

MEDICARE SKILLED NURSING FACILITY PROSPECTIVE PAYMENT SYSTEM

Overview and Resources

On March 28, 2024, the Centers for Medicare & Medicaid Services (CMS) released the proposed federal fiscal year (FFY) 2025 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 and other resources related to the SNF PPS are available here. An online version of the proposed rule is available here.

Program changes adopted by CMS will be effective for discharges on or after October 1, 2024, unless otherwise noted. CMS estimates the overall economic impact of this proposed payment rate update to be an increase of \$1.3 billion in aggregate payments to SNFs in FFY 2025 over FFY 2024 and a reduction of \$187.69 million due to the SNF Value-Based Purchasing (VBP) Program carve-out.

Comments on the proposed rule are due to CMS by May 28, 2024, and can be submitted electronically here by using the website’s search feature to search for file code “CMS-1802-P.”

SNF Payment Rates

CMS periodically rebases the market basket to reflect the changes in the goods and services needed to furnish SNF services. CMS proposed to rebase and revise the SNF market-basket to reflect a FFY 2022 base year, beginning with FFY 2025, rather than the current FFY 2018 base year for both freestanding and hospital-based SNFs.

The tables below show the proposed urban and rural SNF Patient-Driven Payment Model (PDPM) federal per-diem payment rates for FFY 2025 compared to the rates currently in effect. These rates apply to hospital-based and freestanding SNFs, as well as to payments made for non-Critical Access Hospital swing-bed services.

| Unadjusted Case-Mix Rate Component | | Urban SNFs | | |
|------------------------------------|---------------------------------|----------------|-------------------|----------------|
| | | Final FFY 2024 | Proposed FFY 2025 | Percent Change |
| Nursing | Nursing | \$122.48 | \$127.52 | +4.11% |
| | Non-Therapy Ancillary (NTA) | \$ 92.41 | \$96.21 | |
| Therapy | Physical Therapy (PT) | \$ 70.27 | \$73.16 | |
| | Occupational Therapy (OT) | \$ 65.41 | \$68.10 | |
| | Speech-Language Pathology (SLP) | \$ 26.23 | \$27.31 | |
| Non-Case-Mix | | \$ 109.69 | \$114.20 | |
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The table below provides details of the proposed updates to the SNF payment rates for FFY 2025.

| | Proposed SNF Rate Updates |
|------------------------------------------------------------|------------------------------|
| Market-basket Update | +2.8% |
| Affordable Care Act (ACA)-Mandated Productivity Adjustment | -0.4 percentage points (PPT) |
| Forecast Error Adjustment | +1.7 PPTs |
| Wage Index/Labor-Related Share Budget Neutrality | 1.0002 |
| Overall Rate Change | 4.11% |

Wage Index, Labor-Related Share, and Revised CBSA Delineations

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. CMS proposed to continue the use of the pre-floor, pre-reclassification IPPS wage index. The labor-related share for FFY 2025 is proposed at 71.9%, compared to 71.1% in FFY 2024. This update reflects labor related cost categories from the proposed market-basket revisions.

CMS applies a 5% cap on any decrease to the SNF wage index, compared with the previous year's wage index. The cap is applied regardless of the reason for the decrease and implemented in a budget neutral manner. This also means that if a SNF's prior FFY wage index is calculated with the application of the 5% cap, the following year's wage index will not be less than 95% of the IPF's capped wage index in the prior FFY. A new SNF is paid the wage index for the area in which it is geographically located for its first full or partial FFY with no cap applied, because a new SNF would not have a wage index in the prior FFY.

CMS proposed a wage index and labor-related share budget neutrality factor of 1.0002 for FFY 2025 to ensure that aggregate payments made under the SNF PPS are not greater or less than would otherwise be made if wage adjustments had not changed. This includes the budget neutrality for the permanent 5% cap on wage index decreases.

