Illinois Health and Hospital Association

RULE SUMMARY

AUGUST 2024

MEDICARE SNF PPS FINAL RULE

Overview and Resources

On July 31, 2024, the Centers for Medicare & Medicaid Services (CMS) released the final federal fiscal year (FFY) 2025 payment rule for the Skilled Nursing Facility (SNF) Prospective Payment System (PPS). The final rule reflects the annual updates to Medicare fee-for-service (FFS) SNF payment rates and policies. A copy of the final rule and other resources related to the SNF PPS are available on the CMS website.

Program changes adopted by CMS will be effective for discharges on or after Oct. 1, 2024 unless otherwise noted. CMS estimates the overall economic impact of this payment rate update to be an increase of $1.4 billion in aggregate payments to SNFs in FFY 2025 over FFY 2024 and a reduction of $187.69 million due to the SNF Value-Based Purchasing (VBP) Program carve-out.

SNF Payment Rates

CMS rebased and revised the SNF market basket to reflect a FFY 2022 base year, beginning with FFY 2025, rather than the current FFY 2018 base year for both freestanding and hospital-based SNFs.

The tables below show the adopted urban and rural SNF Patient-Driven Payment Model (PDPM) federal per-diem payment rates for FFY 2025 compared to the FFY 2024 rates. These rates apply to hospital-based and freestanding SNFs, as well as to payments made for non-Critical Access Hospital (CAH) swing-bed services.

Unadjusted Case-Mix Rate Component		**Urban SNFs**		
		Final FFY 2024	Final FFY 2025	**Percent Change**
Nursing	**Nursing**	**$122.48**	**$127.68** (proposed at $127.52)	**+4.24%** (proposed as 4.11%)
	Non-Therapy Ancillary (NTA)	**$92.41**	**$96.33** (proposed at $96.21)	
Therapy	**Physical Therapy (PT)**	**$70.27**	**$73.25** (proposed at $73.16)	
	Occupational Therapy (OT)	**$65.41**	**$68.18** (proposed at $68.10)	
	Speech-Language Pathology (SLP)	**$26.23**	**$27.35** (proposed at $27.31)	
Non-Case-Mix		**$ 109.69**	**$114.34** (proposed at $114.20)	

Unadjusted Case-Mix Rate Component		Rural SNFs		
		Final FFY 2024	Final FFY 2025	**Percent Change**
Nursing	**Nursing**	**$117.03**	**$121.99** (proposed at $121.83)	**+4.24%** (proposed as 4.11%)
	Non-Therapy Ancillary (NTA)	**$88.20**	**$92.03** (proposed at $91.92)	
Therapy	**Physical Therapy (PT)**	**$80.10**	**$83.50** (proposed at $83.39)	
	Occupational Therapy (OT)	**$73.56**	**$76.69** (proposed at $76.59)	
	Speech-Language Pathology (SLP)	**$33.05**	**$34.46** (proposed at $34.41)	
Non-Case-Mix		**$111.72**	**$116.46** (proposed at $116.31)	

The table below provides details of the finalized updates to the SNF payment rates for FFY 2025.

	Final FFY 2025 SNF Rate Updates
Market Basket Update	**+3.0%** (proposed at 2.8%)
Affordable Care Act (ACA)-Mandated Productivity Adjustment	**-0.5 percentage points (PPTs)** (proposed at -0.4 PPTs)
Forecast Error Adjustment	**+1.7 PPTs** (proposed at 1.7 PPTs)
Wage Index/Labor-Related Share Budget Neutrality	**1.0005** (proposed at 1.0002)
Overall Rate Change	***4.24%*** (proposed as 4.11%)

Wage Index, Labor-Related Share, and Revised CBSA Delineations

CMS adopted its proposal to continue the use of the pre-floor, pre-reclassification IPPS wage index. The labor-related share for FFY 2025 is finalized at 72.0% (proposed at 71.9%), compared to 71.1% in FFY 2024. This update reflects labor-related cost categories from the adopted market basket revisions.

