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CMS Sets Nursing Facility Payment Rate Increase At 1.7 Percent

July 20, 2010 - The Centers for Medicare & Medicaid Services (CMS) said nursing facility payment rates for fiscal year (FY) 2011 will increase 1.7 percent, resulting in an estimated \$542 million rise in Medicare payments to nursing facilities during FY 2011.

CMS updates the payment rates annually, using a market basket index reflecting changes in the prices of goods and services used to furnish covered care in nursing facilities.

In addition, CMS makes a forecast error adjustment whenever the difference between the forecasted and actual change in the market basket exceeds a 0.5 percentage point threshold for the most recently available fiscal year for which there is final data.

For FY 2009 (the latest year available), the estimated increase in the market basket index was 3.4 percentage points, while the actual increase was 2.8 percentage points, putting the difference between the two above the threshold. Accordingly, the payment rates for FY 2011 include a negative 0.6 percentage point forecast error adjustment.

This adjustment, when combined with the FY 2011 market basket increase fac-

tor of 2.3 percent, yields a net update of positive 1.7 percent for FY 2011.

Additionally, the notice confirmed that CMS would be putting MDS 3.0 into effect on Oct. 1, 2010, as previously announced. The RUG-IV refined payment system will start at the same time, but will be revised in the future after the agency figures out a way to recalibrate payments.

For more information, see www.cms.hhs.gov/center/snf.asp. This rule will be published in the *Federal Register* on July 22. A copy of the update notice is at www.ofr.gov/OFRUpload/OFRData/2010-17628_PI.pdf. The comment period closes on Sept. 14.

Separately, CMS announced changes to Medicare home health payments for 2011. The proposed rule represents a 4.75 percent decrease in Medicare payments to home health agencies (HHAs) for calendar year (CY) 2011. This is an estimated net decrease of \$900 million compared with payments HHAs will receive in CY 2010. It includes the combined effects of a market basket update, a wage index update, reductions to the home health prospective payment system (HH PPS) rates to account for increases in aggregate

case-mix that are unrelated to underlying changes in patients' health status, and other provisions mandated by the Affordable Care Act (ACA) of 2010.

CMS said the ACA mandates that CMS apply a 1 percentage point reduction to the CY 2011 home health market basket amount, which equates to a proposed 1.4 percent update for HHAs in CY 2011.

CMS also proposes to further reduce HH PPS rates in CY 2011 to account for additional growth in aggregate case-mix that is unrelated to changes in patients' health status. Based on updated data analysis, instead of the planned 2.71 percent reduction for CY 2011, CMS proposes to reduce HH PPS rates by 3.79 percent in CY 2011 and an additional 3.79 percent in CY 2012.

The ACA also changes the existing home health outlier policy through a 5 percent reduction to HH PPS rates, with total outlier payments not to exceed 2.5 percent of the total payments estimated for a given year. HHAs are also permanently subject to a 10 percent agency-level cap on outlier payments.

In addition, the proposal addresses fraud prevention and eligibility standards.

—Patrick Connoles