

PPS Alert for Long-Term Care

August 2017

\$370 million increase for SNFs raises more than just pay rates

It's been said that Rome wasn't built in a day, which is an archaic way of saying: Be patient, good things are coming. As the Centers for Medicare & Medicaid Services (CMS) navigate what some may consider to be healthcare's own modern-day Roman empire—a system undergoing serious revisions including how levels of care are monitored, the way reimbursement is divided, and the anything-but-straight-and-narrow shift from volume to value—SNF providers are participating in history being made. On Monday, July 31, with the publication of a multi-faceted [final rule](#), Rome's grand plans just got a little grander—but experts wonder if its tight budget will be enough to cover renovations.

Concerns from experts

CMS' final rule [confirmed](#) that SNFs will receive a 1% increase in FY2018 prospective payment system rates, translating to approximately \$370 million. The market basket increase falls short of the 2.3% (\$800 million) update [proposed prior](#) to the Medicare Access and CHIP Reauthorization Act (MACRA), otherwise referred to as last year's "permanent doc fix," which mandated that all post-acute care providers receive no more than a 1% increase in FY2018 to offset part of the cost of legislation.

While the 1% increase "is critical for skilled nursing providers," says **Mark Parkinson, President and CEO, AHCA/NCAL**, some experts are raising concerns about whether the increase will be enough to support the cost of changes that the post-acute care industry is undergoing, including the increasing need to offer competitive staff wages and benefits in an industry known for its high staff turnover rates, increased costs as a result of shorter stays that require more resources for admissions, [care planning](#), and discharge planning, and mandates under the [revisions to Requirements of Participation](#).

"MedPAC estimated that the average operating margin for SNFs is 1.8%. Such thin operating margins are increasingly difficult to sustain with pressures to [invest](#) in efforts to achieve [high-quality care](#) and [regulatory compliance](#), and to remain competitive amongst peers," says **Stefanie Corbett, DHA**, Post-Acute Care Regulatory Specialist for HCPro.

Another concern is that "not all SNFs will see an actual 1% increase," says **Janet Potter, CPA, MAS**, Senior Manager at Marcum, LLP. "Due to other factors such as changes in the wage index, some geographic regions will actually see a decrease. Other regions may have a greater than 1% increase. The 1% is based on the national average," she says. The hope, however, is that SNFs won't have to function on profit margins that are this limiting for long. "The MACRA cap will only affect fiscal year 2018, and regular increases or decreases will be back in effect after this year," says Potter.

Parkinson says that "While there are some suggestions we offered that were not incorporated, AHCA is pleased CMS expressed willingness to work with providers on updates to the market basket going forward."

From blueprints to building: What's changed?

Though the market basket index update came as little surprise to providers who got a glimpse of the increase in a [proposed rule published in April](#), the amount identified in the final rule falls about \$20 million short of the initial \$390 million calculation, instead estimated to be about \$370 million. Another change to the final version of the rule adjusted the market basket base year from FY2010 to FY2014.

The rule also includes comments that the agency has received so far on the Advanced Notice for Proposed Rulemaking [regarding a new payment system](#) published in April. The deadline for [comments](#) was [extended](#) to August 25. "Additionally, CMS indicated that it's making [technical changes](#) to the composition of survey team members, stating that an RN would be part of every standard annual [survey](#) team but not necessarily a part of an investigative team tasked with complaint surveys," says **Reginald M. Hislop, III, PhD**, managing partner H2 Healthcare, LLC.

Parkinson says that AHCA/NCAL "are still reviewing the separate pre-rule notice issued by CMS and look forward to a dialogue with CMS on improving the SNF payment system."

Focus remains on reducing rehospitalizations

CMS continues to create incentives for SNFs to reduce their [rehospitalization rates](#). Under SNF VBP, which is scheduled to begin October 1, 2018, “CMS will reduce SNFs’ [Part A payments](#) by 2% to create an incentive pool under VBP based on one readmission measure, beginning in 2019,” says Hislop. The withhold can be earned back based on the SNF’s rehospitalization rate and level of improvement. “However,” says Potter, “only 60% of the total monies collected will be repaid to SNFs; the remainder will go back into the [Medicare](#) Trust Fund. Therefore, while some SNFs may earn back all the withheld funds, some SNFs throughout the country will see decreases in reimbursement if their performance is lower than other SNFs.”

New measures under SNF QRP

As outlined in the proposed rule, the final rule confirms that SNFs failing to submit quality data required by the SNF QRP will be subject to a [2% point reduction](#). Providers will need to ensure that they are submitting the required data for quality measures

currently in place, as well as those added in the final rule, which include replacing the current [pressure ulcer](#) measure with an updated version of that measure— *Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury*—and adopting four new outcome-based functional measures on resident functional status, which are as follows:

Change in self-care score

Change in mobility score

Discharge self-care score

Discharge mobility score

“These are the same measures found on the Inpatient Rehab Hospital QRP and included now for SNFs as part of the IMPACT Act requirements,” says Hislop. “CMS is continuing to finalize the reporting of six new measures, plus how it will report the measure on Skin Integrity/Pressure Injuries.” The agency has set a target date of 2020 for these determination.

Additionally, the final rule updates the performance period for the NHSN Healthcare Personnel Influenza Vaccination Reporting Measure to October 1, 2017, through March 31, 2018 for the End-Stage Renal Disease Quality Incentive’s Payment Year 2020.