a percentage point for FY 2016 and beyond. The final labor-related share will be 69.1 percent. It's currently 69.513. It was proposed at 69.2 percent

Aids Adjustment

The temporary increase of 128 percent in the per diem adjusted payment rates for SNF residents with AIDS, enacted by section 511 of the Medicare Modernization Act, remains in effect.

Wage Index Budget Neutrality

The budget neutrality factor for FY 2016 will be 0.9992.

FY 2016 Annual Update of Payment Rates under the Prospective Payment System for Skilled Nursing Facilities

The payment rates reflect the use of the Resource Utilization Group-VI case-mix classification system from Oct. 1, 2015, through Sept. 30, 2016.

The tables below contain the case-mix adjusted RUG-IV payment rates, and provide labor/non-labor values. These tables do not reflect the AIDS add-on, which CMS applies only after making all other adjustments, such as the wage index.

RUG-IV Case-Mix Adjusted Federal Rates and Associated Indexes URBAN

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Labor Rate	Non Labor Rate	Total Rate
RUX	2.67	1.87	\$457.02	\$241.12		\$87.36	\$542.78	\$242.72	\$785.50
RUL	2.57	1.87	\$439.91	\$241.12		\$87.36	\$530.96	\$237.43	\$768.39
RVX	2.61	1.28	\$446.75	\$165.04		\$87.36	\$483.11	\$216.04	\$699.15
RVL	2.19	1.28	\$374.86	\$165.04		\$87.36	\$433.44	\$193.82	\$627.26
RHX	2.55	0.85	\$436.48	\$109.60		\$87.36	\$437.71	\$195.73	\$633.44
RHL	2.15	0.85	\$368.02	\$109.60		\$87.36	\$390.40	\$174.58	\$564.98
RMX	2.47	0.55	\$422.79	\$70.92		\$87.36	\$401.52	\$179.55	\$581.07
RML	2.19	0.55	\$374.86	\$70.92		\$87.36	\$368.40	\$164.74	\$533.14
RLX	2.26	0.28	\$386.84	\$36.10		\$87.36	\$352.62	\$157.68	\$510.30
RUC	1.56	1.87	\$267.03	\$241.12		\$87.36	\$411.50	\$184.01	\$595.51
RUB	1.56	1.87	\$267.03	\$241.12		\$87.36	\$411.50	\$184.01	\$595.51

