

Congress Should Ask CMS to Proceed Cautiously with SNF Payment Adjustments

- CMS should delay any rate adjustments and phase in adjustments to no more than one percent per year to maintain SNF beneficiary access stability as the nation recovers from the COVID-19 pandemic.
- CMS should revise the PDPM parity adjustment approach to further mitigate for COVID-19 impacts.
 - ▶ CMS should use information in Minimum Data Set (MDS) assessments to exclude COVID-19 patients from analysis including: 1) All beneficiaries with a confirmed COVID-19 diagnosis, and 2) Any beneficiary with pulmonary conditions consistent with COVID-19.
 - ▶ CMS should evaluate month-to-month acuity changes in beneficiaries without COVID-19 and exclude claims from analysis for months that are aberrant compared to prior to the PHE.

CMS Proposes a 5.0 Percent Payment Cut to SNF Medicare Part A Rates

On October 1, 2019, the Centers for Medicare and Medicaid Services (CMS) implemented a new case-mix classification model under Medicare Part A, called the Patient Driven Payment Model (PDPM). When finalizing PDPM, CMS stated that this new payment model would be implemented in a budget neutral manner, meaning that the transition to this new payment model would not result in an increase or decrease in aggregate SNF spending. Soon after the PDPM implementation, the nation's SNFs and their residents were significantly impacted by the worldwide COVID-19 pandemic and resultant public health emergency (PHE) which significantly reduced census and distorted patient acuity case mix for the majority of FY 2020.

As with past payment model transitions, CMS has conducted data analysis to recalibrate the payment model to achieve budget neutrality under PDPM referred to as a "parity adjustment". In the FY 2022 SNF proposed payment rule (86 FR 19954) **CMS notes that the COVID-19 PHE could have affected the data and proposed to exclude claims impacted by COVID-19 from the parity adjustment analysis.**

CMS suggests in the proposed rule that a SNF PPS PDPM parity adjustment is necessary to restore budget neutrality as FY 2020 claims data analysis identified an unintended increase in payments of approximately five percent, or \$1.7 billion. CMS also proposed implementing any parity adjustment via a delayed and/or phase-in approach.

CMS Parity Adjustment Approach

CMS excluded claims with:

- A COVID-19 diagnosis listed on a claim,
- Any claims with a DR condition code indicating a COVID-19 waiver of the 3-day qualifying inpatient hospital stay or benefit period waiver was applied.

Avalere Analysis¹ Suggests That CMS Claims Analysis Fell Short of Mitigating for COVID-19 Impacts

- SNF Minimum Data Set (MDS) assessments identified more beneficiaries with a confirmed COVID-19 diagnosis than CMS observed on claims suggesting that **MDS diagnoses also need to be considered for patient exclusions.**
- SNF MDS assessments demonstrated a significant spike in respiratory illnesses in early 2020 before COVID-19 testing was readily available, or the COVID-19 specific diagnosis code was available in April, suggesting the **CMS claims-only approach "may not have adequately captured the COVID-19 case volumes over the course of the pandemic."**
- Month-to-month comparison of PDPM component case-mix-index values of beneficiaries without a confirmed COVID-19 diagnosis indicate that **patient acuity of non-covid patients also spiked** for the PDPM Nursing and Speech-Language Pathology component during the first wave of the pandemic **and remained elevated** for the remainder of FY 2020 suggesting that **"the pandemic's effects extended to the broader SNF population."**
- In summary, Avalere suggests that **"The roll-out of the PDPM in October 2019 followed quickly by the COVID-19 pandemic presents challenges to understanding the extent to which unanticipated increases in payment to SNFs are due to the changes in the payment system versus changes in the patient populations served in SNFs during the COVID-19 pandemic."**

If you have further questions, please contact the American Health Care Association Associate VP Dan Ciolek dciolek@ahca.org or 302-740-7888.

¹ Bentley,F, Morely,M, Gillen,E, Flynn,H. [COVID-19 Pandemic's Considerable Impact on Skilled Nursing Facilities](#), Avalere Insights & Analysis, June 14, 2021.