



# Schiavi, Wallace & Rowe, PC

Certified Public Accountants

*A newsletter dedicated to long-term care providers.*

June 2015



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## Maryland Medicaid

*What's the latest with the new Prospective Payment System ("PPS")?*

*What should we expect to see in our rate letters on July 1?*

By Judith M. Schiavi, CPA, MBA

After several delays, the new Maryland PPS system became effective January 1, 2015 and the updated regulations were finally published last month.

But this being Maryland, and our business being healthcare, changes to those regulations are already being proposed by DHMH!

### ***What Changes are being proposed?***

1. A delay in phase in

Facilities were scheduled to move to Phase II, 50% old system rate and 50% new PPS rate beginning July 1, 2015. The department plans to delay the second phase in (by six months) to begin January 1, 2016.

2. FY 16 Budget Revision

Governor Hogan's FY 16 budget proposed to reduce nursing home rates to the FY 14 funding levels (effectively eliminating the 1% increase that we received on January 1, 2015).

A 4 million dollar restoration of that January 1, 2015 budget increase is now being considered, however it will still result in a net DECREASE to rates of approximately .41%.

3. Hold harmless

The hold harmless provision, designed to help providers who don't do as well under PPS have more time to implement operational changes was scheduled to be reduced to 67% July 2015.

The draft regulations further reduce this to 50% and fully eliminate the benefit by July 2016.

**UPDATE**

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**20**

Years

1994 - 2014

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exclusively to healthcare providers.*

*If your facility's case mix scores haven't been increasing at the same rate as the industry as a whole, then your rate will be lower each quarter ...*

### *What other changes have providers encountered so far?*

#### Rate Setting Desk Review Process

Our office received lots of phone calls about the notifications received during the rate setting desk review process. You may not have been aware of this in the past, but your cost report data is subjected to a preliminary review by Myers and Stauffer each year soon after submission. The purpose of this review is to make any obvious and known adjustments to the report (using prior year audit history as a guide) before uploading the data to the State. In our old cost based system rates were estimates that became final only after the cost report for that period was audited. Now under PPS those rates are final when issued, so you are given a short period of time (sometimes only a few days) to dispute adjustments made to your data. If you did not receive an email notification of the rate setting desk review, that means that your cost report was uploaded with no adjustment.

### *What else will change on July 1?*

In addition to the phase in and budget changes proposed by the Department there will be a few more elements of your rates that will be adjusted on July 1:

#### Continued Case Mix Creep

The nursing rates will be updated on July 1 to reflect Case Mix for the quarter ending March 31, 2015. The case mix scores generated from MDS have steadily increased throughout 2014. In fact, by the last quarter of 2014 the industry was reporting Medicaid only scores that were 4% higher than they were in the beginning of the year.

Why does this matter? State officials expected that providers would begin paying more attention to their MDS and resulting case mix scores once those scores began impacting payment rates. Since the State doesn't want to pay out higher rates just because providers are capturing their data better, they apply a "creep factor" to your case mix score. If your facility's case mix scores haven't been increasing at the same rate as the industry as a whole (refer to the table below), then your rate will be lower each quarter when the case mix information is updated. In January 2015, the case mix creep factor was .971907 (which is the 1<sup>st</sup> quarter Medicaid only factor below of .9929 divided by the 3<sup>rd</sup> quarter Medicaid only factor below of 1.0216). By April 2015, the case mix creep factor had decreased to .958675 (which is the 1<sup>st</sup> quarter Medicaid Only factor below of .9929 divided by the 4<sup>th</sup> quarter Medicaid only factor below of 1.0357).

Case Mix Indices	Medicaid Only	Total Facility
1 <sup>st</sup> Quarter 2014	.9929	1.0979
2 <sup>nd</sup> Quarter 2014	1.0087	1.1099
3 <sup>rd</sup> Quarter 2014	1.0216	1.1157
4 <sup>th</sup> Quarter 2014	1.0357	1.1246
Overall Increase Since 1 <sup>st</sup> Quarter	4.31%	2.43%



*Understanding your rate letter and all the components of this new system is important to your facility's financial success . . .*

### New Appraisals

Providers receiving appraisals between December 2014 (when the new system rates were developed) and May of 2015 will receive updated capital rates as a result.