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Labor Rate	Non Labor Rate	Total Rate
RUA	0.99	1.87	\$169.46	\$241.12		\$87.36	\$344.08	\$153.86	\$497.94
RVC	1.51	1.28	\$258.47	\$165.04		\$87.36	\$353.01	\$157.86	\$510.87
RVB	1.11	1.28	\$190.00	\$165.04		\$87.36	\$305.70	\$136.70	\$442.40
RVA	1.10	1.28	\$188.29	\$165.04		\$87.36	\$304.52	\$136.17	\$440.69
RHC	1.45	0.85	\$248.20	\$109.60		\$87.36	\$307.61	\$137.55	\$445.16
RHB	1.19	0.85	\$203.69	\$109.60		\$87.36	\$276.85	\$123.80	\$400.65
RHA	0.91	0.85	\$155.76	\$109.60		\$87.36	\$243.73	\$108.99	\$352.72
RMC	1.36	0.55	\$232.79	\$70.92		\$87.36	\$270.23	\$120.84	\$391.07
RMB	1.22	0.55	\$208.83	\$70.92		\$87.36	\$253.67	\$113.44	\$367.11
RMA	0.84	0.55	\$143.78	\$70.92		\$87.36	\$208.72	\$93.34	\$302.06
RLB	1.50	0.28	\$256.76	\$36.10		\$87.36	\$262.73	\$117.49	\$380.22
RLA	0.71	0.28	\$121.53	\$36.10		\$87.36	\$169.29	\$75.70	\$244.99
ES3	3.58		\$612.79		\$16.98	\$87.36	\$495.54	\$221.59	\$717.13
ES2	2.67		\$457.02		\$16.98	\$87.36	\$387.90	\$173.46	\$561.36
ES1	2.32		\$397.11		\$16.98	\$87.36	\$346.50	\$154.95	\$501.45
HE2	2.22		\$380.00		\$16.98	\$87.36	\$334.68	\$149.66	\$484.34
HE1	1.74		\$297.84		\$16.98	\$87.36	\$277.91	\$124.27	\$402.18
HD2	2.04		\$349.19		\$16.98	\$87.36	\$313.39	\$140.14	\$453.53
HD1	1.60		\$273.87		\$16.98	\$87.36	\$261.34	\$116.87	\$378.21
HC2	1.89		\$323.51		\$16.98	\$87.36	\$295.64	\$132.21	\$427.85
HC1	1.48		\$253.33		\$16.98	\$87.36	\$247.15	\$110.52	\$357.67
HB2	1.86		\$318.38		\$16.98	\$87.36	\$292.10	\$130.62	\$422.72
HB1	1.46		\$249.91		\$16.98	\$87.36	\$244.79	\$109.46	\$354.25
LE2	1.96		\$335.49		\$16.98	\$87.36	\$303.92	\$135.91	\$439.83
LE1	1.54		\$263.60		\$16.98	\$87.36	\$254.25	\$113.69	\$367.94
LD2	1.86		\$318.38		\$16.98	\$87.36	\$292.10	\$130.62	\$422.72
LD1	1.46		\$249.91		\$16.98	\$87.36	\$244.79	\$109.46	\$354.25
LC2	1.56		\$267.03		\$16.98	\$87.36	\$256.62	\$114.75	\$371.37
LC1	1.22		\$208.83		\$16.98	\$87.36	\$216.40	\$96.77	\$313.17
LB2	1.45		\$248.20		\$16.98	\$87.36	\$243.61	\$108.93	\$352.54
LB1	1.14		\$195.13		\$16.98	\$87.36	\$206.93	\$92.54	\$299.47
CE2	1.68		\$287.57		\$16.98	\$87.36	\$270.81	\$121.10	\$391.91
CE1	1.50		\$256.76		\$16.98	\$87.36	\$249.52	\$111.58	\$361.10
CD2	1.56		\$267.03		\$16.98	\$87.36	\$256.62	\$114.75	\$371.37
CD1	1.38		\$236.21		\$16.98	\$87.36	\$235.32	\$105.23	\$340.55
CC2	1.29		\$220.81		\$16.98	\$87.36	\$224.68	\$100.47	\$325.15
CC1	1.15		\$196.85		\$16.98	\$87.36	\$208.12	\$93.07	\$301.19
CB2	1.15		\$196.85		\$16.98	\$87.36	\$208.12	\$93.07	\$301.19
CB1	1.02		\$174.59		\$16.98	\$87.36	\$192.74	\$86.19	\$278.93
CA2	0.88		\$150.63		\$16.98	\$87.36	\$176.18	\$78.79	\$254.97
CA1	0.78		\$133.51		\$16.98	\$87.36	\$164.35	\$73.50	\$237.85

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Labor Rate	Non Labor Rate	Total Rate
BB2	0.97		\$166.03		\$16.98	\$87.36	\$186.83	\$83.54	\$270.37
BB1	0.90		\$154.05		\$16.98	\$87.36	\$178.55	\$79.84	\$258.39
BA2	0.70		\$119.82		\$16.98	\$87.36	\$154.89	\$69.27	\$224.16
BA1	0.64		\$109.55		\$16.98	\$87.36	\$147.80	\$66.09	\$213.89
PE2	1.50		\$256.76		\$16.98	\$87.36	\$249.52	\$111.58	\$361.10
PE1	1.40		\$239.64		\$16.98	\$87.36	\$237.69	\$106.29	\$343.98
PD2	1.38		\$236.21		\$16.98	\$87.36	\$235.32	\$105.23	\$340.55
PD1	1.28		\$219.10		\$16.98	\$87.36	\$223.50	\$99.94	\$323.44
PC2	1.10		\$188.29		\$16.98	\$87.36	\$202.21	\$90.42	\$292.63
PC1	1.02		\$174.59		\$16.98	\$87.36	\$192.74	\$86.19	\$278.93
PB2	0.84		\$143.78		\$16.98	\$87.36	\$171.45	\$76.67	\$248.12
PB1	0.78		\$133.51		\$16.98	\$87.36	\$164.35	\$73.50	\$237.85
PA2	0.59		\$100.99		\$16.98	\$87.36	\$141.88	\$63.45	\$205.33
PA1	0.54		\$92.43		\$16.98	\$87.36	\$135.97	\$60.80	\$196.77

