



Medicare Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Proposed Rule Impact Analysis Federal Fiscal Year (FFY) 2021

-Version 1-

Analysis Description

The analysis of the FFY 2021 proposed rule for SNFs is intended to show providers how Medicare PPS payments may change from FFY 2020 to FFY 2021 based on the policies set forth in the FFY 2021 SNF PPS proposed rule.

FFY 2021 SNF PPS Proposed Changes Modeled in this Analysis

- **Marketbasket Update:** 2.7% 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.
- **Wage Index Budget Neutrality:** A budget neutrality factor of 0.9986 due to changes in the wage index and labor-related share.
- **5% Wage Index Reduction Stop Loss Budget Neutrality:** A budget neutrality factor of 0.9996 due the 5% cap placed wage index reductions for a SNF's FFY 2021 wage index compared to their FFY 2020 wage index as a result of the revised CBSA delineation 1-year transition period. This factor was calculated based on the proposed published budget neutrality factor of 0.9982.
- **5% Wage Index Reduction Stop Loss Impact:** The effect of the wage index transition methodology on providers whose new FFY2021 CBSA wage index was more than 5% lower their FFY 2020 CBSA wage index.
- **Rural Status Change Impact:** Payment change due to revised CBSA delineations altering the rural status of provider. The calculation is based on estimated CMI from FFY 2020 PDPM file and adjustments in base payment rates between urban and rural settings.
- **Wage Index and Labor-Related Share Impact:** Updated wage index values are based on the FFY 2021 IPPS proposed rule wage indexes excluding occupational mix, rural floor, reclassifications, or outmigration adjustments. This impact includes the impact of new wage data, and a proposed change to the labor-share from 70.9% for FFY 2020 to 71.3% for FFY 2021.

- **VBP Year-Over-Year Adjustment:** Year-to-year change in provider-specific SNF Value-Based Purchasing (VBP) performance. Performance scores are held constant at the FFY 2020 rates for this calculation.

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 2030. As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress eliminated the 2% sequester on Medicare payments from May 1, 2020 through December 31, 2020. The estimated sequestration reduction applicable to SNF PPS-specific payment for FFY 2021 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/SNFPSP/therapyresearch.html>

Data Sources

As the Medicare cost reports have yet to be updated to account for the PDPM methodology, SNF PPS payments for FFY 2020 are based on PDPM total payments from the FFY 2020 final rule PDPM impact file. SNF PPS payments for FFY 2021 are calculated by applying all update factors to the FFY 2020 impact file total. Wage indexes, labor shares, and the per-diem payment rates are from the FFY 2020 final rule and the FFY 2021 proposed rule Federal Registers. SNFRM scores are from the final FFY 2020 SNF VBP performance from Nursing Home Compare.

Methods

The dollar impact of each component change has been calculated by first estimating FFY 2020 payments based on the FFY 2020 proposed PDPM impact file and FFY 2020 final SNF VBP adjustments. Then, each proposed change to the SNF PPS rate components is calculated and applied to estimated FFY 2020 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 2020 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 2021 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.