

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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FACT SHEET

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Proposed fiscal year 2014 payment and policy changes for Medicare Skilled Nursing Facilities

Overview

On May 1, 2013, the Centers for Medicare & Medicaid Services (CMS) issued a proposed rule [CMS-1446-P] outlining proposed Fiscal Year (FY) 2014 Medicare payment rates for skilled nursing facilities (SNFs). The FY2014 proposals are summarized below.

Changes to payment rates under the SNF Prospective Payment System (PPS)

Based on proposed changes contained within this rule, CMS estimates that aggregate payments to SNFs will increase by \$500 million, or 1.4 percent, from payments in FY 2013. This estimated increase is attributable to the 2.3 percent market basket increase, reduced by the 0.5 percentage point forecast error correction (explained below) and further reduced by the 0.4 percentage point multifactor productivity adjustment required by law.

Forecast error correction

A forecast error correction is applied when the difference between the actual and projected market basket percentage change for a given year (the most recent available FY for which there is final data) exceeds the 0.5 percentage point threshold. While CMS normally reports the forecast error to one significant digit, such reporting makes it difficult to determine if the threshold has been exceeded in those instances where the difference between the projected and actual market basket percentage change rounds to 0.5 percentage point. Therefore, CMS proposes, only in those instances where the difference for the forecast error rounds to 0.5 at one significant digit, to report the difference to the second significant digit to determine if the threshold has been exceeded. The forecast error for the current year in review, FY 2012, is 0.51 percentage point. As the projected market basket exceeded the actual market basket by an amount greater than the threshold, the proposed FY 2014 market basket update will include a downward adjustment of 0.5 percentage point.

Revise and rebase the market basket

The Medicare statute requires CMS to establish a SNF market basket index that reflects changes over time in the prices of an appropriate mix of goods and services for covered SNF services. CMS has developed a SNF market basket index that encompasses the most commonly used cost categories for SNF routine services, ancillary services, and capital-related expenses. The SNF market basket index is used to update the SNF PPS payments on an annual basis. CMS is proposing to rebase and revise the SNF market basket for FY 2014 and subsequent years to reflect more recent data. The current SNF market basket reflects data from FY 2004 and CMS is proposing to revise and update the SNF market basket using data from FY 2010. In addition, CMS is proposing to make changes to the components of the SNF market basket index by adding five cost categories for a total of 29 cost categories and revising several price proxies.

Reporting of distinct therapy days

To ensure accuracy in case-mix assignment and payment, CMS is proposing to add an item to the Minimum Data Set (MDS) to record the number of distinct calendar days of therapy provided by all the rehabilitation disciplines to a beneficiary over the seven-day look-back period. Furthermore, CMS is clarifying that the qualifying condition for the Medium Rehab (RM) Category requires 5 distinct calendar days of therapy. Similarly, CMS is clarifying that the qualifying condition for the Low Rehab (RL) Category would be clarified to require 3 distinct calendar days. Currently, the number of days for each therapy disciplines reported on the MDS is summed without regard to the number of separate and unique days per week on which the patient receives therapy services across all rehabilitation disciplines. This results in some patients receiving higher SNF payments for an RM or RL Resource Utilization Group (RUG) when the patient actually does not meet the qualifying conditions for that RUG. The proposed addition to the MDS ensures SNFs are paid accurately for their patients.

The proposed rule went on display at the *Federal Register's* Public Inspection Desk and will be available under "Special Filings," at <http://www.federalregister.gov/inspection.aspx>. Public comments on the proposals will be accepted until July 1.

For further information about the SNF PPS, please visit <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/index.html>.

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