

# Issue Brief

FEDERAL ISSUE BRIEF • August 1, 2016

## KEY POINT

- CMS projects that aggregate payments to skilled nursing facilities will increase in fiscal year 2017 by \$920 million, or 2.4 percent, from payments in FY 2016.

## CMS Updates FY 2017 Skilled Nursing Facility PPS

The Centers for Medicare and Medicaid Services has issued a final rule that will update the payment rates used under the prospective payment system for skilled nursing facilities for fiscal year 2017.

In addition, the rule specifies a potentially preventable readmission measure for the Skilled Nursing Facility Value-Based Purchasing Program, and implements requirements for that program, including performance standards, a scoring methodology, and a review and correction process for performance information to be made public, aimed at implementing value-based purchasing for SNFs. Additionally, this final rule includes additional polices and measures in the Skilled Nursing Facility Quality Reporting Program.

The document is currently on display at the *Federal Register* office. Publication is scheduled for August 5. A copy of the 278-page document is at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-18113.pdf>. This link will be superseded upon publication.

### MARKETBASKET AND RATE OF INCREASE

For FY 2017, the SNF marketbasket is 2.7 percent. This marketbasket percentage is reduced 0.3 percent by the Affordable Care Act's multifactor productivity adjustment. The resulting

MFP-adjusted SNF marketbasket update is equal to 2.4 percent, or 2.7 percent less 0.3 percent. CMS projects that aggregate payments to SNFs will increase in FY 2017 by \$920 million.

### FORECAST ERROR CORRECTION

The SNF PPS is the only PPS that requires a marketbasket forecast for errors. However, CMS' rule only makes corrections if the error is 0.5 percent or more. There will be no corrections in FY 2017 for the estimates made for FY 2015.

### COMMENT

The SNF update is, for the most part, straight forward. It does have clear sections explaining final decisions.

The rule spends considerable effort explaining both the SNF quality reporting requirements and the potential adoption of a value-based measure — some 102 pages. These are complex subjects and have lengthy discussions. Discussions that need in-depth review to understand and comprehend. Medicare is moving quickly to adopt quality and value-based measures. Such measures will dominate and impact payments.

### FY 2017 ANNUAL UPDATE OF PAYMENT RATES THROUGH THE PPS FOR SNFS

#### Labor-Related Share

The labor-related share will be 68.8 percent. It's currently 69.1.

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continued

## AIDS Add-on

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, still remains in effect.

## Wage Index

The wage index tables for this final rule can be accessed on the SNF PPS wage index home page at: <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPSP/WageIndex.html>.

