

FY 2025 Proposed Payment Rule

Friday, April 5, 2024





Estimated Financial Impact



Propose Rule FY25 - Financial Impact

- Estimated Market Basket Increase of 4.1%
- Payments will increase by a projected \$1.3 billion over FY 24.
 - The average per facility will increase almost \$100,000.
- These figures do not incorporate SNF VBP reductions for certain SNFs subject to the net reduction in payments.
- Those adjustments are estimated to total \$196.5 million in 2025.



Market Basket Update



Market Basket Update - FY25

Market Basket and Adjustments	FY25
Market Basket Index	2.8%
Forecast Error Adjustment	1.7%
<i>Subtotal</i>	4.5%
Productivity Adjustment	(0.4%)
Proposed Net Market Basket	4.1%

CMS proposes to update the SNF market basket base year from the current 2018 base year to a new base year of 2022 and to update the payment rates used under the SNF PPS



Market Basket – FY 25 Analysis

Market Basket 24 vs 25	Final FY24	Proposed FY25
Market Basket Index	3.0%	2.8%
Forecast Error Adjustment	3.6%	1.7%
<i>Subtotal</i>	6.6%	4.5%
<i>Parity Adjustment – FY 23 & 24</i>	-2.3%	N/A
%Productivity Adjustment	-0.2%	-0.4%
Net Market Basket (Rounding)	4.0%	4.1%



Market Basket Update - FY25

- CMS will revise the Market Basket (MBI) calculation before the publication of the Final Rule. It may go up or down.
- The forecast error in the FY25 MBI includes estimates for one quarter.
- Updated information will be available when the CMS Summary Web Table is updated in Q2 CY24.
- Provider specific updates will vary based on wage index, and labor adjustments.



Market Basket - Forecast Error

- The forecast error is a statutory provision only in the SNF payment system.
- Under the forecast error, CMS compares a projected market basket update with the actual market basket update using prior year data.
- Intended to account for inflation, the forecast increases the market basket when the projected market basket is 0.5% less than the actual market basket. Conversely, when the forecast decreases the market basket when the projected market basket is 0.5% more than the actual market basket. If the variance in either direction is less than 0.5%, no forecast error is incurred.



Market Basket – Forecast Error

- The CMS MBI for FY25 is slightly below FY 24.
- The Two-Year Parity Adjustment was completed in FY24.
- The FY25 Forecast Error is smaller than FY 24.

FY 25 Forecast Error - Proposed Rule

Forecasted FY 2023 Increase*	Actual FY 2023 Increase**	Difference
3.9%	5.6%	1.7 %

FY 24 Forecast Error - Proposed Rule

Forecasted FY 2022 Increase*	Actual FY 2022 Increase**	Difference
2.70%	6.30%	3.60%



FY 2024 PDPM Proposed Urban & Rural Components

Table 1. FY 2024 Final Unadjusted Federal Rate Per Diem – Urban*

Component	PT	OT	SLP	Nursing	NTA	Non-case-mix
Per diem Amount	\$ 70.27	\$65.41	\$26.23	\$122.48	\$92.41	\$109.69

Table 2. FY 2024 Final Unadjusted Federal Rate Per Diem – Rural

Component	PT	OT	SLP	Nursing	NTA	Non-case-mix
Per diem Amount	\$80.10	\$73.56	\$33.05	\$117.03	\$88.29	\$111.72



FY 2025 PDPM Proposed Urban & Rural Components

The FY 2024 Per Diems X (1+ .041) = The FY 2025 Per Diems

Table 3. FY 2025 Proposed Unadjusted Federal Rate Per Diem – Urban

Component	PT	OT	SLP	Nursing	NTA	Non-case-mix
Per diem Amount	\$ 73.16	\$68.10	\$27.31	\$127.52	\$96.21	\$114.20