Because the appraisals are so critically important to the capital rate under PPS, the Department is also proposing new guidelines regarding the routine scheduling of appraisals as well as the situations under which a provider may request an out of cycle appraisal.

### Quality Assessment (Provider tax)

Maryland is currently taxing providers at the maximum allowed under federal guidelines (6% of net revenues of participating facilities). So, every time our payment rates change, the State has to re-run the provider tax model, submit the new model to CMS for approval, and change provider tax rates. As the overall Medicaid rate is expected to go down because of the budget decrease, the provider tax rates should also decrease, which translates into a decrease in facility capital rates as well.

### Real Estate Tax Pass Through

The real estate tax pass through, as verified during the 2014 rate setting process, will also be updated in the capital rate of those providers paying real property taxes.

### *So are there any issues with the new system?*

Any time that we have new regulations that include this much change, there are going to be some things that aren't exactly working the way it was intended. The Rate Reform workgroup is getting together later this month to discuss the new system. If you have issues you would like to bring to the attention of the workgroup, feel free to contact me at [jschiavi@schivi-wallace.com](mailto:jschiavi@schivi-wallace.com).

Understanding your rate letter and all the components of this new system is important to your facility's financial success under Maryland Medicaid PPS. We will be discussing this topic in depth, along with suggestions on best MDS practices, the upcoming clinical validation process, Medicare pay for performance and new record keeping requirements, and other general rate updates at our annual reimbursement seminar on June 16<sup>th</sup> at the Turf Valley Conference Center. For more information, see the back page of your newsletter. We hope to see you there!

**Note to users:** *All information provided is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice and after a thorough examination of the facts of the particular situation.*

## Medicare Skilled Nursing Facility Prospective Payment System

*Projected FFY 16 Rates and Other Initiatives in the Proposed Rule*

By Dawn L. Rowe, CPA, MBA, CPC

The Centers for Medicare & Medicaid Services (CMS) issued their proposed rule related to SNF Medicare payments for Federal Fiscal Year (FFY) 16 beginning October 1, 2015. In addition to the proposed payment update, CMS also discussed the SNF Value Based Purchasing Program (VBP), the SNF Quality Reporting Program (QRP) and staffing data collection submission.

### ***Proposed Payment Change***

The overall payment update proposed to SNF PPS rates effective 10/1/15 is 1.3%. This is before the impact of the area wage index which affects 69.2% of the payment rate. Therefore, as always, actual payment changes will vary widely across Maryland.

The payment change is based on the following:

Market Basket Adjustment	+2.6%
Forecast Adjustment Error	(.06)
Multi-Factor Productivity Adjustment	(.06)
Wage Index Budget Neutrality	(.01)
Total Proposed Payment Update	+1.3%

***Actual payment changes will vary widely across Maryland.***

However, due to the wage index, the actual proposed payment changes by Maryland region are:

<b>Core Based Statistical Area (CBSA)</b>	<b>Proposed Payment Change</b>
Allegany/Cumberland	+4.85%
Baltimore	+.01%
California/Lexington Park (St. Mary's)	+7.76%
Hagerstown	+1.68%
Salisbury (Worcester)	+4.14% to +4.49%
Silver Spring-Frederick-Rockville	(2.29%)
Washington	+1.38%
Wilmington (Cecil)	+3.03%
Rural	+1.75%

Note that CMS adopted new CBSA delineations in FFY 15 that resulted in some areas changing CBSAs or new CBSAs being created. The new CBSAs will be fully implemented in FFY 16, resulting in large changes in some areas such as St. Mary's County and Salisbury.

The 2% sequestration adjustment continues to remain in effect.