## Case-Mix and Rates

The tables below include 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 Comp	Labor Rate	Non-Labor Rate	Total Rate
RUX	2.67	1.87	\$468.00	\$246.90		\$89.46	\$553.40	\$250.96	\$804.36
RUL	2.57	1.87	\$450.47	\$246.90		\$89.46	\$541.34	\$245.49	\$786.83
RVX	2.61	1.28	\$457.48	\$169.00		\$89.46	\$492.57	\$223.37	\$715.94
RVL	2.19	1.28	\$383.86	\$169.00		\$89.46	\$441.92	\$200.40	\$642.32
RHX	2.55	0.85	\$446.96	\$112.23		\$89.46	\$446.27	\$202.38	\$648.65
RHL	2.15	0.85	\$376.85	\$112.23		\$89.46	\$398.04	\$180.50	\$578.54
RMX	2.47	0.55	\$432.94	\$72.62		\$89.46	\$409.37	\$185.65	\$595.02
RML	2.19	0.55	\$383.86	\$72.62		\$89.46	\$375.61	\$170.33	\$545.94
RLX	2.26	0.28	\$396.13	\$36.97		\$89.46	\$359.52	\$163.04	\$522.56
RUC	1.56	1.87	\$273.44	\$246.90		\$89.46	\$419.54	\$190.26	\$609.80
RUB	1.56	1.87	\$273.44	\$246.90		\$89.46	\$419.54	\$190.26	\$609.80
RUA	0.99	1.87	\$173.53	\$246.90		\$89.46	\$350.80	\$159.09	\$509.89
RVC	1.51	1.28	\$264.67	\$169.00		\$89.46	\$359.91	\$163.22	\$523.13
RVB	1.11	1.28	\$194.56	\$169.00		\$89.46	\$311.68	\$141.34	\$453.02
RVA	1.10	1.28	\$192.81	\$169.00		\$89.46	\$310.47	\$140.80	\$451.27
RHC	1.45	0.85	\$254.16	\$112.23		\$89.46	\$313.62	\$142.23	\$455.85
RHB	1.19	0.85	\$208.58	\$112.23		\$89.46	\$282.27	\$128.00	\$410.27
RHA	0.91	0.85	\$159.50	\$112.23		\$89.46	\$248.50	\$112.69	\$361.19
RMC	1.36	0.55	\$238.38	\$72.62		\$89.46	\$275.52	\$124.94	\$400.46
RMB	1.22	0.55	\$213.84	\$72.62		\$89.46	\$258.63	\$117.29	\$375.92
RMA	0.84	0.55	\$147.24	\$72.62		\$89.46	\$212.81	\$96.51	\$309.32
RLB	1.50	0.28	\$262.92	\$36.97		\$89.46	\$267.87	\$121.48	\$389.35
RLA	0.71	0.28	\$124.45	\$36.97		\$89.46	\$172.61	\$78.27	\$250.88
ES3	3.58		\$627.50		\$17.39	\$89.46	\$505.23	\$229.12	\$734.35
ES2	2.67		\$468.00		\$17.39	\$89.46	\$395.50	\$179.35	\$574.85
ES1	2.32		\$406.65		\$17.39	\$89.46	\$353.29	\$160.21	\$513.50
HE2	2.22		\$389.12		\$17.39	\$89.46	\$341.23	\$154.74	\$495.97
HE1	1.74		\$304.99		\$17.39	\$89.46	\$283.35	\$128.49	\$411.84