Table 4. FY 2025 Proposed Unadjusted Federal Rate Per Diem – Rural

Component	PT	OT	SLP	Nursing	NTA	Non-case-mix
Per diem Amount	\$ 83.39	\$76.59	\$34.41	\$121.83	\$91.92	\$116.31



Wage Index



Wage Index - History

- Since the start of SNF PPS, CMS has used hospital inpatient wage data, in the absence of SNF-specific wage data, in developing a wage index to be applied to SNFs.
- That practice is continued in the FY25 proposed rule. CMS uses hospital data as a surrogate for SNF data and has no plans to use SNF data due to the resources required to collect and audit the information.
- Individual providers are assigned a CBSA which impacts the facility specific rate. Changes year-over-year can cause fluctuations.
- This is a recurring area of member feedback that AHCA will again highlight in comments to CMS.



Wage Index - History

- In FY23, CMS instituted a permanent 5% cap on decreases to a provider's wage index from its wage index in the prior year, regardless of the reason for the decline. This continues in FY25.
- In FY25, CMS is proposing to update SNF PPS wage indexes to use the CBSAs defined within OMB Bulletin 23-01 to “improve the accuracy of wages and wage-related costs” for the area in which the facility is located. This is the first update since FY21.



Wage Index – FY 25

- Included in these proposed changes are reclassifications of certain localities from rural to urban, and vice-versa.
- **(89 FR 23452) Urban Counties That Would Become Rural Under Revised OMB Delineations**
- **54 counties (and county equivalents) that are currently part of an urban CBSA would be considered located in a rural area** for the purpose of calculating the rural wage index, for SNF PPS payment beginning in FY 2025.
 - Rural areas typically have lower area wage index values than urban areas, and SNFs located in these counties may experience a negative impact in their SNF PPS payment due to the proposed adoption of the revised OMB delineations.
 - These SNF providers located in an urban county that would be considered rural should this proposal be finalized, would utilize the rural unadjusted per diem rates for determining their payment rates beginning on October 1, 2024.

AHCA Comment: Does this mean that a wage index will not be applied?



Wage Index – FY 25

- **(89 FR 23454) Rural Counties That Would Become Urban Under Revised OMB Delineations**
- **54 counties (and county equivalents) that are currently located in rural areas to be located in urban areas** if we finalize CMS proposal to implement the revised OMB delineations.
- Typically, SNFs located in an urban area would receive a wage index value higher than or equal to SNFs located in their state's rural area.
- SNFs located in a rural county that would be considered urban should this proposal be finalized would utilize the urban unadjusted per diem rates found in Table 3, as the basis for determining the payment rates for these facilities beginning October 1, 2024.



Wage Index – FY 25

CMS calls out examples of Wage Index changes which include

- Boroughs,
- A city and borough,
- A municipality in Alaska,
- Planning regions in Connecticut, Parishes in Louisiana,
- Municipios in Puerto Rico,
- and independent cities in Maryland, Missouri, Nevada, and Virginia

AHCA will be analyzing the changes in these areas and all CBSAs.



Wage Index – FY 25

- CMS states that the changes are budget neutral, HOWEVER, they estimate that:
 - 43% of SNFs would experience decreases in their area wage index values.
 - <1% of SNFs would experience a significant decrease in their area wage index value.
 - 57% would have higher area wage index values.
- The 5% cap on decreases to a provider's wage index from its wage index in the prior year continues in FY25.
- CMS is asking for comments on its proposed implementation of revised labor market area delineations.



Wage Index – FY 25

- The Proposed Wage Index Tables for FY 2025 are available at:
- <https://www.cms.gov/medicare/payment/prospective-payment-systems/skilled-nursing-facility-snf/wage-index>
- CMS has posted a crosswalk between the wage index using the current OMB delineation in effect in FY24 and the FY25 wage index using the proposed revised OMB delineations at: <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPSP/WageIndex.html>
- AHCA encourages providers to review their current CBSA and wage index to their proposed CBSA and wage index to identify any changes brought on by the proposed rule.



