

# Issue: Centers for Medicare & Medicaid Services (CMS) Parity Adjustment

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- For Fiscal Year (FY) 2023, CMS has proposed a Skilled Nursing Facility net rate cut of 0.7%, resulting from a 3.9% adjusted market basket increase offset by a 4.6% parity adjustment reduction.
- CMS is proposing a parity adjustment to ensure costs under the new payment system, the Patient-Driven Payment Model (PDPM) are no more than under the old payment system. CMS is not required by law to use a budget neutral transition.
- CMS estimates in the FY23 SNF PPS proposed rule<sup>1</sup> that the proposed 4.6% parity adjustment would result in removing \$1.7 billion from the SNF annual market basket update, resulting in a net \$320 million reduction of SNF payments in FY 23. The SNF sector cannot absorb such a cut.

## Independent Study on SNF Stability – Impact on Access & People<sup>2</sup>

- Ensuring access and quality requires adequate resources.
- Labor costs have jumped by 18% in 2022 compared to 2021.
- Occupancy has remained at 72-73%.
- Expected to improve only nominally – 76% over the course of 2022.

## Our Ask:

CMS should lock in the parity adjustment amount this year after considering public comments regarding the appropriate percentage methodology and phase in the reduction over 3 years (e.g., 1.5% per year); and CMS should work with the sector to ensure the annual Market Basket update adequately accounts for labor cost increases.

1 87 FR22720 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, Proposed Rule, April 15, 2022.

2 Clifton Larson Allen Report – State of the Skilled Nursing Facility Industry, February 2022

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AMERICAN HEALTH CARE ASSOCIATION

1201 L Street NW Washington, DC 20005  
[www.ahcanca.org](http://www.ahcanca.org)

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