On July 21, 2023, the Office of Management and Budget (OMB) issued OMB Bulletin No. 23-01 here that made a number of significant changes related Core Based Statistical Area (CBSA) delineations. To align with these changes, CMS proposed to adopt the newest OMB delineations for the FFY 2025 SNF PPS wage index. If CMS adopts this proposal, 54 counties that are currently part of an urban CBSA would be considered located in a rural area (including one urban county in Connecticut that being redesignated to a newly proposed rural CBSA), listed in Table 22, and 54 counties that are currently located in rural areas

would be considered located in urban areas, listed in Table 23. While 43% of SNFs may experience decreases in their area wage index values under this proposal, the 57% would see increases. Less than 1% of providers would face significant decreases exceeding 5% in their area wage index values. Since CMS already applies a 5% cap on wage index losses from year to year, CMS does not believe any additional transition policies are needed to account for the changes in wage index.

A complete list of the wage indexes proposed for payment in FFY 2025 is available on the CMS website.

Case-Mix Adjustment

CMS uses the PDPM classification system to adjust payments to account for the relative resource utilization of different patient types. The case-mix components of the PDPM address costs associated with an individual’s specific needs and characteristics, while the non-case-mix component addresses consistent costs that are incurred for all residents, such as room and board and various capital-related expenses. Under PDPM, patients are classified based on PT, OT, SLP, Nursing, and NTA. The case-mix adjusted PDPM payment rates for FY 2025 are separately listed for urban and rural SNFs. These payments are added together along with the non-case-mix component payment rate to create a resident’s total SNF PPS per diem rate.

The proposed FFY 2025 CMI updates for each component are found in Tables 5 and 6. SNF VBP adjustments and variable per diem rates are not reflected in these tables.

For FFY 2025, CMS is also proposing a change to the clinical category assignment for four new ICD-10 code mappings that were effective on October 1, 2023:

| ICD-10 Code | ICD-10 Description | Current Category Mapping | Proposed Category Mapping |
|-------------|---------------------------------|--------------------------|---------------------------|
| E88.10 | Metabolic Syndrome | Medical Management | Return to Provider |
| E88.811 | Insulin Resistance Syndrome | Medical Management | Return to Provider |
| E88.818 | Other Insulin Resistance | Medical Management | Return to Provider |
| E88.819 | Insulin Resistance, Unspecified | Medical Management | Return to Provider |

Request For Information (RFI): NTA Component

The NTA component of the PDPM utilizes a comorbidity score to assign patients into NTA component case-mix groups. The comorbidity score is based on conditions or extensive services reported by providers on certain items of the Minimum Data Set.

CMS is considering changes to the NTA study population and overlap methodology. Specifically, CMS seeks comment on:

- Updates to the study and population methodology; and
- Updates to conditions and extensive services used for NTA classification.

Consolidated Billing

CMS requires a SNF to submit consolidated Medicare bills to its Medicare Administrative Contractor (MAC) that must include services its residents received during a covered Part A stay. A small list of services are currently excluded from consolidated billing and are separately billable under Part B when furnished to a SNF’s Part A resident. CMS seeks public comment to identify additional Healthcare Common Procedure Coding System (HCPCS) codes that, due to recent medical advances, might meet the criteria for exclusion from SNF consolidated billing in the following five service categories: chemotherapy items, chemotherapy administration services, radioisotope services, customized prosthetic devices, and

blood clotting factors. The latest list of excluded codes can be found on CMS' SNF Consolidated Billing website.

SNF Value-Based Purchasing Program

CMS proposed updates to definitions and terminology in the SNF VBP Program, aiming for consistency and clarity. CMS proposes replacing references to the Skilled Nursing Facility Potentially Preventable Readmissions (SNFPPR) measure with the Skilled Nursing Facility Within-Stay Potentially Preventable Readmission (SNF WS PPR) measure, effective October 1, 2027, redesignating "performance score" as "SNF performance score", and "program year" with "fiscal year".

The FFY 2027 measure minimums are also proposed to be applied to FFY 2028 and subsequent years. Specifically, CMS proposed that for FFY 2028 a SNF must report a minimum number of cases for four of the eight measures during the performance period in order to receive a SNF performance score.