## 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 Comp	Labor Rate	Non-Labor Rate	Total Rate
HD2	2.04		\$357.57		\$17.39	\$89.46	\$319.52	\$144.90	\$464.42
HD1	1.60		\$280.45		\$17.39	\$89.46	\$266.46	\$120.84	\$387.30
HC2	1.89		\$331.28		\$17.39	\$89.46	\$301.43	\$136.70	\$438.13
HC1	1.48		\$259.41		\$17.39	\$89.46	\$251.99	\$114.27	\$366.26
HB2	1.86		\$326.02		\$17.39	\$89.46	\$297.81	\$135.06	\$432.87
HB1	1.46		\$255.91		\$17.39	\$89.46	\$249.58	\$113.18	\$362.76
LE2	1.96		\$343.55		\$17.39	\$89.46	\$309.88	\$140.52	\$450.40
LE1	1.54		\$269.93		\$17.39	\$89.46	\$259.22	\$117.56	\$376.78
LD2	1.86		\$326.02		\$17.39	\$89.46	\$297.81	\$135.06	\$432.87
LD1	1.46		\$255.91		\$17.39	\$89.46	\$249.58	\$113.18	\$362.76
LC2	1.56		\$273.44		\$17.39	\$89.46	\$261.64	\$118.65	\$380.29
LC1	1.22		\$213.84		\$17.39	\$89.46	\$220.63	\$100.06	\$320.69
LB2	1.45		\$254.16		\$17.39	\$89.46	\$248.37	\$112.64	\$361.01
LB1	1.14		\$199.82		\$17.39	\$89.46	\$210.99	\$95.68	\$306.67
CE2	1.68		\$294.47		\$17.39	\$89.46	\$276.11	\$125.21	\$401.32
CE1	1.50		\$262.92		\$17.39	\$89.46	\$254.40	\$115.37	\$369.77
CD2	1.56		\$273.44		\$17.39	\$89.46	\$261.64	\$118.65	\$380.29
CD1	1.38		\$241.89		\$17.39	\$89.46	\$239.93	\$108.81	\$348.74
CC2	1.29		\$226.11		\$17.39	\$89.46	\$229.08	\$103.88	\$332.96
CC1	1.15		\$201.57		\$17.39	\$89.46	\$212.19	\$96.23	\$308.42
CB2	1.15		\$201.57		\$17.39	\$89.46	\$212.19	\$96.23	\$308.42
CB1	1.02		\$178.79		\$17.39	\$89.46	\$196.52	\$89.12	\$285.64
CA2	0.88		\$154.25		\$17.39	\$89.46	\$179.64	\$81.46	\$261.10
CA1	0.78		\$136.72		\$17.39	\$89.46	\$167.58	\$75.99	\$243.57
BB2	0.97		\$170.02		\$17.39	\$89.46	\$190.49	\$86.38	\$276.87
BB1	0.90		\$157.75		\$17.39	\$89.46	\$182.04	\$82.56	\$264.60
BA2	0.70		\$122.70		\$17.39	\$89.46	\$157.93	\$71.62	\$229.55
BA1	0.64		\$112.18		\$17.39	\$89.46	\$150.69	\$68.34	\$219.03
PE2	1.50		\$262.92		\$17.39	\$89.46	\$254.40	\$115.37	\$369.77
PE1	1.40		\$245.39		\$17.39	\$89.46	\$242.34	\$109.90	\$352.24
PD2	1.38		\$241.89		\$17.39	\$89.46	\$239.93	\$108.81	\$348.74
PD1	1.28		\$224.36		\$17.39	\$89.46	\$227.87	\$103.34	\$331.21
PC2	1.10		\$192.81		\$17.39	\$89.46	\$206.17	\$93.49	\$299.66
PC1	1.02		\$178.79		\$17.39	\$89.46	\$196.52	\$89.12	\$285.64
PB2	0.84		\$147.24		\$17.39	\$89.46	\$174.81	\$79.28	\$254.09
PB1	0.78		\$136.72		\$17.39	\$89.46	\$167.58	\$75.99	\$243.57
PA2	0.59		\$103.42		\$17.39	\$89.46	\$144.67	\$65.60	\$210.27
PA1	0.54		\$94.65		\$17.39	\$89.46	\$138.63	\$62.87	\$201.50

