MEMORANDUM

TO: State Executives
AHCA Board of Governors
Council for Post-Acute Care
Regional Multifacility Council
Independent Owner Council
Past Chairs
PAC Committee
PIC Committee
Not-for-Profit Council
DD Committee
Council of States
Finance Committee

FROM: Mark Parkinson, President & CEO

SUBJECT: The AHCA Solution to the 2012 SNF PPS NPRM
We are the solution.

DATE: June 27, 2011

Two months ago CMS released the 2012 SNF PPS proposed rule. The CMS proposal sent shock waves through our profession. The combined impact of a $4.5 billion adjustment to Medicare rates, major changes to therapy, along with the Medicaid challenges many of us are facing is obvious. It’s too much at once.

We understand the requirement that CMS’s parity adjustment must bring the SNF payment system to “budget neutrality” – that is, the total expenditures under the new system are the same as those that would have been made under the old system. We also recognize that, for CMS, budget neutrality does not include any consideration of our Medicaid challenges, increasing provider costs or narrow margins. Despite the difficulties we face as a profession, we intend to work cooperatively with CMS towards this goal.

We believe that CMS has overestimated the size of the overpayment. We also concede that we do not know the precise number. CMS faces a significant challenge in determining the proper amount of an adjustment, and we have concluded that there is no definitive way to settle on an accurate number at this time. We believe that no one can at this point in time with less than one year of data to review.
None of this is anyone’s fault. The inability to determine an accurate number to reach budget neutrality at this time reflects the inherent complexity involved changing both the MDS and RUG systems, especially when those changes occur simultaneously.

Fortunately, there is a solution to the Medicare payment system to SNFs that does not require an educated guess. This solution assures budget neutrality from October 1, 2011, forward; presents the opportunity to calculate the correct figure for reduction; and prevents an unmanageable jolt to the sector in order to protect our ability to provide quality care.

Today we will submit formal comments to CMS on the proposed rule. Following is an outline of our solution.

- For FY 2012, CMS should reduce rates by 3.0 percent, plus the productivity adjusted market basket update.
- For FY 2013 and subsequent years, if necessary, CMS could further reduce rates up to 3.0 percent plus the productivity adjusted market basket update until budget neutrality is achieved.
- In determining budget neutrality, CMS should evaluate and include the impact of the various changes to the SNF PPS RUG system described in the FY 2012 proposed rule (such as changes to therapy). AHCA believes there could be savings totaling hundreds of millions of dollars from potential changes in group therapy, as well as potential savings from other changes in the proposed rule, and asks that they are credited against potential reductions.
- If this phase-in of the budget neutrality adjustment results in overpayments in FY 2012 and beyond CMS should prospectively recover these non-budget neutral overpayments.

We believe our proposal offers several advantages for all those impacted by this decision. CMS will not be forced to estimate the amount needed to return to budget neutrality, assuring the agency it will reach its ultimate goal. Additionally, the long term and post-acute care sector can absorb the phased-in reduction while maintaining the level of care our patients deserve. Finally, the economy will not experience the negative impact an 11.3 percent Medicare cut would have on the 10th largest employer in the country as it continues to cope with deep, multiple Medicaid cuts.

From this point on, we will continue to discuss our proposal with both CMS and members of Congress. Our formal presentation to CMS will take place on July 8th. CMS intends to issue a final rule by August 1.

We have dozens of meetings with members of Congress over the next month. It is possible that Congress will become involved in this decision so that any savings from an
adjustment to Medicare rates can be used to pay for other items. As a result, we are discussing that scenario in our meetings on the Hill. We are very active on this front.

You can help with this issue in two ways. First, the AHCA Congressional Briefing is on July 13 and 14. Congressional Briefing is a time for you to join hundreds of colleagues in sharing our message on Capitol Hill. It’s important for members of Congress to hear directly from you about the impact of a devastating Medicare reduction. If you haven’t already, there’s still time for you to register to attend this important event.

Second, we are likely to activate a grassroots letter and email campaign targeted at Members of Congress and other Washington D.C. policymakers. The letters will stress the negative economic impact that an immediate $4.5 billion Medicare reduction would have. We’ll have more information on this later, but I hope you will take time to send a letter and ask as many colleagues as possible to do the same.

The good news is that we have created a solution that benefits everyone: time to absorb a gradual reduction for the profession and budget neutrality for the government. We need your help ensuring policymakers adopt this sound, rational approach.