CMS is also proposing a measure selection, retention, and removal policy for the FFY 2026 SNF VBP Program Year that mirrors other CMS quality reporting programs:

1. A measure adopted for SNF VBP would remain in the program for all subsequent years unless proposed to be removed or replaced. CMS may choose to immediately remove a measure from the SNF VBP measure set if continuing to require SNFs to submit data on the measure raises specific resident safety concerns. Notice of the removal, along with a statement of the safety concerns raised, would be provided to SNFs and the public, with notification in the *Federal Register*.
2. Measures can be removed or replaced through notice and comment rulemaking.
3. Criteria to determine whether a measure should be considered for removal or replacement include:
 - a. SNF performance on the measure is so high and unvarying that meaningful distinctions and improvements in performance can no longer be made;
 - b. Performance and improvement on a measure do not result in better resident outcomes;
 - c. A measure no longer aligns with current clinical guidelines or practices;
 - d. A more broadly applicable measure for the particular topic is available;
 - e. A measure that is more proximal in time to the desired resident outcomes for the particular topic is available;
 - f. A measure that is more strongly associated with the desired resident outcomes for the particular topic is available;
 - g. The collection or public reporting of a measure leads to negative unintended consequences other than resident harm; and
 - h. The costs associated with a measure outweigh the benefit of its continued use in the Program.

CMS proposed the following performance standards for the FFY 2027 and FFY 2028 program years:

| Proposed FFY 2027 SNF VBP Program Performance Standards | | |
|---------------------------------------------------------|-----------------------|-----------|
| Measure ID | Achievement Threshold | Benchmark |
| SNFRM | 0.78800 | 0.82971 |
| SNF HAI Measure | 0.92315 | 0.95004 |
| Total Nurse Staffing Measure | 3.18523 | 5.70680 |

| | | |
|----------------------------------------------------|----------------|----------------|
| Nurse Staff Turnover Measure | 0.35912 | 0.72343 |
| Falls with Major Injury (Long-Stay) Measure | 0.95327 | 0.99956 |
| Long Stay Hospitalization Measure | 0.99777 | 0.99964 |
| DC Function Measure | 0.40000 | 0.79764 |

| Proposed FFY 2028 SNF VBP Program Performance Standards | | |
|----------------------------------------------------------------|------------------------------|------------------|
| Measure ID | Achievement Threshold | Benchmark |
| DTC PAC SNF Measure | 0.42946 | 0.66370 |
| SNF WS PPR Measure | 0.86756 | 0.92527 |

Review and Correction Process

CMS proposed to utilize their Phase One review and correction process to all SNF VBP Program measures, regardless of data source, beginning with the FFY 2026 program. For corrections to be incorporated into the SNF VBP Program's quarterly confidential feedback reports, SNFs must rectify any errors in the underlying data before the specified "snapshot date." Below are the measures and their respective snapshot dates.

SNF Healthcare Associated Infections, Discharge to Community – Post-Acute Care SNF, and SNF WS PPR:

- Snapshot Date: 3 months following the last SNF discharge.

Long Stay Hospitalization Measure:

- Snapshot Date: 3 months following the final quarter of the baseline or performance period

Payroll-Based Journal Measures (Total Nurse Staffing and Nursing Staff Turnover):

- Snapshot Date: 45 calendar days after the last day in each fiscal quarter.

MDS-Based Measures (DC Function and Falls with Major Injury Long-Stay):

- Snapshot Date: February 15th that is 4.5 months after the last day of the baseline or performance period, with adjustments for weekends or federal holidays.

The previously adopted SNF VBP measures are shown in the table below:

| Measure Name | Measure ID | First Program Year | First Performance Period |
|------------------------------------------------------------------------------|-------------------|----------------------------------------------------------|---------------------------------|
| SNF 30-Day All-Cause Readmission Measure | SNFRM | FFY 2017 (to be replaced with SNF WS PPR in FFY 2028) | FFY 2015 |
| SNF Healthcare-Associated Infections (HAI) Requiring Hospitalization Measure | SNF HAI Measure | FFY 2026 | FFY 2024 |

