



Medicare Skilled Nursing Facility Prospective Payment System Proposed Rule Impact Analysis

Federal Fiscal Year 2025 | Version 1

Analysis Description

The federal fiscal year (FFY) 2025 Medicare skilled nursing facility (SNF) prospective payment system (PPS) proposed rule analysis is intended to show providers how Medicare fee-for-service payments would change from FFY 2024 to FFY 2025 based on the policies set forth in the proposed rule.

FFY 2025 SNF PPS Proposed Rule Changes Modeled in This Analysis:

- Market Basket Update: 2.8% increase to account for cost increases in the services furnished by providers.
- ACA-Mandated Productivity Adjustment: 0.4 percentage point (PPT) reduction to the market basket authorized by the Affordable Care Act (ACA) of 2010.
- Forecast Error Adjustment: 1.7 PPT increase to the SNF rate in order to address unanticipated price fluctuations that may result in differences between actual price increases and those forecasted to calculate the SNF update factor.
- Wage Index Budget Neutrality: A budget neutrality factor of 1.0002 due to changes in the wage index and labor-related share, including the budget neutrality adjustment tied to the 5% cap on wage index decreases. Also includes all other budget neutrality adjustments (such as rounding the dollar value of the payment rate) that were not otherwise noted.
- Wage Index and Labor-Related Share Impact: Updated wage index values are based on the FFY 2025 IPPS proposed rule wage indexes excluding occupational mix, rural floor, reclassifications, or outmigration adjustments. This impact includes the impact of new wage data, and an increase to the labor-share from 71.1% for FFY 2024 to 71.9% for FFY 2025. The impact also includes the result of the 5% cap on any reduction of a SNF's FFY 2025 wage index from the FFY 2024 wage index, the value of which is also broken out separately, and the impact of the change in rural status for providers due to the proposed CBSA updated delineations.

- VBP Year-Over-Year Adjustment: Year-to-year change in provider-specific SNF Value-Based Purchasing (VBP) performance.

The values shown in the impact table do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress through FFY 2032. The estimated sequestration reduction applicable to SNF PPS-specific payment for FFY 2025 has been calculated separately and is provided at the bottom of the impact table.

CMS provides a SNF PDPM Grouper Tool as well as other resources to assist SNFs in understanding the process by which SNF residents would be classified into PDPM payment on their website:

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/therapyresearch.html>

Data Sources

SNF PPS payments for FFY 2025 are based on FFY 2022 SNF claims sourced from the calendar year (CY) 2021-2022 SNF Standard Analytical Files Limited Dataset (SAF LDS) 100% claims data. SNF PPS payments for FFY 2025 are calculated by applying all update factors to the FFY 2024 totals. Wage indexes, labor shares, and the per-diem payment rates are from the FFYs 2023-2024 final rules and the FFY 2025 proposed rule. SNF VBP adjustments are from the final FFY 2024 SNF VBP performance from Nursing Home Compare and are held constant for FFY 2025.

The list of SNFs included in the analysis are limited to those SNFs with data in the FFY 2022 SNF SAF LDS claims data.

Methods

The dollar impact of each component change has been calculated by first estimating FFY 2024 payments based on total revenue from the FFY 2022 SNF SAF LDS claims data. Then, each proposed change to the SNF PPS rate components is calculated and applied to estimated FFY 2024 payments. The impacts are applied sequentially in order to capture the compounded dollar impacts. For example, the change due to the market basket is applied to total FFY 2024 payments, then the ACA-mandated productivity reduction is applied to the result of the prior change, etc. Lastly, estimated SNF VBP incentive multipliers are applied to the calculated payments in order to estimate FFY 2025 payments.

This analysis does NOT include impact estimates for payments under Medicare Managed Care, or any modifications to FFS payments as a result of SNF participation in new payment models being tested under Medicare demonstration/pilot programs.

Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods.

Note: Individual percentages and dollars shown in this analysis may not add to total due to compounding and rounding. Dollar amounts less than \$50 and percentages less than 0.05% will appear as zeros due to rounding.