RUG-IV Case-Mix Adjusted Federal Rates and Associated Indexes
Rural

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Labor Rate	Non Labor Rate	Total Rate
RUX	2.67	1.87	\$436.63	\$278.01		\$88.97	\$555.29	\$248.32	\$803.61
RUL	2.57	1.87	\$420.27	\$278.01		\$88.97	\$543.99	\$243.26	\$787.25
RVX	2.61	1.28	\$426.81	\$190.30		\$88.97	\$487.90	\$218.18	\$706.08
RVL	2.19	1.28	\$358.13	\$190.30		\$88.97	\$440.44	\$196.96	\$637.40
RHX	2.55	0.85	\$417.00	\$126.37		\$88.97	\$436.95	\$195.39	\$632.34
RHL	2.15	0.85	\$351.59	\$126.37		\$88.97	\$391.75	\$175.18	\$566.93
RMX	2.47	0.55	\$403.92	\$81.77		\$88.97	\$397.09	\$177.57	\$574.66
RML	2.19	0.55	\$358.13	\$81.77		\$88.97	\$365.45	\$163.42	\$528.87
RLX	2.26	0.28	\$369.58	\$41.63		\$88.97	\$345.62	\$154.56	\$500.18
RUC	1.56	1.87	\$255.11	\$278.01		\$88.97	\$429.86	\$192.23	\$622.09
RUB	1.56	1.87	\$255.11	\$278.01		\$88.97	\$429.86	\$192.23	\$622.09
RUA	0.99	1.87	\$161.89	\$278.01		\$88.97	\$365.45	\$163.42	\$528.87
RVC	1.51	1.28	\$246.93	\$190.30		\$88.97	\$363.60	\$162.60	\$526.20
RVB	1.11	1.28	\$181.52	\$190.30		\$88.97	\$318.41	\$142.38	\$460.79
RVA	1.10	1.28	\$179.88	\$190.30		\$88.97	\$317.27	\$141.88	\$459.15
RHC	1.45	0.85	\$237.12	\$126.37		\$88.97	\$312.65	\$139.81	\$452.46
RHB	1.19	0.85	\$194.60	\$126.37		\$88.97	\$283.27	\$126.67	\$409.94