Wage Index – Labor-Related Share

TABLE 7—LABOR-RELATED SHARE, FY 2024 AND FY 2025

	Final FY 2024 labor-related share based on 2023q2 forecast of the 2018-based SNF market basket ¹	Proposed FY 2025 labor-related share based on 2023q4 forecast of the proposed 2022-based SNF market basket ²
Wages and salaries	52.5	53.2
Employee benefits	9.3	9.1
Professional fees: Labor-related	3.4	3.5
Administrative & facilities support services	0.6	0.4
Installation, maintenance & repair services	0.4	0.5
All other: Labor-related services	2.0	2.0
Capital-related (.391)	2.9	3.2
Total	71.1	71.9

¹ Published in the **Federal Register**; Based on the second quarter 2023 IHS Global Inc. forecast of the 2018-based SNF market basket.

² Based on the fourth quarter 2023 IHS Global Inc. forecast of the proposed 2022-based SNF market basket.

TABLE 8—PDPM CASE-MIX ADJUSTED RATE COMPUTATION EXAMPLE

Per diem rate calculation				
Component	Component group	Component rate	VPD adjustment factor	VPD adj. rate
PT	N	\$102.42	1.00	102.42
OT	N	\$96.70	1.00	96.70
SLP	H	\$73.74	1.00	73.74
Nursing	N	\$187.45	1.00	187.45
NTA	C	\$167.41	3.00	502.23
Non-Case-Mix		\$114.20		114.20
Total PDPM Case-Mix Adj. Per Diem				1,076.74

TABLE 9—WAGE INDEX ADJUSTED RATE COMPUTATION EXAMPLE

PDPM wage index adjustment calculation						
HIPPS code	PDPM case-mix adjusted per diem	Labor portion	Wage index	Wage index adjusted rate	Non-labor portion	Total case mix and wage index adj. rate
NHNC1	\$1,076.74	\$774.18	0.9918	\$767.83	\$302.56	\$1,070.39

- In this example, the labor portion (\$774.18) is based on 71.9% (FY25). If it was based on (FY24) or 71.1%, it would be \$765.56, or \$8.62 lower.
- With a wage index <1, it would cause the adjusted rate to be lower.
- With a wage index >1, the opposite is true. The adjusted rate would be higher.



Nursing Home Enforcement



Proposed Changes to Nursing Home Enforcement

- President Biden Reform Plan for Nursing Homes included expanding financial penalties and other enforcement sanctions....Proposing revisions to CMS' enforcement authority to expand the number of CMPs that can be imposed.
- Allow for Both Per Instance (PI) and Per Day (PD) CMPs on the Same Survey
 - Could impose PI CMP to address the noncompliance that occurred in the past/prior to the survey, and PD CMP beginning at the start of the survey and continuing until the facility has corrected noncompliance.
 - Not to exceed the statutory and regulatory maximum amount on any given day even when combined.



Proposed Changes to Nursing Home Enforcement (continued)

- Allow for Multiple PI CMPs to be imposed for the Same Type of Noncompliance
 - When multiple occurrences, or “instances” of a specific noncompliance are identified during a survey, regardless of whether they are cited at the same regulatory deficiency tag number in the statement of deficiencies.
- Revise § 488.401 to define “instance” or “instance of noncompliance” as a separate factual and temporal occurrence when a facility fails to meet a participation requirement. Each instance of noncompliance would be sufficient to constitute a deficiency and that a deficiency may be comprised of multiple instances of noncompliance.



Proposed Changes to Nursing Home Enforcement (continued)

- Allow imposition of CMP for the number of days of noncompliance in the past since the last three standard surveys.
- Would revise § 488.430(b) by changing “since the last standard survey” to “since the last three standard surveys.”



CMS Estimates of Impact

- Under the proposed revisions, CMS anticipates an increased workload to CMS and States, and increased CMP amounts to providers when multiple instances of noncompliance resulting in harm or immediate jeopardy (IJ) are cited.
- Estimated increased amount to CMPs: \$25 million for all nursing homes (for CY2022).
- Estimated additional cost to CMS and SSAs: \$163,800 per year.
- Estimates include the estimated increase in amount of PI CMPs that may be imposed under proposed revisions.



