

## FY 2023 SKILLED NURSING FACILITY PROSPECTIVE PAYMENT SYSTEM FINAL RULE (CMS-1765-F AND CMS-3347-F)

On July 29, the Centers for Medicare & Medicaid Services (CMS) posted the fiscal year (FY) 2023 Skilled Nursing Facility (SNF) Prospective Payment System (PPS) [final rule](#) effective Oct. 1, 2022 through Sept. 30, 2023. After accounting for all payment and budget neutrality factors, CMS finalized a 2.7% update to SNF PPS payments, or \$904 million, relative to FY 2022.

**Rate Update:** CMS finalized a 3.9% market basket increase, a 1.5 percentage point forecast error adjustment increase, an Affordable Care Act-mandated 0.3 percentage point productivity reduction, and a 2.3% decrease accounting for the recalibrated Patient-Driven Payment Model (PDPM) parity adjustment. CMS will phase the parity adjustment in over two years. This rate update does not reflect SNF Value-Based Purchasing (VBP) reductions, which is estimated to be \$186 million in FY 2023.

Final unadjusted per diem rates under the PDPM are below. These rates apply to hospital-based, freestanding SNFs, and payments made for non-Critical Access Hospital swing-bed services.

Case-Mix Rate Component	Urban	Rural
Non-Therapy Ancillary	\$86.88	\$83.00
Nursing	\$115.15	\$110.02
Occupational Therapy	\$61.49	\$69.16
Physical Therapy	\$66.06	\$75.30
Speech Language Pathology	\$24.66	\$31.07
Non-Case-Mix	\$103.12	\$105.03

Tables 5 and 6 contain final case-mix adjusted federal rates and associated indexes for urban and rural SNFs, respectively.

**Wage Index:** CMS finalized its proposal to permanently implement a 5% cap on any decrease in a SNF's wage index from the previous year, regardless of the circumstances causing a wage index decline. This policy will be budget neutral.

CMS will continue using the pre-reclassified inpatient prospective payment system (IPPS) hospital wage data as the basis for the SNF PPS wage index. CMS excludes IPPS occupational mix, rural floor, and outmigration adjustments when calculating the SNF PPS wage index. Final FY 2023 wage index tables are available on CMS' SNF Wage Index [website](#).

CMS finalized a FY 2023 labor-related share of 70.8%, up from 70.4% in FY 2022.

**PDPM:** When CMS implemented the PDPM on Oct. 1, 2019, it finalized the new case-mix classification model in a budget neutral manner. In FY 2020, CMS found that payments made under the SNF PPS went up by approximately 5%, or \$1.7 billion.

In the SNF PPS proposed rules from FYs 2022 and 2023, CMS solicited comments on how to recalibrate the PDPM parity adjustment, acknowledging that the COVID-19 public health emergency (PHE) impacted both the data a parity adjustment would be based on, and the financial health of SNFs.

After considering stakeholder feedback, CMS finalized a 4.6% recalibration parity adjustment with a two-year phase-in period. CMS will reduce spending by 2.3%, or approximately \$780 million, in FY 2023, and then again by another 2.3% in FY 2024.

CMS also finalized several changes to the ICD-10 code mappings and lists used under the PDPM. These are available on the PDPM [website](#).

**SNF VBP Program:** CMS will suppress the Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM) (NQF #2510) for the FY 2023 SNF VBP program year. Performance on this measure will still be publically reported, but it will not affect SNF payment. CMS will reduce the federal per diem rate for each SNF by 2%, and award SNFs 60% of that withhold, resulting in a 1.2% payback. SNFs that do not meet the finalized case minimum for FY 2023 will be excluded from the FY 2023 program year.

CMS also finalized the adoption of three new measures into the SNF VBP, including:

- Skilled Nursing Facility (SNF) Healthcare Associated Infections (HAI) Requiring Hospitalization (SNF HAI) for the FY 2026 program year;
- Total Nursing Hours per Resident Day measure for the FY 2026 program year; and
- Discharge to Community (DTC) – Post-Acute Care (PAC) Measure for SNFs (NQF #3481) for the FY 2027 program year.

CMS also finalized several updates to the SNF VBP scoring methodology.

**SNF Quality Reporting Program (QRP):** The quality measures currently adopted for the FY 2023 SNF QRP are in Table 15. CMS revised the compliance data for the Transfer of Health (TOH) Information-Provider and TOH-Patient, as well as certain standardized patient assessment data elements (SPADES) on the Minimum Data Set (MDS) v1.18.11 for admissions and discharges (except for the hearing, vision, race, and ethnicity SPADES which would be collected at admission only), to Oct. 1, 2023. CMS stated this change aligns with similar data collection requirements at Inpatient Rehabilitation Facilities, Long-Term Care Hospitals and Home Health Agencies.

CMS finalized adoption of the Influenza Vaccination Coverage among Healthcare Personnel (HCP) measure for the SNF QRP, beginning with the FY 2024 SNF QRP. This measure is endorsed by the National Quality Forum (NQF #0431), and the first data submission period is Oct. 1, 2022 through March 31, 2023. Note, CMS originally proposed beginning collection of this measure for the FY 2025 program year.

Regarding CMS' request for information on health equity, CMS continues to explore ways to address health equity through the Medicare quality programs. CMS stated it will continue to take concerns, comments, and suggestions into account for future development and expansion of policies to advance health equity through the SNF QRP.

**RFI on Mandatory Minimum Staffing Levels:** CMS continues to review comments received on the establishment of mandatory minimum staffing levels in long-term care facilities. Comments addressed the overall approach for establishing staffing standards, recommendations for implementing minimum staffing requirements, and other considerations such as payment, cost, and barriers. CMS stated it anticipates using feedback to help inform future rulemaking within one year on minimum staffing requirements for long-term care facilities.

**Updates on Requirements for Participation:** CMS used this rule to finalize two proposals made in its 2019 proposed rule entitled [Requirements for Long-Term Care Facilities: Regulatory Provisions to Promote Efficiency, and Transparency](#).

First, CMS will allow long-term care facilities that were participating in Medicare before July 5, 2016 and that previously used the Fire Safety Evaluation System (FSES) when determining fire protection levels, to continue to use the 2001 FSES mandatory values when determining compliance for containment, extinguishment and people movement requirements.

Second, CMS revised existing qualification requirements for the Director of Food and Nutrition Services in long-term care facilities. Specifically, individuals may continue serving as Director of Food and Nutrition Services if they have two or more years' experience performing that role, and have completed a minimum course of study in food safety that includes certain relevant topics (e.g., foodborne illness, food purchasing/receiving, etc.).

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Sources:

Centers for Medicare & Medicaid Services. Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities; Updates to the Quality Reporting Program and Value-Based Purchasing Program for Federal Fiscal Year 2023; Changes to the Requirements for the Director of Food and Nutrition Services and Physical Environment Requirements in Long-Term Care Facilities. July 29, 2022. Available from: <https://www.federalregister.gov/public-inspection/2022-16457/medicare-program-prospective-payment-system-and-consolidated-billing-for-skilled-nursing-facilities>. Accessed August 1, 2022.