## 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 Comp	Labor Rate	Non-Labor Rate	Total Rate
RUX	2.67	1.87	\$447.09	\$284.69		\$91.11	\$566.15	\$256.74	\$822.89
RUL	2.57	1.87	\$430.35	\$284.69		\$91.11	\$554.63	\$251.52	\$806.15
RVX	2.61	1.28	\$437.04	\$194.87		\$91.11	\$497.44	\$225.58	\$723.02
RVL	2.19	1.28	\$366.72	\$194.87		\$91.11	\$449.06	\$203.64	\$652.70
RHX	2.55	0.85	\$427.00	\$129.40		\$91.11	\$445.49	\$202.02	\$647.51
RHL	2.15	0.85	\$360.02	\$129.40		\$91.11	\$399.40	\$181.13	\$580.53
RMX	2.47	0.55	\$413.60	\$83.73		\$91.11	\$404.85	\$183.59	\$588.44
RML	2.19	0.55	\$366.72	\$83.73		\$91.11	\$372.59	\$168.97	\$541.56
RLX	2.26	0.28	\$378.44	\$42.63		\$91.11	\$352.38	\$159.80	\$512.18
RUC	1.56	1.87	\$261.22	\$284.69		\$91.11	\$438.27	\$198.75	\$637.02
RUB	1.56	1.87	\$261.22	\$284.69		\$91.11	\$438.27	\$198.75	\$637.02
RUA	0.99	1.87	\$165.78	\$284.69		\$91.11	\$372.61	\$168.97	\$541.58
RVC	1.51	1.28	\$252.85	\$194.87		\$91.11	\$370.72	\$168.11	\$538.83
RVB	1.11	1.28	\$185.87	\$194.87		\$91.11	\$324.63	\$147.22	\$471.85
RVA	1.10	1.28	\$184.20	\$194.87		\$91.11	\$323.48	\$146.70	\$470.18
RHC	1.45	0.85	\$242.80	\$129.40		\$91.11	\$318.76	\$144.55	\$463.31
RHB	1.19	0.85	\$199.27	\$129.40		\$91.11	\$288.81	\$130.97	\$419.78
RHA	0.91	0.85	\$152.38	\$129.40		\$91.11	\$256.55	\$116.34	\$372.89
RMC	1.36	0.55	\$227.73	\$83.73		\$91.11	\$276.97	\$125.60	\$402.57
RMB	1.22	0.55	\$204.29	\$83.73		\$91.11	\$260.84	\$118.29	\$379.13
RMA	0.84	0.55	\$140.66	\$83.73		\$91.11	\$217.06	\$98.44	\$315.50
RLB	1.50	0.28	\$251.18	\$42.63		\$91.11	\$264.82	\$120.10	\$384.92
RLA	0.71	0.28	\$118.89	\$42.63		\$91.11	\$173.81	\$78.82	\$252.63
ES3	3.58		\$599.47		\$18.58	\$91.11	\$487.90	\$221.26	\$709.16
ES2	2.67		\$447.09		\$18.58	\$91.11	\$383.06	\$173.72	\$556.78
ES1	2.32		\$388.48		\$18.58	\$91.11	\$342.74	\$155.43	\$498.17
HE2	2.22		\$371.74		\$18.58	\$91.11	\$331.22	\$150.21	\$481.43
HE1	1.74		\$291.36		\$18.58	\$91.11	\$275.92	\$125.13	\$401.05
HD2	2.04		\$341.60		\$18.58	\$91.11	\$310.49	\$140.80	\$451.29
HD1	1.60		\$267.92		\$18.58	\$91.11	\$259.80	\$117.81	\$377.61
HC2	1.89		\$316.48		\$18.58	\$91.11	\$293.20	\$132.97	\$426.17
HC1	1.48		\$247.83		\$18.58	\$91.11	\$245.97	\$111.55	\$357.52
HB2	1.86		\$311.46		\$18.58	\$91.11	\$289.75	\$131.40	\$421.15
HB1	1.46		\$244.48		\$18.58	\$91.11	\$243.67	\$110.50	\$354.17
LE2	1.96		\$328.20		\$18.58	\$91.11	\$301.27	\$136.62	\$437.89
LE1	1.54		\$257.87		\$18.58	\$91.11	\$252.88	\$114.68	\$367.56
LD2	1.86		\$311.46		\$18.58	\$91.11	\$289.75	\$131.40	\$421.15
LD1	1.46		\$244.48		\$18.58	\$91.11	\$243.67	\$110.50	\$354.17
LC2	1.56		\$261.22		\$18.58	\$91.11	\$255.19	\$115.72	\$370.91
LC1	1.22		\$204.29		\$18.58	\$91.11	\$216.02	\$97.96	\$313.98
LB2	1.45		\$242.80		\$18.58	\$91.11	\$242.51	\$109.98	\$352.49
LB1	1.14		\$190.89		\$18.58	\$91.11	\$206.80	\$93.78	\$300.58