CMS applies a 5% cap on any decrease to the SNF wage index, compared with the previous year's wage index. The cap is applied regardless of the reason for the decrease and implemented in a budget neutral manner.

CMS is adopting a wage index and labor-related share budget neutrality factor of 1.0005 (proposed at 1.0002) for FFY 2025 to ensure that aggregate payments made under the SNF PPS are not greater or less than would otherwise be made if wage adjustments had not changed. This includes the budget neutrality for the permanent 5% cap on wage index decreases.

On July 21, 2023, the Office of Management and Budget (OMB) issued OMB Bulletin No. 23-01 that made a number of significant changes related Core Based Statistical Area (CBSA) delineations. To align with these changes, CMS is adopting the newest OMB delineations for the FFY 2025 SNF PPS wage index.

Using these new delineations, 54 counties that are currently part of an urban CBSA would be considered located in a rural area (including one urban county in Connecticut that is being redesignated to a newly rural CBSA), listed in Table 22, and 54 counties that are currently located in rural areas would be considered located in urban areas, listed in Table 23. While 43% of SNFs may experience decreases in their area wage index values under this new proposal, 57% would see increases. Less than 1% of providers would face significant decreases exceeding 5% in their area wage index values. Since CMS already applies a 5% cap on wage index loses from year to year, CMS does not believe any additional transition policies are needed to account for the changes in wage index.

A complete list of the finalized wage indexes used for payment in FFY 2025 is available on the CMS website.

Case-Mix Adjustment

CMS uses the Patient Driven Payment Model (PDPM) classification system to adjust payments to account for the relative resource utilization of different patient types. The case-mix components of the PDPM address costs associated with an individual's specific needs and characteristics, while the non-case-mix component addresses consistent costs that are incurred for all residents, such as room and board and various capital-related expenses. Under PDPM, patients are classified based on PT, OT, SLP, Nursing, and NTA. The case-mix adjusted PDPM payment rates for FY 2025 are separately listed for urban and rural SNFs. These payments are added together along with the non-case-mix component payment rate to create a resident's total SNF PPS per diem rate. The final FFY 2025 PDPM updates for each component are found in Tables 5 and 6.

For FFY 2025, CMS is also adopting a change to the clinical category assignment for four new ICD-10 code mappings that were effective on Oct. 1, 2023:

ICD-10 Code	ICD-10 Description	Current Category Mapping	Finalized Category Mapping
E88.10	Metabolic Syndrome	Medical Management	Return to Provider
E88.811	Insulin Resistance Syndrome	Medical Management	Return to Provider
E88.818	Other Insulin Resistance	Medical Management	Return to Provider
E88.819	Insulin Resistance, Unspecified	Medical Management	Return to Provider

Request For Information (RFI) – Update to PDPM NTA Component

The Non-Therapy Ancillary (NTA) component of the PDPM utilizes a comorbidity score to assign patients into NTA component case-mix groups. The comorbidity score is based on conditions or extensive services reported by providers on certain items of the Minimum Data Set.

In the proposed rule, CMS had sought public comments on the NTA study population and overlap methodology. Specifically, CMS sought comment on the following topics updates to the study population and methodology and updates to conditions and extensive services used for NTA classification. CMS provided a summary of comments received on *Federal Register* pages 64098–64099.

Consolidated Billing

CMS requires SNFs to submit consolidated Medicare bills to its Medicare Administrative Contractor (MAC) that must include services its residents received during a covered Part A stay. A small list of services are currently excluded from consolidated billing and are separately billable under Part B when

furnished to a SNF's Part A resident. CMS sought public comments to identify additional Healthcare Common Procedure Coding System (HCPCS) codes that, due to recent medical advances, might meet the criteria for exclusion from SNF consolidated billing in the following five service categories: chemotherapy items, chemotherapy administration services, radioisotope services, customized prosthetic devices, and blood clotting factors.