Technical Updates to ICD-10 Mapping



Technical Updates to ICD-10 Mapping

- CMS is proposing several changes to the PDPM ICD-10 code mappings to allow providers to provide more accurate, consistent, and appropriate primary diagnoses that meet the criteria for skilled intervention during a Part A SNF stay.
- **CMS is proposing changing the clinical category assignment for the following four new codes that were effective on October 1, 2023:**
 - E88.10 Metabolic Syndrome
 - E88.811 Insulin Resistance Syndrome Type a
 - E88.818 Other Insulin Resistance
 - E88.819 Insulin Resistance
- All are currently mapped to Medical Management and will change to the category *Return to Provider* as CMS notes these conditions typically occur outside of a Part A stay. The proposed changes to the ICD-10 code mappings and lists used under PDPM will be available on the [CMS PDPM website](#).



RFI – Updates to NTA Component



RFI – Updates to NTA Component

- **CMS is considering several changes to the NTA study population as a foundation upon which to update the NTA component in future rulemaking.**
- CMS stated in the FY19 SNF PPS final rule that it would consider revisiting the list of included NTA comorbidities and the points assigned to each condition or extensive service, based on changes in the patient population and care practices over time.
- Revisions under consideration CMS is requesting feedback on including:
 - Updating the years used for data corresponding to Medicare Part A SNF stays, including claims, assessments, and cost reports from FY14 – FY17 to FY19 – FY22.
 - Using the same subset population used for the PDPM parity adjustment recalibration by excluding stays with either a COVID-19 diagnosis or stays using a COVID-19 PHE-related modification under section 1812(f) of the Act. (continued)



RFI – Updates to NTA Component

- Updating the methodology to only utilize SNF Part A claims and the MDS, and not claim types from other Medicare settings (that were used as a proxy to develop PDPM).
- Modifying the overlap methodology to rely more upon the MDS items that use a checkbox to record the presence of conditions and extensive services whenever possible, while allowing for potentially more severe or specific diagnoses to be indicated on MDS item I8000 when it would be useful for more accurate patient classification under PDPM.
- Prioritizing the reporting of conditions on the MDS by raising the cost threshold for selecting the overlapping CC or Rx CC definitions from any additional cost to five dollars in average NTA cost per day, which is the amount generally associated with a one-point NTA increase.
- To facilitate discussion and comment, Table 27 in the proposed rule contains an example of a revised Conditions and Extensive Services Used for NTA Classification that would be adopted should the changes in this RFI be adopted in future rulemaking.



RFI - Excerpt of Example Revised NTA Classification Table

TABLE 27: Conditions and Extensive Services Used for NTA Classification

NTA Comorbidity	% of Stays	Avg NTA Costs	OLS Estimate	PDPM Points
DGN: HIV/AIDS	0.3%	\$128	\$71.01	7
RxCC: Lung Transplant Status	0.0%	\$117	\$49.29	5
O0100H2: Special Treatments/Programs: Intravenous Medication Post-admit Code	8.6%	\$105	\$46.99	5
MDS: Parenteral IV feeding: Level high	0.3%	\$120	\$46.27	5
RxCC: Cystic Fibrosis	0.0%	\$99	\$31.10	3
RxCC: Major Organ Transplant Status, Except Lung	0.5%	\$85	\$21.66	2
CC: Cirrhosis of Liver	2.0%	\$77	\$18.92	2
RxCC: Chronic Myeloid Leukemia	0.1%	\$75	\$17.81	2
DGN: Endocarditis	0.5%	\$97	\$17.46	2
RxCC: Opportunistic Infections	0.3%	\$85	\$16.91	2
I2900: Active Diagnoses: Diabetes Mellitus (DM) Code	38.2%	\$66	\$15.67	2
O0100I2: Special Treatments/Programs: Transfusion Post-admit Code	0.2%	\$80	\$14.65	1
MDS: Parenteral IV feeding: Level Low	0.0%	\$82	\$14.26	1
CC: Bone/Joint/Muscle Infections/Necrosis - Except: RxCC: Aseptic Necrosis of Bone	2.9%	\$97	\$14.23	1



