



Medicare Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Final Rule Impact Analysis Federal Fiscal Year (FFY) 2020

-Version 1-

Analysis Description

The analysis of the FFY 2020 final rule for SNFs is intended to show providers how Medicare PPS payments may change from FFY 2019 to FFY 2020 based on the policies set forth in the FFY 2020 SNF PPS final rule.

FFY 2020 SNF PPS Final Changes Modeled in this Analysis

- **Marketbasket Update**: 2.8% increase to account for price increases in the services furnished by providers.
- **ACA-Mandated Productivity Reduction**: 0.4 percentage point reduction to the marketbasket authorized by the Affordable Care Act (ACA) of 2010.
- **PDPM Impact**: In FFY 2020 CMS is adopting a new case-mix adjustment methodology, the Patient-Driven Payment Model (PDPM) to replace the current RUGS-IV. The estimated change to SNF PPS payments due to PDPM is shown.
- **Budget Neutrality Adjustments**: A budget neutrality factor of 1.0002 due to changes in the wage index.
- **Wage Index and Labor-Related Share Impact**: Updated wage index values are based on the FFY 2020 IPPS final rule wage indexes excluding rural floor or reclassifications. This impact includes the impact of new wage data, and the finalized change to the labor-share from 70.5% in FFY 2019 to 70.9% for FFY 2020.
- **SNF VBP Impact**: The impact of SNF VBP using Nursing Home Compare's final FFY 2019 SNF VBP performance file. Due to limited data availability, FFY 2020 SNF VBP performance is held constant at the FFY 2019 level and therefore actual performance in the FFY 2020 SNF VBP program may differ.

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 2027. The estimated sequestration reduction applicable to SNF PPS-specific payment has been calculated separately and is provided at the bottom of the impact table.

If a SNF was not in the CMS PDPM Provider Specific Impact File, the State percent change due to PDPM, based on if the provider is hospital-based/swing bed or freestanding, was used to estimate change in SNF PPS payments due to PDPM for that provider.

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 2019 are calculated using patient days by Resource Utilization Groups, version IV (RUG-IV) category as reported on Worksheet S-7 from the most recent Medicare Cost Report (2018 in most cases). Swing bed days are included for PPS facilities but are excluded for Critical Access Hospitals (CAHs). RUG-IV days are multiplied by the FFY 2019 per-diem amounts, adjusted for wage index and labor-share, then by the therapy and nursing indexes. SNF PPS payments for FFY 2020 are calculated using the percent change from CMS' PDPM Provider Specific Impact file and applying it to the FFY 2019 payment value after all updates. Wage indexes, labor shares, and the per-diem payment rates are from the FFY 2019 final rule correction notice and the FFY 2020 final rule Federal Registers. Payment estimates shown do not reflect any per-diem add-on payments for patients with Acquired Immune Deficiency Syndrome (AIDS).

SNFRM scores are from the final FFY 2019 SNF VBP performance from Nursing Home Compare.

Estimated impacts due to PDPM are based on the percentages from CMS' PDPM Provider Specific Impact file.

Methods

The dollar impact of each component change has been calculated by first estimating FFY 2019 payments based on reported volume (for FFY 2018 in most cases), the FFY 2019 SNF PPS rate components, and FFY 2019 SNF VBP adjustments. Then, each adopted change to the SNF PPS rate components is calculated and applied to estimated FFY 2019 payments. The impacts are applied sequentially in order to capture the compounded dollar impacts. For example, the change due to the marketbasket is applied to total FFY 2019 payments, then the ACA-mandated productivity reduction is applied to the result of the prior change, etc. The hospital specific impact of PDGM is applied to the FFY 2019 payments in order to estimate the impact of PDGM. Lastly, SNF VBP incentive multipliers are applied to the calculated payments in order to estimate FFY 2020 payments.

This analysis does NOT include impact estimates for payments under Medicare Managed Care, or any modifications in 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.