

FY 2019 Medicare Skilled Nursing Facility Proposed Rule

OVERVIEW

On April 27th, the Centers for Medicare and Medicaid Services (CMS) issued a proposed rule to update the federal fiscal year (FY) 2019 Medicare payment rates for skilled nursing facilities (SNFs) under the prospective payment system (PPS). The rule also proposes changes to the case-mix classification system, Quality Reporting Program (QRP), Value-Based Purchasing Program (VBP), and solicits feedback on new interoperability standards. Based on the changes outlined in the proposed rule and the 2.4% SNF market basket update mandated by the Bipartisan Budget Act, CMS estimates that Medicare PPS payments to SNFs would increase by \$850 million in FY 2019, while the VBP program would reduce payments by \$211 million.

CMS will accept comments on the proposed rule until June 26th. The rule is available [here](#).

NEW CASE-MIX CLASSIFICATION SYSTEM

To classify SNF residents into Medicare Part A payment groups under the SNF PPS, CMS currently uses the Resource Utilization Group, Version IV (RUG-IV) case-mix model. In this rule, CMS is proposing to replace RUG-IV with the SNF Patient-Driven Payment Model (PDPM) effective October 1, 2019.

Under PDPM, payment would be based on the patient's conditions and needs, rather than the amount of care that is provided, and thus would represent a further shift towards VBP. The PDPM would significantly reduce the number of payment group combinations by having SNF residents classified into one of ten PDPM Clinical Categories based on ICD-10 diagnosis and procedural codes, which would then be used to further classify residents for payment purposes under PDPM. Payments would be adjusted based on aspects of a patient's care, including therapy-related case-mix groups and non-therapy ancillaries, in order to more accurately address costs associated with patients who have medically complex needs. Per diem payments would also be adjusted to reflect varying costs throughout a patient's stay.

SNF QUALITY REPORTING PROGRAM (QRP)

Under the Improving Medicare Post-Acute Care Transformation (IMPACT) Act, post-acute care providers (SNFs, home health agencies, inpatient rehabilitation facilities, and long-term care hospitals) are required to satisfy standardized QRP requirements or face a 2% reduction to the annual market percentage update for that FY.

The proposed rule would not remove or adopt any measures for the SNF QRP, but proposes that in future rulemaking CMS would take into account the costs that are associated with measures when determining whether measures should be removed from the QRP.

The rule is also proposing to publicly display the four SNF QRP assessment-based quality measures:

- Change in Self-Care Score;
- Change in Mobility Score;
- Discharge Self-Care Score; and
- Discharge Mobility Score.

SNF VBP

Effective October 1, 2018, the SNF VBP will apply positive or negative incentive payments to SNFs based on readmissions. The rule proposes changes to the performance and baseline periods for the FY 2021 SNF VBP Program year, adjusts the SNF VBP scoring methodology, and adds an Extraordinary Circumstances Exception policy.

The performance period for the FY 2021 SNF VBP Program year will be FY 2019 (October 1, 2018 – September 30, 2019) and the baseline period will be hospital discharges in FY 2017 (October 1, 2016 – September 30, 2017). Beginning in FY 2022 and for all subsequent Program years, the proposal adopts a performance and baseline period that is the 1-year period following the performance and baseline period for the previous year.

In order to account for low-volume SNFs in the scoring methodology used for the SNF VBP Program, the rule proposes that if a SNF has less than 25 eligible stays during a performance period for a Program year, the SNF would be assigned a performance score for that year. This assigned performance score would result in a value-based incentive payment amount that is equal to the adjusted Federal per diem rate that the SNF would have received for the fiscal year in the absence of participating in the Program.

Finally, the proposed rule includes an Extraordinary Circumstances Exception policy, which would allow facilities participating in the SNF VBP Program to be exempt from program requirements due to natural disasters or other circumstances beyond the facility's control that may affect the care provided to patients, such as hurricanes or terrorist attacks. Consequently, if a SNF can demonstrate that an extraordinary circumstance affected its ability to provide patient care and subsequent measure performance, the corresponding calendar months during the baseline and performance periods in which the SNF was affected would be excluded from the calculation of the measure rate and the resulting performance score.

INTEROPERABILITY REQUEST FOR INFORMATION

CMS is soliciting information on revisions to the Conditions of Participation to encourage providers to share data electronically.