Consolidated Billing



Consolidated Billing - FY25

- **No Proposed Changes for FY25.**
- Consistent with CMS policy, any additional service codes that might be designated for exclusion must meet the statutory criteria used in the original codes excluded under the BBRA 1999:
 - They must fall within one of five service categories specified in BBRA 1999
 - They must meet the standards of high cost/low probability in the SNF setting
 - CMS has flexibility to revise the list of excluded codes in response to changes of major significance that may occur (for example, the development of new medical technologies or other advances in the state of medical practice).



Consolidated Billing - FY25

- **CMS is soliciting comments identifying HCPCS codes in any of the five service categories representing recent medical advances meeting consolidated billing criteria:**
 - chemotherapy items,
 - chemotherapy administration services,
 - radioisotope services,
 - customized prosthetic devices, and
 - blood clotting factors
- CMS requests that commenters identify the specific HCPCS code that is associated with the service in question, as well as their rationale for requesting that the identified HCPCS code(s) be excluded.



SNF QRP



Proposal to Collect Four New Items as Standardized Patient Assessment Data Elements Beginning with the FY27 SNF QRP

- **Living Situation - *What is your living situation today?***
 - The proposed response options are: (0) I have a steady place to live; (1) I have a place to live today, but I am worried about losing it in the future; (2) I do not have a steady place to live; (7) Resident declines to respond; and (8) Resident unable to respond.
- **Food - *Within the past 12 months, you worried that your food would run out before you got money to buy more.***
- **Food - *Within the past 12 months, the food you bought just didn't last and you didn't have money to get more.***
 - CMS proposes the same response options for both items: (0) Often true; (1) Sometimes true; (2) Never True; (7) Resident declines to respond; and (8) Resident unable to respond.
- **Utilities - *In the past 12 months, has the electric, gas, oil, or water company threatened to shut off services in your home?***
 - The proposed response options are: (0) Yes; (1) No; (2) Already shut off; (7) Resident declines to respond; and (8) Resident unable to respond.



Proposal to Modify the Transportation Item Beginning with the FY27 SNF QRP

- CMS is proposing to modify the A1250 Transportation item currently collected in the SNF MDS in two ways:
 - revise the look-back period for when the resident experienced lack of reliable transportation; and
 - simplify the response options.
- **The proposed Transportation item asks: *In the past 12 months, has a lack of reliable transportation kept you from medical appointments, meetings, work or from getting things needed for daily living?***
 - The proposed response options are: (0) Yes; (1) No; (7) Resident declines to respond; and (8) Resident unable to respond.



Proposal to Participate in a Validation Process Beginning with the FY27 SNF QRP

- CMS proposes that SNFs included in the SNF QRP participate in a process to validate data submitted under the SNF QRP through the Minimum Data Set (MDS) beginning with the FY 2027 SNF QRP.
 - A validation contractor would select, on an annual basis, up to 1,500 SNFs
 - The SNFs that are selected to participate would be the same SNFs that are randomly selected to participate in the SNF VBP validation process
 - Each SNF selected would be required to submit a maximum of 10 records
 - The selected SNFs would have the option to submit digital or paper copies of the requested medical records within 45 days of the date of the request.
 - If a SNF does not submit the requested number of medical records within 45 days of the initial request, CMS would reduce the SNF's otherwise applicable annual market basket percentage update by two percent.
 - CMS intends to propose, in future rulemaking, the process by which the agency would evaluate the accuracy of the MDS data and how NHSN submitted data may be audited.
- CMS is proposing to apply the process the agency currently uses to ensure the accuracy of the Medicare fee-for-service claims to validate claims-based measures under the SNF QRP.



