FFY 2023 SKILLED NURSING FACILITY PROSPECTIVE PAYMENT SYSTEM PROPOSED RULE (CMS-1765-P)

On April 15, the Centers for Medicare & Medicaid Services (CMS) posted the federal fiscal year (FFY) 2023 Skilled Nursing Facility (SNF) Prospective Payment System (PPS) proposed rule effective Oct. 1, 2022 through Sept. 30, 2023. After accounting for all payment and budget neutrality factors, CMS proposed 3.9% update to SNF PPS payments.

Comments on this proposed rule are due June 10.

Rate Update (*pp. 22723-22728*): CMS proposed a 2.8% market basket update, a multifactor productivity (MFP) reduction of 0.4 percentage points, and a 1.5% increase to adjust for a market basket forecast error in FFY 2021. The payment rate for SNFs that fail to submit required quality data will decrease by two percentage points.

Proposed per diem rates under the Patient-Driven Payment Model (PDPM) are below (Tables 3 and 4, *pp. 22725-22726*). These rates apply to hospital-based, freestanding SNFs, and payments made for non-Critical Access Hospital swing-bed services.

Case-Mix Rate Component	Urban	Rural
Non-Therapy Ancillary	$85.94	$82.10
Nursing	$113.91	$108.83
Occupational Therapy	$60.83	$68.41
Physical Therapy	$65.34	$74.48
Speech Language Pathology	$24.39	$30.74
Non-Case-Mix	$102.01	$103.89

Tables 5 and 6 contain proposed case-mix adjusted federal rates and associated indexes for urban and rural SNFs, respectively (*pp. 22727-22728*).

Wage Index (*pp. 22728-22731*): In the FFY 2021 SNF final rule, CMS implemented a 5% cap on any decrease in a SNF's wage index to mitigate any negative effects of wage index changes compared to FFY 2020. This year, CMS proposed making the 5% cap permanent, meaning a SNF's wage index would not be less than 95% of its wage index from the previous year regardless of the circumstances causing a wage index decline. This policy as proposed will be budget neutral. New SNFs will receive the wage index applicable in its geographic location for its first full or partial fiscal year with no cap applied. CMS stated this proposal will maintain the SNF PPS wage index as a relative measure of the value of labor in a given labor market area, increase the predictability of SNF PPS payments, and mitigate instability and significant negative impacts to providers resulting from significant changes to wage index.

CMS proposed continued use of the pre-reclassified inpatient prospective payment system (IPPS) hospital wage data as the basis for the SNF PPS wage index. CMS excludes IPPS

occupational mix, rural floor, and outmigration adjustments when calculating the SNF PPS wage index.

CBSA	Proposed FFY 2023	Final FFY 2022
Bloomington	0.9251	0.9269
Cape Girardeau	0.8055	0.8282
Carbondale	0.8357	0.8179
Champaign-Urbana	0.8918	0.8680
Chicago-Naperville-Evanston	1.0505	1.0372
Danville	0.9376	0.9407
Decatur	0.8702	0.8353
Elgin	1.0297	1.0232
Kankakee	0.9194	0.8914
Lake County	0.9833	1.0047
Peoria	0.8520	0.8457
Rock Island	0.7806	0.8373
Rockford	0.9621	0.9901
St. Louis	0.9510	0.9583
Springfield	0.8673	0.9136
Rural	0.8436	0.8401

CMS proposed a FFY 2023 labor-related share of 70.7%, up from 70.4% in FFY 2022.

Patient-Driven Payment Model (PDPM) (*pp. 22737-22743*): In the FFY 2022 SNF PPS proposed rule, CMS requested feedback on a potential methodology to recalibrate the PDPM parity adjustment (for more information on the PDPM parity adjustment, see IHA's FFY 2022 SNF PPS proposed rule fact sheet). In response to comments, CMS modified its proposed methodology, adopting a new definition of COVID-19 diagnosis and proposing the use of a new control period approach to measuring differences between the PDPM and the previously used Resource Utilization Groups (RUG-IV). Tables 11 and 12 (*p. 22740*) show various parity adjustment factors and the budget effect of those adjustments.

CMS' new proposed methodology will lower the PDPM parity adjustment factor from 46% to 38% for each of the PDPM case-mix adjustment components. If applied in FFY 2023, CMS estimates a reduction in aggregate SNF spending of 4.6% or approximately $1.7 billion. CMS proposed applying the recalibrated parity adjustment across PDPM Case-Mix Index (CMIs) in equal measure.

CMS also proposed implementing the parity adjustment in FFY 2023 with no delayed implementation or phase-in period, stating it already granted a one-year implementation delay by not finalizing a parity adjustment in FFY 2022.