| | | | |
|-------------------------------------------------------------------------------------------|---------------------------------------------|----------|----------------|
| Total Nurse Staffing Hours per Resident Day Measure | Total Nurse Staffing Measure | FFY 2026 | FFY 2024 |
| Total Nurse Staff Turnover Measure | Nurse Staff Turnover Measure | FFY 2026 | FFY 2024 |
| Discharge to Community (DTC)—Post-Acute Care Measure (PAC) for SNFs | DTC PAC SNF Measure | FFY 2027 | FFYs 2024-2025 |
| Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay) Measure | Falls with Major Injury (Long-Stay) Measure | FFY 2027 | FFY 2025 |
| Discharge Function (DC) Score for SNFs Measure | DC Function Measure | FFY 2027 | FFY 2025 |
| Number of Hospitalizations per 1,000 Long Stay Resident Days Measure | Long Stay Hospitalization Measure | FFY 2027 | FFY 2025 |
| SNF Within-Stay Potentially Preventable Readmissions Measure | SNF WS PPR Measure | FFY 2028 | FFYs 2025-2026 |

Extraordinary Circumstances Exception (ECE)

Beginning FFY 2025, CMS proposed to expand its policy to allow a SNF to request an ECE if the SNF can prove that the extraordinary circumstance is the reason why they are unable to report on one or more SNF VBP measures by the deadline, to align with the ECE policies for the SNF Quality Reporting Program (QRP). CMS is also proposing to update the request submission process, which would eliminate the completion of a form and require the SNF to submit information via email to the Help Desk. Beginning in the FFY 2025 program year, SNFs can request an ECE via email with the subject line “SNF VBP Extraordinary Circumstances Exception Request” to the SNF VBP Program Help Desk with the following information:

- The SNF’s CMS Certification Number CCN
- The SNF’s business name and business address
- Contact information for the SNF’s Chief Executive Officer (CEO) or CEO-designated personnel, including all applicable names email addresses, telephone numbers, and the SNF’s physical mailing address (not a PO Box)
- A description of the event, including the dates and duration of the extraordinary circumstance
- Available evidence of the impact of the extraordinary circumstance on the care the SNF provided to its residents or the SNF’s ability to report SNF VBP measure data, including, but not limited to, photographs, media articles, and any other materials that would aid CMS in determining whether to grant the ECE
- A date when the SNF believes it will again be able to fully comply with the SNF VBP Program’s requirements and a justification for the proposed date.

Health Equity – FFY 2024 REI Considerations

CMS is considering the creation of health-equity-focused metrics that would utilize SNF HAI, DC Function, DTC PAC SNF, and SNF WS PPR measures. The measures or metrics being considered for bonus points are:

- A high-social risk factor (SRF) measure that utilizes an existing Program measure where the denominator of the measure only includes residents with a given SRFs.
- A worst-performing group measure that utilize an existing Program measure and compares the quality of care among residents with and without a given SRF on that measure and places greater weight on the performance of the worst-performing group with the goal of raising the quality floor at every facility.
- A within-provider difference measure that assesses performance differences between residents (those with and without a given SRF) within a SNF on an existing Program measure, creating a new measure of disparities within SNFs.

SNF QRP

The Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014 mandates a quality reporting program for SNFs. Beginning in FFY 2018, the IMPACT Act requires a two percentage point penalty applied to the standard market basket rate adjustment, for those SNFs that fail to submit required quality data to CMS.

Currently SNF QRP has 15 adopted measures for the FFY 2025 SNF QRP, which are listed below and in Table 28. CMS is not proposing to adopt any new measures.

