Medicare Skilled Nursing Facility Prospective Payment System

Payment Rule Brief — PROPOSED RULE
Program Year: FFY 2017

Overview and Resources

On April 25, 2016, the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2017 proposed payment rule for the Skilled Nursing Facility (SNF) Prospective Payment System (PPS). The proposed rule reflects the annual updates to the Medicare fee-for-service (FFS) SNF payment rates and policies.

A copy of the proposed rule *Federal Register* (FR) and other resources related to the SNF PPS are available on the CMS website at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/index.html.
An online version of the proposed rule is available at https://federalregister.gov/a/2016-09399.

Program changes proposed by CMS will be effective for discharges on or after October 1, 2016, unless otherwise noted. Comments on the proposed rule are due to CMS by June 20, 2016 and can be submitted electronically at http://www.regulations.gov by using the website's search feature to search for file code "1645-P".

SNF Payment Rates

FR pages 24,232 – 24,234, 24,240

Incorporating the proposed updates with the effect of a budget neutrality adjustment, the table below shows the proposed urban and rural SNF federal per-diem payment rates for FFY 2017 compared to the rates currently in effect:

Rate Component	Urban SNFs			Rural SNFs		
	Final FFY 2016	Proposed FFY 2017	Percent Change	Final FFY 2016	Proposed FFY 2017	Percent Change
Nursing Case-Mix	**$171.17**	**$174.71**	**+2.1%**	**$163.53**	**$166.91**	**+2.1%**
Therapy Case-Mix	**$128.94**	**$131.61**		**$148.67**	**$151.74**	
Therapy Non-Case-Mix	**$16.98**	**$17.33**		**$18.14**	**$18.52**	
Non-Case-Mix	**$87.36**	**$89.16**		**$88.97**	**$90.82**	

CMS will continue the 128% add-on to the per-diem payment for patients with Acquired Immune Deficiency Syndrome (AIDS).

The table below provides details of the proposed updates to the SNF payment rates for FFY 2017:

	SNF Rate Updates and Budget Neutrality Adjustment
Marketbasket (MB) Update	**+2.6%**
Affordable Care Act (ACA)-Mandated Productivity MB Reduction	**-0.5 percentage points**
Wage Index/Labor-Related Share Budget Neutrality	**1.00000**
Overall Rate Change	***+2.1%***

Effect of Sequestration

FR page reference not available

While the proposed rule does not specifically address the 2.0% sequester reductions to all lines of Medicare payments authorized by Congress and currently in effect through FFY 2025, sequester will continue unless Congress intervenes. Sequester is not applied to the payment rate; instead, it is applied to Medicare claims after determining co-insurance, any applicable deductibles, and any applicable Medicare secondary payment adjustments.

Wage Index and Labor-Related Share

FR pages 24,237 – 24,241

The wage index, which is used to adjust payment for differences in area wage levels, is applied to the portion of the SNF rates that CMS considers to be labor-related. The proposed labor-related share for FFY 2017 is 68.9% compared to 69.1% for FFY 2016.

A complete list of the wage indexes to be used for payment in FFY 2017 is available on the CMS website at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html.

RUGS-IV

FR pages 24,234-24,237

CMS classifies residents into resource utilization groups (RUGs) that are reflective of the different resources required to provide care to SNF patients. The RUGs classification reflects resident characteristic information, relative resource use, resident assessment, and the need for skilled nursing care and therapy. RUGs-IV, the current version, was implemented beginning FFY 2011. The patient assessment tool, the Minimum Data Set (MDS) 3.0, is used to assigned patients to RUG-IV categories. Each of the 66 RUGs recognized under the SNF PPS have associated nursing and/or therapy case-mix indexes (CMIs). These CMIs are applied to the federal per-diem rates. CMS proposes not to make any changes to the RUGs for FFY 2017 and will maintain the current RUGs-IV groupings and case-mix weights. The RUG-IV case-mix adjusted federal rates and associated indexes for both urban and rural SNFs are listed in Tables 4 and 5 on FR pages 24,236 – 24,237.

SNF Value-Based Purchasing Program

FR Pages 24,243-24,256

Background: For FFYs 2019 and beyond, CMS is required by the Protecting Access to Medicare Act of 2014 (PAMA) to implement a VBP (Value-Based Purchasing) program for SNFs under which value-based incentive payments are made to the SNFs.