Long-time readers of SWR newsletters know that the area wage index is a contentious issue in Maryland. For more on the wage index, please see our June 2013 newsletter at: <http://schiavi-wallace.com/all-newsletters>

### ***SNF Value Based Purchasing (VBP)***

Medicare's version of pay for performance will begin to impact payments effective 10/1/18. It will be based on the rate of hospital readmissions from a SNF. Initially this measure will be based on all causes and conditions resulting in an unplanned hospital readmission within 30 days of discharge from a hospital, and later this will be an all condition, risk adjusted, potentially preventable hospital readmission rate. The measure will be based on claims, with no additional reporting requirements from SNFs. SNFs will be ranked based on performance scores from highest to lowest. The actual performance standards have yet to be established, and will reward SNFs based on the highest of achievement or improvement. They will be announced at least 60 days prior to the performance measurement period. SNFs will be given confidential feedback reports on their performance beginning 10/1/16, prior to implementation. The actual performance period is usually a year before it is linked to payments. Beginning in FFY 19 (10/1/18) the best performing SNFs will be awarded with an increase in their payments. SNF VBP will be funded by an overall 2% reduction in the payment rate, with 50-70% of this being returned as payment incentives to top performers.

CMS is looking for feedback on performance measures, measuring improvement, baseline and performance measurement periods, performance scoring, public reporting of performance data and feedback reports as a part of the comment period to the proposed rule. Comments are due by June 19<sup>th</sup>.

### ***SNF Quality Reporting Program (QRP)***

Impacting payments on or after 10/1/18 SNFs will be required to submit data on three quality measures including: 1) Functional status, cognitive function and changes, 2) Skin integrity and changes and 3) Incidence of major falls. The data will be collected using the MDS, and new fields will be required for discharges from Medicare Part A. Reporting on quality measures for FY 18 payments will begin for admissions on and after 10/1/16 through discharges to 12/31/16. SNFs will have 5 ½ months to correct and/or submit quality data up until 5/15/17. For FFY 19, data will be collected from the second to fourth quarters of FFY 17 (January through September), and FFY 20 will include a full year of reporting. SNFs must report all data for the quality measures for at least 80% of the MDS' submitted. If the 80% threshold is not met (80% must contain 100% of the required data), the market basket update will be reduced by 2%. Quality measures will be made available to the public.

### ***Staffing Data Collection***

Mandated by the Affordable Care Act, nursing facilities will be required to electronically submit detailed *direct care* staffing data from payroll information or other auditable data. This applies to both employees and contracted labor, and will include employee start and end date and hours worked, as well as job position. In addition, census data will need to be reported.

***The best performing SNF's will be awarded with an increase in their payments. SNF VBP will be funded by an overall 2% reduction in the payment rate.***

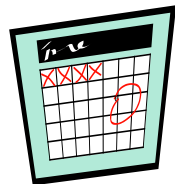


CMS has developed a system for facilities to submit staffing and census information called Payroll-Based Journal (PBJ). More information, including a draft of the PBJ policy manual can be found at:

<http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/NursingHomeQualityInits/Staffing-Data-Submission-PBJ.html>

Staffing data collection will be mandated for all long-term care facilities participating in Medicare and Medicaid, and will become a condition of participation. Quarterly submission will be required beginning on 7/1/16, although voluntary submission through the PBJ system can begin 10/1/15.

Medicare payments are sure to be anything but stable over the next several years due to these various initiatives. Stay tuned!



## HOLD THE DATE

June 16, 2015

Schiavi, Wallace & Rowe PC and HFAM present our Annual Reimbursement Update. Topics include; Maryland Medicaid PPS and clinical validation, Medicare Pay for Performance and record keeping, eligibility and other Medicaid Department updates along with a discussion of the Medicare proposed rule to include Medicare rate changes coming in October.

Join Judy Schiavi and Dawn Rowe from Schiavi, Wallace & Rowe along with guest speakers; Marc Zimmet, Stacy Salcide and Cheryl Armstrong from Zimmet Consulting and Susan Panek from DHMH for five hours of updates on reimbursement topics of interest to your facility.

This seminar is geared towards long term care management and business office employees. For registration information, go to [www.hfam.org](http://www.hfam.org) and click on Events Calendar. Note that Schiavi, Wallace & Rowe clients are eligible for registration at the membership discounts.

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