New Medicare Part A Payment Model For Skilled Nursing Starts October 1, 2019

Congress Needs to Monitor Implementation of the Patient Driven Payment Model to Assure Adequate Access to Skilled Nursing Care Across Multiple Federal Programs

Since October 1998, Skilled Nursing Facility (SNF) providers have been reimbursed for Medicare Part A services under a prospective payment system (PPS), called Resource Utilization Groups, which is currently in its fourth iteration (RUG-IV). In July 2018, the Centers for Medicare and Medicaid Services (CMS) finalized regulations to replace RUG-IV with a new SNF PPS payment model called the Patient Driven Payment Model (PDPM) effective for all Part A services furnished in a SNF on and after October 1, 2019. PDPM does not change coverage requirements and maintains the statutory per-diem rate method. There will be no transition period between the two payment models.

Over the years, numerous stakeholders have criticized the RUG-IV model due to its focus on therapy service delivery while variations in nursing, drug, and other non-therapy costs were not adequately accounted for. Under PDPM, the payment model is designed to adapt to the unique resident needs for nursing, non-therapy ancillary services, and each of the therapies (physical and occupational therapy and speech-language pathology). PDPM is also designed to align with IMPACT Act standardized post-acute data reporting and quality measures. CMS states that they believe PDPM will improve payment accuracy, reduce administrative burden, and re-allocate payments to underserved Medicare beneficiaries without increasing total payments.

Potential For Unintended Consequences
While the SNF benefit has not changed, as per CMS, the PDPM represents a seismic shift in “...resident classification, assessment burden, care planning and care design.” No matter how well-intended and designed, any significant change in a Federal payment model can have unintended consequences. Beneficiary access to care can be severely impacted by an unsuccessful implementation of PDPM not only under Medicare Part A, but in other Federal and Federal/State programs that currently rely on the RUGs model for their provider payment agreements including: Medicaid, Medicare Advantage, Veterans Administration, and TRICARE (see below). It is unclear at this point whether any or all these programs are fully prepared to assure seamless transition of provider payments and beneficiary access to SNF care as CMS transitions the SNF PPS payment model to PDPM on October 1, 2019.

Other Federal and Federal/State Programs Impacted by PDPM

Medicaid – All states face challenges with complying with the upper payment limit (UPL) policy. Also, 29 State Medicaid programs currently rely on RUG-III or RUG-IV to determine SNF rates. CMS is providing some support to states that are unable to adopt PDPM by October 1, but some changes may still be required due to changes in patient assessment schedules.

Medicare Advantage – Many Medicare Advantage plans that contract directly with SNF providers currently rely on RUG-IV to determine rates.

Veteran’s Administration (VA) – Many current SNF agreements are based on RUG-IV payment methodologies, and the VA is currently in the process of transitioning to a new Veterans Care Agreement (VCA) process enacted in the VA Mission Act of 2018.

TRICARE – The Department of Defense is required to use the SNF PPS payment model rates (currently RUG-IV).

What You Can Do
We ask Congress to carefully monitor the lead-up to, and initial implementation of the SNF PPS PDPM payment model as well as the four other identified Federal and Federal/State programs directly impacted by the October 1, 2019 PDPM implementation, and to react as needed to address issues that could impact beneficiary access to necessary SNF services.

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