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Labor Rate	Non Labor Rate	Total Rate
RHA	0.91	0.85	\$148.81	\$126.37		\$88.97	\$251.63	\$112.52	\$364.15
RMC	1.36	0.55	\$222.40	\$81.77		\$88.97	\$271.66	\$121.48	\$393.14
RMB	1.22	0.55	\$199.51	\$81.77		\$88.97	\$255.84	\$114.41	\$370.25
RMA	0.84	0.55	\$137.37	\$81.77		\$88.97	\$212.90	\$95.21	\$308.11
RLB	1.50	0.28	\$245.30	\$41.63		\$88.97	\$259.75	\$116.15	\$375.90
RLA	0.71	0.28	\$116.11	\$41.63		\$88.97	\$170.48	\$76.23	\$246.71
ES3	3.58		\$585.44		\$18.14	\$88.97	\$478.55	\$214.00	\$692.55
ES2	2.67		\$436.63		\$18.14	\$88.97	\$375.72	\$168.02	\$543.74
ES1	2.32		\$379.39		\$18.14	\$88.97	\$336.17	\$150.33	\$486.50
HE2	2.22		\$363.04		\$18.14	\$88.97	\$324.87	\$145.28	\$470.15
HE1	1.74		\$284.54		\$18.14	\$88.97	\$270.63	\$121.02	\$391.65
HD2	2.04		\$333.60		\$18.14	\$88.97	\$304.53	\$136.18	\$440.71
HD1	1.60		\$261.65		\$18.14	\$88.97	\$254.81	\$113.95	\$368.76
HC2	1.89		\$309.07		\$18.14	\$88.97	\$287.58	\$128.60	\$416.18
HC1	1.48		\$242.02		\$18.14	\$88.97	\$241.25	\$107.88	\$349.13
HB2	1.86		\$304.17		\$18.14	\$88.97	\$284.19	\$127.09	\$411.28
HB1	1.46		\$238.75		\$18.14	\$88.97	\$238.99	\$106.87	\$345.86
LE2	1.96		\$320.52		\$18.14	\$88.97	\$295.49	\$132.14	\$427.63
LE1	1.54		\$251.84		\$18.14	\$88.97	\$248.03	\$110.92	\$358.95
LD2	1.86		\$304.17		\$18.14	\$88.97	\$284.19	\$127.09	\$411.28
LD1	1.46		\$238.75		\$18.14	\$88.97	\$238.99	\$106.87	\$345.86
LC2	1.56		\$255.11		\$18.14	\$88.97	\$250.29	\$111.93	\$362.22
LC1	1.22		\$199.51		\$18.14	\$88.97	\$211.87	\$94.75	\$306.62
LB2	1.45		\$237.12		\$18.14	\$88.97	\$237.86	\$106.37	\$344.23
LB1	1.14		\$186.42		\$18.14	\$88.97	\$202.83	\$90.70	\$293.53
CE2	1.68		\$274.73		\$18.14	\$88.97	\$263.85	\$117.99	\$381.84
CE1	1.50		\$245.30		\$18.14	\$88.97	\$243.52	\$108.89	\$352.41
CD2	1.56		\$255.11		\$18.14	\$88.97	\$250.29	\$111.93	\$362.22
CD1	1.38		\$225.67		\$18.14	\$88.97	\$229.95	\$102.83	\$332.78
CC2	1.29		\$210.95		\$18.14	\$88.97	\$219.78	\$98.28	\$318.06
CC1	1.15		\$188.06		\$18.14	\$88.97	\$203.96	\$91.21	\$295.17
CB2	1.15		\$188.06		\$18.14	\$88.97	\$203.96	\$91.21	\$295.17
CB1	1.02		\$166.80		\$18.14	\$88.97	\$189.27	\$84.64	\$273.91
CA2	0.88		\$143.91		\$18.14	\$88.97	\$173.45	\$77.57	\$251.02
CA1	0.78		\$127.55		\$18.14	\$88.97	\$162.15	\$72.51	\$234.66
BB2	0.97		\$158.62		\$18.14	\$88.97	\$183.62	\$82.11	\$265.73
BB1	0.90		\$147.18		\$18.14	\$88.97	\$175.71	\$78.58	\$254.29
BA2	0.70		\$114.47		\$18.14	\$88.97	\$153.11	\$68.47	\$221.58
BA1	0.64		\$104.66		\$18.14	\$88.97	\$146.33	\$65.44	\$211.77
PE2	1.50		\$245.30		\$18.14	\$88.97	\$243.52	\$108.89	\$352.41
PE1	1.40		\$228.94		\$18.14	\$88.97	\$232.21	\$103.84	\$336.05
PD2	1.38		\$225.67		\$18.14	\$88.97	\$229.95	\$102.83	\$332.78

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-case Mix Therapy Comp	Non-case Mix Component	Labor Rate	Non Labor Rate	Total Rate
PD1	1.28		\$209.32		\$18.14	\$88.97	\$218.65	\$97.78	\$316.43
PC2	1.10		\$179.88		\$18.14	\$88.97	\$198.31	\$88.68	\$286.99
PC1	1.02		\$166.80		\$18.14	\$88.97	\$189.27	\$84.64	\$273.91
PB2	0.84		\$137.37		\$18.14	\$88.97	\$168.94	\$75.54	\$244.48
PB1	0.78		\$127.55		\$18.14	\$88.97	\$162.15	\$72.51	\$234.66
PA2	0.59		\$96.48		\$18.14	\$88.97	\$140.68	\$62.91	\$203.59
PA1	0.54		\$88.31		\$18.14	\$88.97	\$135.04	\$60.38	\$195.42

Area Wage Index

The SNF PPS wage index for FY 2016 is fully based on the revised Office of Management and Budget delineations adopted in FY 2015. The wage index applicable to FY 2016 is set forth in Table A, available on the CMS website at <http://cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPSP/WageIndex.html>.

Skilled Nursing Facility Value-Based Purchasing Program

Section 215 of the Protecting Access to Medicare Act of 2014 added sections 1888(g) and (h) to the Social Security Act. Section 1888(g)(1) requires the secretary to specify a skilled nursing facility all-cause all-condition hospital readmission measure, or any successor to such a measure not later than Oct. 1, 2015. Section 1888(g)(2) requires the secretary to specify an all-condition, risk-adjusted, potentially preventable hospital readmission rate for SNFs not later than Oct. 1, 2016.

