Schiavi, Wallace & Rowe, PC

Certified Public Accountants

A newsletter dedicated to long-term care providers.

MDS Medicare Skilled Nursing Facility Value Based Purchasing

Pay for Performance is coming to Medicare

By Dawn L. Rowe, CPA, MBA, CPC

. . . will be paid for by penalizing the poor performers and incentivizing the top performers.

Included in the *Protecting Access to Medicare Act of 2014,* signed into law on April 1, is a provision requiring the implementation of a value-based purchasing program (VBP) for SNFs. While this is something that has long been on the horizon, specific dates have now been established for quality measures and, finally, program implementation.

The act directs the US Secretary of Health and Human Services to develop a methodology for assessing the performance of each SNF based on specific measures, and then assign a "performance score" to each SNF based on the measures. SNFs will then be ranked from low to high for the performance period for each fiscal year. Those SNFs with the highest rank will receive the highest value-based incentive payments, and those in the lowest 40% will have their payments decreased.

Robin Hood

So, it's clear that the program will be paid for by penalizing the poor performers and incentivizing the top performers. Specifically, the Federal per diem rate for the SNF PPS will be reduced by 2% for all SNFs regardless of whether the SNF has earned a value-based incentive payment for the fiscal year. Then, 50 to 70 percent of this total pool will be distributed to the top 60% based on their readmission measures. Therefore, the bottom 40% will receive a 2% rate cut.

It is important to note that the SNF VBP reduction will not be taken into account when CMS calculates the SNF payment update each year.

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The actual VBP payment reductions won't be implemented until 10/1/18

Quality Measures

While there is still much to be determined the law outlines two measures to be developed and their effective dates:

10/1/15: An all-cause, all-condition hospital readmission measure will be developed for all SNFs.

10/1/16: A "resource use" measure will be developed to reflect an all-condition risk adjusted potentially preventable hospital readmission rate. This resource use measure is to replace the "all cause measure" as soon as is practical.

The legislation specifically states that the ranking should be based on the higher of achievement or improvement, which is good news for SNFs who may not perform well initially but can show significant improvement.

Quarterly Feedback

Beginning 10/1/16, and quarterly thereafter, information on each SNFs readmission performance will be posted on the Nursing Home Compare Website. SNFs will have the opportunity to review this data and submit corrections to it.

Actual Implementation

The actual VBP payment reductions won't be implemented until 10/1/18, therefore, SNFs have two years to use their performance data to get ready for it. Providers will be notified of their rate adjustment 60 days prior to implementation. The rate adjustment will apply only to that "performance period" or fiscal year.

Many Unknowns

While the legislation defined dates and loosely covered the methodology, there is much yet to be determined such as:

Ranking: Will this be done on a national level, or within specific jurisdictions?

Measures: What readmissions will be used? And over what timeframe?

Payments: How will the 2% be distributed over the top 60% performers? Will it be stratified?

There is sure to be much debate on these issues. Stay tuned!

TPL Fees to Apply After 7/1/14: *The Cost of Non-Compliance to Become Costly*

By Judith M. Schiavi, CPA, MBA

According to the May 24, 2004 "Third Party Liability Audit Project Final Report", the Third Party Liability (TPL) audit process that began in 2001 identified a total of $15,335,359 in overpayments that were returned to the State. As a result of those audits, a quarterly credit balance self reporting and audit process was developed in 2003 and General Provider Transmittal (No. 60) was issued in 2004 that informed providers that they would be responsible for paying the recovery fees for any overpayments that were not self reported.

The self reporting process never really got off to a good start and after a delay of almost 10 years the State finally began collecting the quarterly credit reports in 2011 and its contractors began auditing those reports in 2012. The payment of the audit fees for this new process was waived to allow the industry to get familiar with these new processes.

According to the data provided by the Department, the quarterly self reporting process has been very successful. Most overpayments are now self reported (the average reported is a little over $2 million each year), with the additional credits identified at audit at less than $1 million each year.

As a result, the State has announced that for audits of credit balances reported after 7/1/14, facilities will now be responsible for paying their own recovery fees of 11.5% of auditor identified overpayments (this of course doesn't apply to self reported amounts on the quarterly credit reports).

If you have questions about the self reporting process, or would like help with your quarterly reports, please email me at jschiavi@schiavi-wallace.com.

Other Initiatives in the *Protecting Access to Medicare Act of 2014*

The Part B Fee Schedule Fix

By Dawn L. Rowe, CPA, MBA, CPC

Diagnosis coding will remain under the ICD-9 codes until 10/1/2015.

The impetus for the *"Protecting Access to Medicare Act"* was actually to once again avert the scheduled reduction in the Medicare Part B (also known as Physician) Fee Schedule. Due to the sustainable growth rate (SGR) formula that is supposed to calculate the annual fee schedule update every year, this year's fee schedule was set to decrease 24%. However, rather than fix the SGR formula permanently, Congress once again voted to delay it another year, making it the 17th time in 11 years that it has done so. As a result of this legislation (also known as the SGR Bill) the Part B fee schedule update became 0% from January 1 through March 31st, and then a .5% increase from April 1 through March 31, 2015.

The bill also extended the therapy cap exceptions process through March 31, 2015.

Also relevant to SNFs is the delay in the transition from ICD-9 to ICD-10 code sets. Diagnosis coding will remain under the ICD-9 codes until 10/1/2015.

Will we be looking at another temporary fix to the SGR formula next year? The odds certainly seem to favor that scenario. However, every time a true solution is put off, Congress must find ways to pay for the estimated $150 billion price tag. This year's legislation included the SNF VBP as one of the ways to pay for it. In fact, it is estimated that $2 billion can be saved over the next 10 years if SNFs are able to effectively reduce readmissions.

Maryland Medicaid Rates

FY 2015 Update

By Judith M. Schiavi, CPA, MBA

By now you will have received your July 1, 2014 interim rate letter which reflects no rate increase. From July 1, 2014 through December 31, 2014 we will continue to be paid under our existing cost based reimbursement system. Then we will begin the first phase in period under PPS on January 1, 2015 with a 1.7% rate increase (recently reduced from 2.5% due to budget cuts). So your January 1, 2015 rates will be 1.7% higher than 25% of your PPS rate (as calculated under the new system) + 75% of your old rate (as calculated from your 2012 final settlement) indexed forward to Rate Year 2014.

The State provided "shadow rates" to the industry in February which reflected a Rate Year 2014 estimate of your facility PPS rates. There have been no updates in those estimates since that time. But be aware that there have been lots of updated appraisals and changes in individual and statewide CMI. Therefore your actual PPS rates that will be effective 1/1/15 may vary materially from those rates. If you have questions or need help planning for PPS, contact Judy Schiavi at jschiavi@schiavi-wallace.com.

Please join Schiavi, Wallace & Rowe and HFAM

at our

Annual Reimbursement Update

7/31/14

9:00 a.m. —3:30 p.m. (5 CEUs)

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