SNF VBP Measures

FR Pages 24,243-24,246

In the FFY 2016 final rule, CMS adopted the Skilled Nursing Facility 30-Day All-Cause Readmission Measure, (SNFRM) (NQF #2510) as the sole measure to be used in the SNF VBP Program. The SNFRM calculates the risk-standardized rate of all-cause, all-condition, unplanned, inpatient hospital readmissions for SNF Medicare beneficiaries within 30 days of their prior proximal short-stay acute hospital discharge. This measure is claims-based, requiring no additional data collection or submission burden for SNFs.

CMS would like to replace the SNFRM measure in the SNF VBP Program as soon as practicable and is proposing the SNF 30-Day Potentially Preventable Readmission measure (SNFPPR) as that replacement. The SNFPPR assesses facility-level risk-standardized rate of unplanned, potentially preventable hospital readmissions for SNF patients within 30 days of discharge from a prior admission to an inpatient, critical access, or psychiatric hospital. This measure is also claims-based and requires no additional reporting for SNFs.

Both SNF readmissions measures would be calculated as a standardized risk ratio (SRR) of the number of all-cause, unplanned readmissions (to an IPPS hospital or CAH) that occurred within 30 days of discharge from the prior proximal hospitalization, to the estimated number of risk-adjusted predicated unplanned readmissions for the same patients treated at the average SNF. The SRR is then multiplied by the overall national raw readmission rate for all SNF stays resulting in the risk-standardized readmission rate (RSRR).

Ratio Value	Indication
> 1.0	**Higher than expected readmission rate; lower level of quality**
< 1.0	**Lower than expected readmission rate; higher level of quality**

Inclusion/Exclusion Criteria

FR Pages 24,244

For both readmissions measures, the SNF admission also must take place within 1 day of discharge from a proximal hospital stay (IPPS, CAH or psychiatric hospital). An eligible SNF admission is considered to be in the 30-day risk window from the date of discharge from the proximal acute hospitalization until the 30-day period ends or the patient is readmitted to an IPPS or CAH.

Performance Standards and Scoring

FR Pages 24,246-24,254

Background: CMS is required by the PAMA to establish performance standards for the SNF VBP Program that include levels of achievement and improvement, which must be established and announced no later than 60 days prior to the beginning of the performance period for the FFY involved. Beginning in FFY 2019, the SNF VBP program will provide incentive payments to SNFs with higher levels of performance on the readmission measure, and penalties to lower-performing SNFs.

CMS is proposing achievement standards for SNF VBP quality measures as follows:

Performance Standard	Value
Achievement Threshold	**25th percentile of national SNF performance on the quality measure during the applicable baseline period**
Benchmark	**Mean of the top decile of SNF performance on the quality measure during the applicable baseline period**
Achievement Range	**SNFs would receive points on a scale between achievement threshold and benchmark**

CMS is seeking comment on whether CMS should consider adopting either the 50th or 15th percentiles of national SNF performance instead of the 25th percentile as the achievement threshold.

Similar to the Hospital VBP program, SNFs would receive achievement points if they meet or exceed the achievement threshold for the specified measure, and could increase their achievement score based on higher levels of performance.
Currently, CMS does not have the complete CY 2015 data set necessary to calculate a numerical value for the proposed achievement threshold and benchmark for the SNFRM measure but estimated these values as:

Measure ID	Estimated Performance Standards
SNFRM	**Achievement threshold 0.79551**
	Benchmark 0.83915

CMS plans to establish and announce performance standards for the FFY 2019 program no later than November 1, 2016. CMS intends to publish the final performance standards using complete data from CY 2015 in the FFY 2017 SNF PPS final rule.

The improvement threshold is proposed to be defined as each specific SNF's performance on the specific measure during the applicable baseline period. SNFs' performance would be measured during both the proposed baseline and performance periods, and points for improvement would be awarded by comparing SNFs' performance to the improvement threshold.

One year of data is used to calculate measure rates, shown in the table below:

Baseline period	Performance Period	Payment Period
January 1, 2015 – December 31, 2015	**January 1, 2017 – December 31, 2017**	**FFY 2019**

CMS is proposing to adopt a scoring methodology for the SNF VBP Program using a 0 to 100 point scale for achievement scoring and a 0 to 90 point scale for improvement, similar to that of the Hospital VBP Program.