CMS is finalizing its proposal to simply specify the SNF 30-Day All-Cause Readmission Measure (NQF #2510) and to adopt the measure for the SNF VBP as the SNF all-cause, all-condition hospital readmission measure under section 1888(g)(1) of the Act as proposed.

Skilled Nursing Facility (SNF) Quality Reporting Program (QRP)

The Improving Medicare Post Acute Care Transformation Act requires the implementation of a quality-reporting program for SNFs. Beginning with FY 2018, SNFs that fail to submit required quality data to CMS under the SNF Quality Reporting Program will have their annual updates reduced by two percentage points.

For the FY 2018 SNF QRP, and in subsequent years, CMS has proposed three measures addressing within quality domains identified in the IMPACT Act. The measures are listed below. These measures are being adopted.

CMS intends to propose additional quality measures and resource use measures in future rulemaking.

Summary Table of Domains and Measures for the SNF Quality Reporting Program

Domain	Proposed Measures
Skin Integrity and Changes in Skin Integrity	<u>Outcome Measure</u> : Percent of Residents or Patients with Pressure Ulcers that are New or Worsened (Short-Stay) (NQF #0678; Measure Steward: CMS)
Incidence of Major Falls	<u>Outcome Measure</u> : Application of Percent of Residents Experiencing One of More Falls with Major Injury (Long Stay) (NQF #0674; Measure Steward: CMS)
Functional Status, Cognitive Function, and Changes in Function and Cognitive Function	<u>Process Measure</u> : Application of Percent of Patients or Residents With an Admission and Discharge Functional Assessment and a Care Plan that Addresses Function (NQF#2631) (Under NQF review Measure Steward: CMS)

CMS is finalizing its proposal pertaining to the Participation/Timing for new SNFs as proposed.

SNF QRP Quality Measures Under Consideration for Future Years

CMS has provided the following table items as potential new quality measures.

SNF QRP Quality Measures and Concepts under Consideration for Future Years

IMPACT Act Domain	Measures to reflect all-condition risk-adjusted potentially preventable hospital readmission rates
Measures	(NQF #2510): Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM)
	(NQF #2512; NQF #2502): Application of the LTCH/IRF All-Cause Unplanned Readmission Measure for 30 Days Post Discharge from LTCHs/IRFs
IMPACT Act Domain	Resource Use, including total estimated Medicare spending per beneficiary
Measure	(NQF #2158): Application of the Payment Standardized Medicare Spending Per Beneficiary (MSPB)
IMPACT Act Domain	Discharge to community
Measure	Percentage residents/patients at discharge assessment, who are discharged to a higher level of care or to the community. Measure assesses if the patient/resident went to the community and whether they stayed there. Ideally, this measure would be paired with the 30-day all-cause readmission measure

Staffing Data Collection

Section 6106 of the ACA added a new section 1128I to the Social Security Act to promote greater accountability for long-term care facilities —defined under section 1128I(a) of the Act as skilled nursing facilities and nursing facilities.

Section 1128I(g) pertains to the submission of staffing data by LTC facilities, and specifies that the secretary, after consulting with state long-term care ombudsman programs, consumer advocacy groups, provider stakeholder groups, employees and their representatives, and other

parties the secretary deems appropriate, shall require a facility to electronically submit to the secretary direct care staffing information, including information for agency and contract staff, based on payroll and other verifiable and auditable data in a uniform format according to specifications established by the secretary in consultation with such programs, groups, and parties.

CMS proposed to modify current regulations applicable to LTC facilities that participate in Medicare and Medicaid to implement the new statutory requirement in section 1128I(g) of the Act. Specifically, CMS proposed to amend the requirements for the administration of a LTC facility at §483.75 by adding a new paragraph (u), Mandatory submission of staffing information based on payroll data in a uniform format.

The proposed regulation would require facilities to electronically submit to CMS complete and accurate direct care staffing information, including information for agency and contract staff, based on payroll and other verifiable and auditable data, beginning July 1, 2016. CMS is basically adopting its proposed rule as final. However, CMS is adding a definition of “direct care staff” at §483.75(u)(1). CMS has renumbered the subsections within §483.75(u) accordingly.

Regulatory Impact Analysis

CMS now estimates that the aggregate impact of this update will be an increase of \$430 million, as compared to the proposed increase of \$500 million, in payments to SNFs. This change is the result of the SNF market basket update to the payment rates, as adjusted by the applicable forecast error adjustment, and by the MFP adjustment.

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