Overview and Resources

On August 6, 2013, the Centers for Medicare and Medicaid Services (CMS) officially released the federal fiscal year (FFY) 2014 final rule for the Medicare Skilled Nursing Facility (SNF) Prospective Payment System (PPS). The final rule reflects the annual update to the Medicare fee-for-service (FFS) SNF payment rates and policies based on regulatory changes put forward by CMS and legislative changes previously adopted by Congress.

A copy of the final rule Federal Register (FR) and other resources related to the SNF PPS are available on the CMS Web site at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/index.html.

An online version of the final rule is available at https://www.federalregister.gov/a/2013-18776.

A brief of the final rule is available at https://www.federalregister.gov/a/2013-18776.

SNF Payment Rates

Incorporating the adopted updates with the effect of a budget neutrality adjustment, the table below shows the FFY 2014 urban and rural SNF federal per diem payment rates compared to the rates currently in effect.

<table>
<thead>
<tr>
<th>Rate Component</th>
<th>Urban SNFs</th>
<th>Rural SNFs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Final FFY 2013</td>
<td>Final FFY 2014</td>
</tr>
<tr>
<td>Nursing Case-Mix</td>
<td>$163.58</td>
<td>$165.81</td>
</tr>
<tr>
<td>Therapy Case-Mix</td>
<td>$123.22</td>
<td>$124.90</td>
</tr>
<tr>
<td>Therapy Non-Case-Mix</td>
<td>$16.23</td>
<td>$16.45</td>
</tr>
<tr>
<td>Non-Case-Mix</td>
<td>$83.48</td>
<td>$84.62</td>
</tr>
</tbody>
</table>

The table below provides details of the updates and budget neutrality factor adopted for FFY 2014.
Marketbasket (MB) Update
Full MB update of 2.3% minus Affordable Care Act (ACA)-mandated 0.5% productivity reduction  

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Marketbasket Forecasting Error Adjustment</td>
<td>-0.5 percentage points</td>
</tr>
<tr>
<td>Wage Index/Labor-Related Share Budget Neutrality (BN)</td>
<td>+0.06%</td>
</tr>
<tr>
<td><strong>Overall Rate Update (including budget neutrality)</strong></td>
<td><strong>+1.4%</strong></td>
</tr>
</tbody>
</table>

**Marketbasket Update & Forecasting Error Adjustment**  
*FR page 47,948*

CMS is required by law to provide a marketbasket index that reflects changes over time in the prices of goods and services included in covered SNF services. As such, CMS is adopting its proposal to revise and rebase the SNF marketbasket using a base year of FFY 2010. As a result, CMS is adopting a marketbasket update of 2.3% for FFY 2014. CMS estimates the marketbasket update would have been 2.5% without the rebasing and revisions.

CMS is also required to provide a marketbasket forecast error adjustment to SNF providers whenever the actual marketbasket increase differs from CMS’ projection by a certain amount. Beginning in 2008, CMS set the marketbasket forecast error threshold at 0.5 percentage points. For FFY 2014, CMS has adopted its proposal to apply a forecast error reduction of -0.5 percentage points. CMS believes that this adjustment is warranted because the FFY 2012 estimated increase in the marketbasket index was 0.5 percentage point higher than actual marketbasket increases for the year (2.7% and 2.2%, respectively).

**Wage Index and Labor-Related Share for FFY 2014**  
*FR pages 47,952-47,956 and 47,944-47,946*

The labor-related portion of the SNF federal per diem payment rates are adjusted for differences in area wage levels using a wage index. CMS did not propose and is not adopting any major changes to the calculation of Medicare SNF wage indexes. As has been the case in previous years, CMS will use the current year’s inpatient hospital wage index, the FFY 2014 pre-rural floor and pre-reclassified hospital wage index, to adjust payment rates under the SNF PPS. A complete list of the wage indexes for payment in FFY 2014 is available on FR pages 47,969-47,978.

Based on updates to this year’s marketbasket value, CMS will increase the labor-related share of the standard rate from 68.383% for FFY 2013 to 69.545% for FFY 2014. An increase to the labor-related share will decrease payments to SNFs with a wage index less than 1.0 and increase payments for those with a wage index greater than 1.0.

**Effect of Sequestration for FFY 2014**  
*FR page reference not available*

While the final rule does not specifically address the 2.0% sequester reductions to all lines of Medicare payments authorized by the Budget Control Act (BCA) of 2011 and currently in effect through FFY 2021, sequester will continue unless Congress intervenes. Sequester is not applied to the payment rate; instead, it is applied to Medicare claims after determining co-insurance, any applicable deductibles, and any applicable Medicare secondary payment adjustments.

**AIDS Per Diem Adjustment**  
*FR page 47,951*

CMS will continue the 128% add-on to the per diem payment for patients with Acquired Immune Deficiency Syndrome (AIDS). The Medicare Modernization Act (MMA) of 2003 established this payment add-on effective for services furnished on or after October 1, 2004. The AIDS add-on must remain in effect until the Secretary of Health and Human Services (HHS) determines there is an appropriate adjustment in the case mix to compensate for the increased costs associated with these SNF patients.
Currently, the AIDS clinical indication is based on the International Classification Diseases, Ninth Revision, Clinical Modification, (ICD-9-CM) code 042. CMS is adopting its proposal to retire the use of ICD-9-CM code 042 with the implementation of the ICD-10-CM on October 1, 2014. As a result of this conversion, the equivalent ICD-10-CM code for AIDS will be B20. However, the ICD-10 B20 code, unlike ICD-9 code 042, does not include “AIDS like syndrome” among the symptoms applicable to this particular code, and therefore payment for these patients will not include the AIDS per diem adjustment.

**RUGS-IV**

*FR pages 47,949-47,952*

CMS classifies residents into resource utilization groups (RUGs) that are reflective of the different resources required to provide care to SNF patients. The RUGs classification reflects resident characteristic information, relative resource use, resident assessment, and the need for skilled nursing care and therapy. RUGs-IV, the current version, was implemented beginning FFY 2011. The patient assessment tool, the Minimum Data Set (MDS) 3.0, is used to assigned patients to RUG-IV categories. Each of the 66 RUGs recognized under the SNF PPS have associated nursing and/or therapy case-mix indexes (CMIs). These CMIs are applied to the federal per diem rates.

CMS will maintain the current RUGs-IV groupings and case-mix weights for FFY 2014. The RUG-IV case-mix adjusted federal rates and associated indexes for both urban and rural SNFs are listed in Tables 5 and 6 on FR pages 47,949-47,951.

CMS is also clarifying its policy regarding some of the classification criteria for the Rehabilitation RUG categories: In particular, they include a requirement that the resident receive the requisite number of distinct calendar days or therapy to be classified into a Rehabilitation RUG category. To capture this correctly on the Minimum Data Set (MDS), CMS had adopted its proposal to add item O0420 to the MDS Item Set, Distinct Calendar Days of Therapy, effective for October 1, 2013.

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