Finally, CMS proposed several changes to the PDPM ICD-10 code mappings and lists (*pp. 22735-22737*).

SNF Value-Based Purchasing Program (*pp. 22763-22789*): The current SNF VBP measure is Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM) (NQF #2510). CMS remains concerned that the COVID-19 Public Health Emergency (PHE) adversely effects SNF performance on SNFRM. Therefore, CMS proposed suppressing SNFRM for the FY 2023 program year.

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Instead, CMS will assign all participating SNFs a performance score of zero in the FY 2023 SNF Value-Based Purchasing (VBP) program year, resulting in all participating SNFs receiving an identical performance score, as well as an identical incentive payment multiplier. Practically, this means each participating SNF will continue to experience a 2% withhold, and receive 6% of that withhold back, resulting in a 1.2% payback for the FFY 2023 SNF VBP program year.

CMS also proposed adopting several new quality measures for the SNF VBP beginning with the FFY 2026 program year. Proposed additions include:

- Skilled Nursing Facility (SNF) Healthcare Association Infections (HAI) Requiring Hospitalization (SNF HAI) measure (FFY 2026 program year);
- Total Nursing Hours per Resident Day Staffing (Total Nurse Staffing) measure (FFY 2026 program year);
- Discharge to Community (DTC) – Post-Acute Care (PAC) Measure for Skilled Nursing Facilities (NQF #3481) (FFY 2027 program year);
- Staffing Turnover Measure analyzing the percent of total nurse staff that have left the facility over the last year, including registered nurses, licensed practical nurses and nurse aides (undetermined future SNF VBP program year); and
- Inclusion of the COVID-19 Vaccination Coverage among Healthcare Personnel measure (undetermined future SNF VBP program year).

Finally, CMS requests information on revising requirements for Long-Term Care (LTC) facilities to establish mandatory minimum staffing levels. CMS is considering policy options for future rulemaking to establish specific minimum direct care staffing standards and seeks stakeholder input to inform its policy decisions (*pp. 22789-22795*).

SNF Quality Reporting Program (QRP) (*pp. 22744-22763*): The 15 quality measures currently adopted for the FFY 2023 SNF QRP are in Table 15 (*p. 22745*). Two of these measures, Transfer of Health (TOH) Information-Provider and TOH-Patient, were previously delayed for at least two full fiscal years after the end of the COVID-19 PHE. However, in this proposed rule CMS suggests revising the compliance date for these measures, as well as certain standardized patient assessment data elements. Instead of beginning data collection on Oct. 1 of the year that is at least two full fiscal years after the end of the COVID-19 PHE, CMS proposed beginning collection on Oct. 1, 2023.

CMS proposed adoption of new measures in future SNF QRP program years, including the Influenza Vaccination Coverage among Healthcare Personnel measure (for FFY 2025) and the CoreQ: Short Stay Discharge Measure (undetermined future program year). Additional quality measures under consideration are listed in Table 16 (*p. 22754*).

CMS also continues to explore ways it can leverage the SNF QRP and other Medicare quality programs to address health equity. CMS noted "measuring healthcare disparities in quality measures is a cornerstone of our approach to advancing healthcare equity." In this proposed rule, CMS requests feedback on a general framework it may use across CMS quality programs to assess disparities in healthcare quality; approaches that could be used in the SNF QRP program to assess drivers of healthcare quality disparities in SNFs; and two measures related to health equity.

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Specifically, CMS solicits comments on the use of a Health Equity Summary Score (HESS) across Medicare quality programs, similar to the HESS score used with Medicare Advantage plans. Additionally, CMS developed a structural measure for use in acute care hospitals: Hospital Commitment to Health Equity (MUC2021-106). This measure assesses hospital leader engagement in the collection of health equity performance data.

CMS will not respond to specific comments in the FFY 2023 SNF PPS final rule, but will actively consider all input as it develops future regulatory proposals or sub-regulatory policy guidance.

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Sources:

Centers for Medicare & Medicaid Services. Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities; Updates to the Quality Reporting Program and Value-Based Purchasing Program for Federal Fiscal Year 2023; Request for Information on Revising the Requirements for Long-Term Care Facilities to Establish Mandatory Minimum Staffing Levels. April 15, 2022. Available from: https://www.federalregister.gov/documents/2022/04/15/2022-07906/medicare-program-prospective-payment-system-and-consolidated-billing-for-skilled-nursing-facilities. Accessed April 15, 2022.

Centers for Medicare & Medicaid Services. Skilled Nursing Facility PPS Wage Index. Available from: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex. Accessed April 14, 2022.