| Summary Table of Domains and Measures Adopted for the FFY 2025 SNF QRP | |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Short Name | Measures |
| Resident Assessment Instrument Minimum Data Set Measures (Assessment-Based) | |
| Pressure Ulcer/Injury | Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury |
| Application of Falls | Application of Percent of Residents Experiencing One of More Falls with Major Injury (Long Stay) (NQF #0674) |
| Patient/Resident COVID-19 Vaccine | COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date |
| Discharge Mobility Score | Application of IRF Functional Outcome Measure: Discharge Mobility Score for Medical Rehabilitation Patients (NQF #2636) |
| DC Function | Discharge Function Score |
| Discharge Self-Care Score | Application of IRF Functional Outcome Measure: Discharge Self-Care Score for Medical Rehabilitation Patients (NQF #2635) |
| DRR | Drug Regimen Review Conducted with Follow-Up for Identified Issues |
| TOH-Provider | Transfer of Health (TOH) Information to the Provider Post-Acute Care (PAC) |
| TOH-Patient | Transfer of Health Information to the Patient PAC |
| Claims-Based Measures | |

| | |
|-------------------------------------------|----------------------------------------------------------------------|
| MSPB SNF | Total Estimated Medicare Spending per Beneficiary (MSPB) |
| DTC | Discharge to Community |
| PPR | Potentially Preventable 30-Day Post Discharge Readmission Measure |
| SNF HAI | SNF Healthcare-Associated Infections (HAI) Requiring Hospitalization |
| National Healthcare Safety Network (NHSN) | |
| HCP COVID-19 Vaccine | COVID-19 Vaccination Coverage among Healthcare Personnel (HCP) |
| HCP Influenza Vaccine | Influenza Vaccination Coverage among Healthcare Personnel (HCP) |

CMS proposed to require SNFs to report four new items to the standardized patient assessment data elements social determinants of health (SDOH) category beginning with the FFY 2027 SNF QRP:

- Living Situation – “What is your living situation today?”
- Food – “Within the past 12 months, you worried that your food would run out before you got money to buy more.”
- Food – “Within the past 12 months, the food you bought just didn’t last and you didn’t have money to get more.”
- Utilities – “In the past 12 months, has the electric, gas, oil, or water company threatened to shut off services in your home?”

A draft of the Utilities item proposed as a standardized patient assessment data element under the SDOH category can be found here.

Additionally, CMS proposed to modify the transportation item of the SNF the standardized patient assessment beginning with the FFY 2027 QRP from “Has lack of transportation kept you from medical appointments, meetings, work, or from getting things needed for daily living?” to “In the past 12 months, has lack of reliable transportation kept you from medical appointments, meetings, work or from getting things needed for daily living?” in order to distinguish the look back period and to simplify response options. In addition, the proposed revised assessment item would be collected at admission only, which will decrease provider burden since the current assessment item is collected at both admission and discharge.

CMS would require SNFs to collect and submit the new items in the MDS as a standardized patient assessment data element under the SDOH category for residents admitted on October 1, 2025 – December 31, 2025, of the FFY 2027. In calendar year (CY) 2026, SNFs would then but required to submit data for the entire CY for each program year.

Lastly, CMS proposed to emulate the validation process for SNF QRP that has been adopted for the SNF VBP in FFY 2024 SNF PPS final rule beginning in FFY 2027 SNF QRP.

RFI – Quality Measure Concepts Under Consideration for Future Years

CMS seeks input on the importance, relevance, appropriateness, and applicability of the following concepts under consideration for SNF QRP measures in future rulemaking: Vaccination Composite, Pain Management, Depression, and Patient Experience of Care/Patient Satisfaction.

Civil Money Penalties: Noncompliance

CMS proposed revisions to regulations regarding Civil Money Penalties (CMPs) imposed on nursing homes for noncompliance with safety and quality standards. CMS has proposed to redefine “instance” as a separate occurrence when a facility fails to meet a participation requirement. CMS’ proposal would

allow multiple per instance (PI) CMPs for separate instances of noncompliance and both per day (PD) and PI CMPs to be imposed during the same survey. Additionally, CMS has proposed to change the ability to impose both PI and PD CMPs for noncompliance findings in the same survey. This allows penalties to be tailored based on the severity and nature of harm caused, ensuring that penalties are proportionate to the violations. For each instance of noncompliance, CMS and the State may propose a PD CMP of \$3,050 to \$10,000 and a PI CMP of \$1,000 to \$10,000, or both, in addition to other specified remedies. CMS will also extend the lookback period for imposing the CMPs for past noncompliance from the “last standard survey” to the “last three standard surveys”.

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