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CMS Medicare Payment and Policy Changes for FY 2021 – Skilled Nursing Facilities, Inpatient Psychiatric Facilities, and Hospices

On April 10, 2020, the Centers for Medicare and Medicaid (CMS) issued proposed rules updating payment rates and policies for Skilled Nursing Facilities (SNF), Inpatient Psychiatric Facilities (IPF), and Hospices. CMS will accept comments on these rules until June 9, 2020. CMS issued these proposed rules in accordance with its legal obligation to update Medicare payment policies annually rather than as a response to the COVID-19 pandemic.

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For all three provider types, CMS proposes to adopt Office of Management and Budget (OMB) revised geographic delineations for Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas. CMS has stated that these revised delineations are intended to more accurately reflect the contemporary urban and rural nature of areas across the United States and that the use of such delineations will allow for a more accurate determination of the wage index values, one of the factors that adjust a provider’s overall Medicare payment, to apply under each payment system. For FY 2021, CMS also proposes to apply a five percent floor on wage index decreases for SNF, IPF and hospice providers to mitigate any significant decreases in the wage index values for these providers.

Additional provisions of proposed rules for each provider type are further summarized below.

Skilled Nursing Facilities

- *SNF Prospective Payment System.* CMS proposes an overall 2.3% rate increase, representing approximately \$784 million in increased payments to SNFs for FY 2021.
- *Updates to Payment-Driven Patient Model (“PDPM”).* PDPM, which was implemented on October 1, 2019, is focused on patient characteristics, rather than volume, under the SNF PPS and is used to classify patients during a covered Medicare Part A SNF stay into case-mix groups utilizing ICD-10 codes. CMS proposes changes to the ICD-10 code mappings that would be effective beginning in FY 2021, in response to stakeholder recommendations.
- *SNF Value-Based Purchasing (“VBP”) Program.* CMS proposes to:
 - Align VBP regulatory language to reflect a change in the name of the future VBP readmission measure (to be adopted as soon as practicable) from the “Skilled Nursing Facility 30-Day Potentially Preventable Readmission Measure” to the “Skilled Nursing Facility Potentially Preventable Readmissions after Hospital Discharge,” which was previously finalized in the FY 2020 SNF PPS final rule. This measure will replace the current readmission measure, the Skilled Nursing Facility 30-Day All-Cause Readmission Measure, although there is no definite time frame for the transition as of yet.
 - Update Phase One Review and Correction Deadline to 30 days. Under the current VBP, SNFs have an opportunity to review and provide corrections to their performance information that will be made public. Currently, SNFs can review and correct quarterly feedback reports detailing facility-level performance

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on readmission measures and quality measure information from August 2 until March 31. However, CMS proposes to reduce this review timeframe to 30 days, which CMS says will provide more certainty in SNFs' financial planning so that any approved correction requests are implemented before October 1, when incentive payments take effect.

- Establish performance periods and performance standards for upcoming program year.

Inpatient Psychiatry Facilities

- *IPF Prospective Payment System.* CMS proposes an overall 2.4% rate increase, representing an estimated \$100 million in total increased payments to IPFs, for FY 2021. CMS proposes revised delineations for Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and provides guidance on the use of the delineations of these statistical areas thereby, with the intent that wage index values be more representative of the actual costs of labor in a given area.
- *IPFQR Program.* CMS has not proposed any changes to the Inpatient Psychiatric Facility Quality Reporting Program for FY 2021.

Hospices

- *Hospice Payments.* CMS proposes a 2.6% rate increase, representing an estimated \$580 million in total increased payments to hospices, for FY 2021.
- *Statutory Aggregate Cap.* Under the proposed rule, CMS would set the statutory annual per-patient aggregate cap for hospice payments at \$30,743.86 for FY 2021, which represents a 2.6% increase over the FY 2020 cap.