SNF QRP Quality Measure Concepts under Consideration for Future Years – Request for Information (RFI)

- CMS is seeking input on the importance, relevance, appropriateness, and applicability of each of the concepts under consideration listed in Table 29 of the proposed rule for future years in the SNF QRP.

TABLE 29: Future Measure Concepts Under Consideration for the SNF QRP

Quality Measure Concepts
Vaccination Composite
Pain Management
Depression
Patient Experience of Care/Patient Satisfaction



SNF Value Based Purchasing (VBP)



SNF VBP – FY 25 Proposed Updates

- No new measures and scoring methodology proposed.
 - Still have a max penalty of -2% to Medicare rate with the possibility of a positive payment adjustment for high performance.
- CMS proposes to adopt a measure retention and removal policy.
 - The proposed policy is similar to the one currently used in the SNF QRP program.
- CMS proposes to adopt a policy to incorporate technical measure updates, such as changes to risk-adjustment, using sub-regulatory processes.
 - This policy would allow CMS to account for the upcoming transition to PDPM-based case-mix adjusting of Total Nurse Staffing Hours per Resident Day (HPRD) in July 2024.
- CMS is proposing administrative policy updates, including an update of the Review and Correction policy that it previously finalized for the program.
 - This is to ensure that SNFs can review and correct Payroll-Based Journal (PBJ) data beginning with the FY 2026 program year and MDS data beginning with the FY 2027 program year.



Reminder: Performance in FY 2024 Impact FY 2026 Rates

- Measures finalized years before they impact SNF VBP payment adjustment

Program Year (Payment Impact)	Measures	Baseline Period	Performance Period
FY 2024 (Oct'23 – Sep'24)	1- Hospital Readmissions (SNF RM)	FY 2019	FY 2022
FY 2025	1- SNF RM	FY 2019^^	FY 2023
FY 2026	4- SNF RM, Health care Acquired Infection (HAI) Hospitalizations, Total Nurse Hours per Resident Day (HPRD), Total Nurse Turnover	FY 2022	FY 2024
FY 2027^	8- SNF RM, HAI, HPRD, Discharge to Community, Turnover, Long Stay Falls w/ Major Injury, Discharge Function Score, Long Stay Hospitalizations	FY 2023, FY 2021-2022**	FY 2025, FY 2024-2025**

**--Discharge to Community is a 2-year measure. All others are 1-year.

^--Finalized addition of Health Equity Adjustment, ^^--Reusing FY 2019 baseline because FY 2020 impacted by COVID



Measure Benchmarks

- Performing better than the benchmark rate ensures highest Medicare payment rate possible

** - Discharge to Community is a 2-year measure.

Measure	FY 2024 (For FY '26 Payment)	Proposed FY 2025 (For FY '27 Payment)
SNF RM (30-day Hospital Readmissions)	17.0%	17.0%
HAI (Healthcare Acquired Infection) Hospitalizations	5.0%	5.0%
Nurse Staffing Hours Per Resident Day	5.707	5.707
Nurse Turnover	27.7%	27.7%
Discharge to Community**	66.4%	66.4%
Long-Stay Falls with Injury	Not Applicable (N/A)	0.04%
Discharge Function Measure	N/A	79.7%
Long-Stay Hospitalizations	N/A	0.36



Submitting Comments

- Link to proposed rule: <https://www.govinfo.gov/content/pkg/FR-2024-04-03/pdf/2024-06812.pdf>
- To be assured consideration, comments **must be received by May 28, 2024**.

Electronically. You may submit electronic comments on this regulation to <http://www.regulations.gov>. Follow the "Submit a comment" instructions.

By regular mail. You may mail written comments to the following address ONLY:

Centers for Medicare & Medicaid Services,
Department of Health and Human Services,
Attention: CMS-1802-P,
P.O. Box 8016,
Baltimore, MD 21244-8016.



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