## 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 Comp	Labor Rate	Non-Labor Rate	Total Rate
CE2	1.68		\$281.32		\$18.58	\$91.11	\$269.01	\$122.00	\$391.01
CE1	1.50		\$251.18		\$18.58	\$91.11	\$248.28	\$112.59	\$360.87
CD2	1.56		\$261.22		\$18.58	\$91.11	\$255.19	\$115.72	\$370.91
CD1	1.38		\$231.08		\$18.58	\$91.11	\$234.45	\$106.32	\$340.77
CC2	1.29		\$216.01		\$18.58	\$91.11	\$224.08	\$101.62	\$325.70
CC1	1.15		\$192.57		\$18.58	\$91.11	\$207.95	\$94.31	\$302.26
CB2	1.15		\$192.57		\$18.58	\$91.11	\$207.95	\$94.31	\$302.26
CB1	1.02		\$170.80		\$18.58	\$91.11	\$192.98	\$87.51	\$280.49
CA2	0.88		\$147.36		\$18.58	\$91.11	\$176.85	\$80.20	\$257.05
CA1	0.78		\$130.61		\$18.58	\$91.11	\$165.33	\$74.97	\$240.30
BB2	0.97		\$162.43		\$18.58	\$91.11	\$187.22	\$84.90	\$272.12
BB1	0.90		\$150.71		\$18.58	\$91.11	\$179.16	\$81.24	\$260.40
BA2	0.70		\$117.22		\$18.58	\$91.11	\$156.11	\$70.80	\$226.91
BA1	0.64		\$107.17		\$18.58	\$91.11	\$149.20	\$67.66	\$216.86
PE2	1.50		\$251.18		\$18.58	\$91.11	\$248.28	\$112.59	\$360.87
PE1	1.40		\$234.43		\$18.58	\$91.11	\$236.75	\$107.37	\$344.12
PD2	1.38		\$231.08		\$18.58	\$91.11	\$234.45	\$106.32	\$340.77
PD1	1.28		\$214.34		\$18.58	\$91.11	\$222.93	\$101.10	\$324.03
PC2	1.10		\$184.20		\$18.58	\$91.11	\$202.20	\$91.69	\$293.89
PC1	1.02		\$170.80		\$18.58	\$91.11	\$192.98	\$87.51	\$280.49
PB2	0.84		\$140.66		\$18.58	\$91.11	\$172.24	\$78.11	\$250.35
PB1	0.78		\$130.61		\$18.58	\$91.11	\$165.33	\$74.97	\$240.30
PA2	0.59		\$98.80		\$18.58	\$91.11	\$143.44	\$65.05	\$208.49
PA1	0.54		\$90.42		\$18.58	\$91.11	\$137.68	\$62.43	\$200.11

### SNF VALUE-BASED PURCHASING PROGRAM

Section 215 of the Protecting Access to Medicare Act of 2014 added new subsections (g) and (h) to section 1888 of the Social Security Act. The new section 1888(h) authorizes the establishment of a Skilled Nursing Facility Value-Based Purchasing Program beginning with FY 2019 under which value-based incentive payments are made to SNFs based on performance.

These sections provide structure for the development of the SNF VBP Program, including, among other things, the requirement of only two measures — an all-cause, all-condition hospital readmission measure, which is to be replaced as soon as practicable by an all-condition risk-adjusted potentially preventable hospital readmission measure — and confidential and public reporting requirements for the SNF VBP Program.

CMS will adopt the all-cause, all-condition hospital readmission measure for FY 2019.

CMS is finalizing its definition of the achievement performance standard, which CMS refers to as the “achievement threshold,” for quality measures specified under the SNF VBP Program as the 25th percentile of national SNF performance on the quality measure during the applicable baseline period.

CMS is finalizing its proposal to define the “benchmark” for quality measures as the mean of the top decile of SNF performance on the applicable quality measure during the applicable baseline period.

The final values for the achievement threshold and the benchmark for the FY 2019 Program are displayed below. For clarity, CMS has inverted the SNFRM rate so that a higher rate represents better performance.

Measure ID	Measure Description	Achievement Threshold	Benchmark
SNFRM	SNF 30-Day All-Cause Readmission Measure (NQF #2510)	0.79590	0.83601

### COMMENT

CMS spends some 75 pages, 25 percent of the entire rule, explaining and responding to comments about this single item. As noted in the past, quality is both difficult to measure and even more difficult to translate to payments. It’s obvious that CMS is having a difficult time, too.