The proposed equation for SNF achievement scores is below. SNFRM scores will be inverted so that a higher rate represents better performance:

$$\textbf{SNF Achievement Score} = \left([9 \times \frac{(SNFs' Perf.Period\ Inverted\ Rate - Achievement\ Threshold)}{(Benchmark - Achievement\ Threshold)}\right] + 0.5) \times 10$$

The proposed equation for SNF improvement scores is:

$$\textbf{SNF Improvement Score} = \left([9 \times \frac{(SNFs' Perf.Period\ Inverted\ Rate - SNF\ Baseline\ Period\ Inverted\ Rate)}{(Benchmark - SNF\ Baseline\ Period\ Inverted\ Rate)}\right] - 0.5) \times 10$$

Under the PAMA, the SNF VBP program will take the higher of achievement and improvement scores in calculating the SNF performance score.

Also in consideration is the adoption of an exchange function to translate SNF performance scores into value-based incentive payments under the SNF VBP Program during the applicable FFY, similar to the linear exchange function of the HVBP Program. CMS proposes to adopt this in future rulemaking.

Value-based incentive payment percentage calculation methods are not yet determined. However, the total amount of value-based incentive payments for all SNFs for a FFY must be greater than or equal to 50% but no more than 70% of total amount of reductions to payments for the FY as required by the PAMA.

Reporting/Review, Correction and Appeals Process

FR Pages 24,254

Beginning October 1, 2016, CMS is required by PAMA to provide quarterly feedback reports to SNFs on their performance on the readmission or resource use measure. CMS is proposing a two-phase data review and collection process for SNFs' measure and performance data that will be made public.

Phase One: Review and Correction of SNF's Quality Measure Information:
CMS is proposing to use one of four quarterly reports each year to provide SNFs an opportunity to review their data slated for public reporting. This report will provide a count of readmissions, the number of eligible stays at the SNF, the SNF's risk-standardized readmissions ratio, and the national SNF measure performance rate. In addition, CMS tends to provide the patient-level information used in calculating the measure rate and is requesting feedback on what patient-level information would be most useful to SNFs.

SNFs must make any correction requests within 30 days of posting the feedback report.

Phase Two: Review and Correction of SNF Performance Scores and Ranking:
CMS intends to inform each SNF of its payment adjustments as a result of the SNF VBP Program no later than 60 days prior to the fiscal year involved. In this report, CMS intends to provide SNFs with their SNF performance scores and ranking following phase one. Because SNFs will have had the opportunity to verify and correct their quality measure at, phase two will be limited only to corrections to the SNF performance score's calculation and ranking.

SNF Quality Reporting Program

FR Pages 24,256 – 24,275

The Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014 (P.L. 113-185) mandates the implementation of a quality reporting program for SNFs. Beginning in FY 2018, the IMPACT Act requires a 2 percent penalty for those SNFs that fail to submit required quality data to CMS.

For the FFY 2018 SNF QRP and subsequent years, CMS is proposing to adopt three measures addressing the Resource Use and Other Measure domain identified in the IMPACT Act: (1) Medicare Spending per Beneficiary; (2) Discharge to Community; and (3) Potentially Preventable 30-Day Post Discharge Readmission Measure.

For the FFY 2020 SNF QRP and subsequent years, CMS is proposing to adopt one additional measure addressing the Medication Reconciliation domain: Drug Regimen Review Conducted with Follow-Up for Identified Issues. The proposed data collection and submission reporting period for this measure is October 1, 2018 – December 31, 2018. The proposed data submission deadline for the FFY 2020 payment determination is May 15, 2019.

Summary Table of Domains and Measures Finalized for the FFY 2018 SNF Quality Reporting Program:

Domain	Measures
Skin Integrity and Changes in Skin Integrity	Outcome Measure: Percent of Residents or Patients with Pressure Ulcers that are New or Worsened (Short-Stay) (NQF #0678)
Incidence of Major Falls	Outcome Measure: Application of Percent of Residents Experiencing One of More Falls with Major Injury (Long Stay) (NQF #0674)
Functional Status, Cognitive Function, and Changes in Function and Cognitive Function	Process Measure: Application of Percent of Patients or Residents With an Admission and Discharge Functional Assessment and a Care Plan that Addresses Function (NQF#2631; endorsed on July 23,2015)

Several measures are also under consideration for the SNF QRP program for future years: (1) Transfer or health information and care preferences when an individual transitions; (2) Percent of residents who self-report moderate to severe pain; (3) Application of the change in self-care score for medical

rehabilitation patients; (4) Application of the change in mobility score for medical rehabilitation patients; (5) Application of the discharge self-care score for medical rehabilitation patients; (6) Application of the discharge mobility score for medical rehabilitation patients; (7) Percent of residents or patients who were assessed and appropriately given the seasonal influenza vaccines; and (8) Percent of SNF residents who newly received an antipsychotic medication.