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FY 2019 Medicare Skilled Nursing Facility Final Rule

OVERVIEW

On July 31st, the Centers for Medicare and Medicaid Services (CMS) issued a final 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 finalizes changes to the case-mix classification system, SNF Quality Reporting Program (QRP), and Value-Based Purchasing Program (VBP).

Based on the changes outlined in the final rule and the 2.4% SNF market basket update mandated by the Bipartisan Budget Act of 2018, CMS estimates that Medicare PPS payments to SNFs will increase by $820 million in FY 2019, while the SNF VBP Program will reduce payments by $211 million.

Unless otherwise specified, the provisions of the rule will go into effect on October 1, 2018. 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. CMS finalized its proposal to replace RUG-IV with the SNF Patient-Driven Payment Model (PDPM) beginning October 1, 2019. CMS estimates that the PDPM will reduce the reporting burden on SNFs by $2 billion over 10 years.

Under PDPM, payment will be based on the patient's conditions and needs, rather than the amount of care that is provided. The PDPM will use ICD-10 diagnosis codes and other patient characteristics to assign residents into one of the following clinical categories:

- Major Joint Replacement or Spinal Surgery;
- Non-Orthopedic Surgery;
- Acute Neurologic;
- Non-Surgical Orthopedic/Musculoskeletal;
- Orthopedic Surgery (Except Major Joint Replacement or Spinal Surgery;
- Medical Management;
- Acute Infections;
- Cancer;
- Pulmonary; and
- Cardiovascular and Coagulations.

Payments will also 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 will also be adjusted to reflect varying costs throughout a patient's stay. Lastly, the rule finalizes a combined limit on group and concurrent therapy to 25% of a resident's therapy regimen.

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SNF Quality Reporting Program (QPR)

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.

CMS finalized its proposal 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.

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

SNF VBP

Effective October 1, 2018, the SNF VBP program will withhold 2% of payments to SNFs, of which CMS expects to return approximately 60% to selected SNFs based on their rate of readmissions. CMS finalized its proposal to change the performance and baseline periods for the FY 2021 SNF VBP Program year, adjust the SNF VBP scoring methodology, and add an Extraordinary Circumstances Exception policy.

Under the final rule, the performance period for the FY 2021 SNF VBP Program year will be FY 2019 and the baseline period will be hospital discharges in FY 2017. Beginning in FY 2022, the proposal will adopt a performance and baseline period that is the one-year period following the performance and baseline period for the previous year. As such, the performance period for the FY 2022 program year will be FY 2020 and the baseline period will be FY 2018.

Under the SNF VBP scoring methodology, SNFs with less than 25 eligible stays during a baseline period for a FY will not be measured on improvement for that program year. Such SNFs will instead be scored based only on their achievement against a benchmark during the performance period of any program year for which they do not have sufficient baseline period.

Finally, the final rule includes an Extraordinary Circumstances Exception policy, which will allow facilities participating in the SNF VBP to be exempt from program requirements due to natural disasters or other circumstances beyond the facility's control that affect the care provided to patients.

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Interoperability Requirements

The proposed rule included a Request for Information on revisions to the Conditions of Participation to encourage providers to share data electronically. In the final rule, CMS thanked those who commented, but did not finalize any interoperability provisions.