Payment changes are fairly easy to comprehend. This subject of quality is not. At one point in the discussion a commenter stated that “SNFs should not be penalized for readmissions when the conditions that prompted them are unrelated to the reasons the patient was admitted to the SNF.” The commenter also called on CMS to account for differences in each SNF’s mix of low income patients when calculating readmissions.

CMS’ response is that “the SNF VBP Program’s statute requires that the measures required under sections 1888(g)(1) and (2) of the Act must be ‘all-condition hospital readmission’ measures, which we believe necessitates attributing readmissions to SNFs even in the case the commenter specifies.”

The commenter’s suggestion seems correct and CMS’ seems inflexible and simply wrong. Perhaps the statute needs amending.

### SKILLED NURSING FACILITY QUALITY REPORTING PROGRAM

The Improving Medicare Post-Acute Care Transformation Act of 2014 requires the implementation of a quality reporting program for SNFs beginning with FY 2018. SNFs that do not submit required quality data to CMS under the SNF will be subject to a 2.0 percentage point reduction to their annual updates. The SNF QRP quality measures for the FY 2018 payment determinations and subsequent years are presented below.

Measure Title and NQF #	SNF PPS Final Rule	Data Collection Start Date	Annual Payment Determination: Initial and Subsequent APU Years
Percent of Residents or Patients with Pressure Ulcers That Are New or Worsened (Short Stay) (NQF #0678)	Adopted in the FY 2016 SNF PPS Final Rule (80 FR 46433 through 46440)	October 1, 2016	FY 2018 and subsequent years

Application of the NQF-endorsed Percent of Residents Experiencing One or More Falls with Major Injury (Long Stay) (NQF #0674)	Adopted in the FY 2016 SNF PPS Final Rule (80 FR 46440 through 46444)	October 1, 2016	FY 2018 and subsequent years
Application of Percent of Long-Term Care Hospital Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function (NQF #2631)	Adopted in the FY 2016 SNF PPS Final Rule (80 FR 46444 through 46453)	October 1, 2016	FY 2018 and subsequent years

In addition to the above measures, CMS proposed to adopt three new measures for the SNF QRP. These three measures were developed to meet the requirements of the IMPACT Act.

- Medicare Spending per Beneficiary-PAC SNF QRP;
- Discharge to Community-PAC SNF QRP; and
- Potentially Preventable 30-Day Post-Discharge Readmission Measure for SNF QRP.

CMS is finalizing the specifications of the MSPB-PAC SNF QRP resource use measure, as proposed. CMS is finalizing its proposal to adopt the measure, Discharge to Community-PAC SNF QRP as a Medicare FFS claims-based measure for the FY 2018 payment determination and subsequent years, with the added exclusion of residents with a hospice benefit in the 31-day post-discharge observation window.

CMS is finalizing its proposal to adopt the measure, Potentially Preventable 30-Day Post-Discharge Readmission Measure for SNF QRP, beginning with the FY 2018 payment determination.

CMS also is finalizing its proposal to adopt the measure, Drug Regimen Review Conducted with Follow-Up for Identified Issues-PAC SNF QRP measure, for the SNF QRP for the FY 2020 payment determination and subsequent years, as described in the Measure Specifications for Measures Adopted in the FY 2017 SNF QRP final rule, available at <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/NursingHomeQualityInits/Skilled-Nursing-Facility-Quality-Reporting-Program/SNF-Quality-Reporting-Program-Measures-and-Technical-Information.html>.

Analysis provided for MHA  
by Larry Goldberg,  
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## FINAL COMMENT

CMS spends over 100 pages discussing comments received on the four measures and its rationale for adoption. In addition, the rule has numerous tables and information regarding "Form, Manner, and Timing of Quality Data Submission."

Again, the subject of quality, development of quality measures, quality reporting and quality linked to payment has been and will continue to be a massive undertaking and needs similar resources at the provider level.