CMS will identify the additional excluded services by means of the HCPCS codes that are in effect on Oct. 1, 2024. CMS plans on making routine updates to these codes through internal reviews and feedback solicited through this annual rulemaking process. The latest list of excluded codes can be found on CMS' SNF Consolidated Billing website.

SNF VBP Program

Measure Changes: CMS is adopting updates to definitions and terminology in the SNF VBP Program, aiming for consistency and clarity. CMS is replacing references to the Skilled Nursing Facility Potentially Preventable Readmissions (SNFPPR) measure with the Skilled Nursing Facility Within-Stay Potentially Preventable Readmission (SNF WS PPR) measure, effective Oct. 1, 2027, redesignating "performance score" as "SNF performance score", and "program year" with "fiscal year."

The FFY 2027 measure minimums are also finalized for application to the FFY 2028 program and subsequent years. Specifically, a SNF must report a minimum number of cases for four of the eight measures during the performance period in order to receive a SNF performance score.

CMS is also adopting a measure selection, retention, and removal policy beginning with the FFY 2026 SNF VBP Program Year that mirrors other CMS quality reporting programs:

1. A measure adopted for SNF VBP will remain in the program for all subsequent years unless proposed to be removed or replaced. CMS may choose to immediately remove a measure from the SNF VBP measure set if continuing to require SNFs to submit data on the measure raises specific resident safety concerns. Notice of the removal, along with a statement of the safety concerns raised, will be provided to SNFs and the public, with notification in the *Federal Register*.
2. Measures can be removed or replaced through notice and comment rulemaking.
3. Criteria to determine whether a measure should be considered for removal or replacement include:
    a. SNF performance on the measure is so high and unvarying that meaningful distinctions and improvements in performance can no longer be made;
    b. Performance and improvement on a measure do not result in better resident outcomes;
    c. A measure no longer aligns with current clinical guidelines or practices;
    d. A more broadly applicable measure for the particular topic is available;
    e. A measure that is more proximal in time to the desired resident outcomes for the particular topic is available;
    f. A measure that is more strongly associated with the desired resident outcomes for the particular topic is available;
    g. The collection or public reporting of a measure leads to negative unintended consequences other than resident harm; and
    h. The costs associated with a measure outweigh the benefit of its continued use in the Program.

CMS is adopting the following performance standards for the FFY 2027 and FFY 2028 program years:

Final FFY 2027 SNF VBP Program Performance Standards		
Measure ID	**Achievement Threshold**	**Benchmark**
SNFRM	**0.78709**	**0.82702**
SNF HAI Measure	**0.92219**	**0.94693**
Total Nurse Staffing Measure	**3.21488**	**5.81159**
Nurse Staff Turnover Measure	**0.38000**	**0.72959**
Falls with Major Injury (Long-Stay) Measure	**0.95349**	**0.99950**
Long Stay Hospitalization Measure	**0.99758**	**0.99959**
DC Function Measure	**0.40000**	**0.78800**
DTC PAC SNF Measure	**0.42946**	**0.66370**

Final FFY 2028 SNF VBP Program Performance Standards		
Measure ID	**Achievement Threshold**	**Benchmark**
DTC PAC SNF Measure	**0.42612**	**0.67309**
SNF WS PPR Measure	**0.86372**	**0.92363**

The previously adopted SNF VBP measures are shown in the table below:

Measure Name	Measure ID	First Program Year	First Performance Period
SNF 30-Day All-Cause Readmission Measure	**SNFRM**	**FFY 2017 (to be replaced with SNF WS PPR in FFY 2028)**	**FFY 2015**
SNF Healthcare-Associated Infections Requiring Hospitalization Measure	**SNF HAI Measure**	**FFY 2026**	**FFY 2024**
Total Nurse Staffing Hours per Resident Day Measure	**Total Nurse Staffing Measure**	**FFY 2026**	**FFY 2024**
Total Nurse Staff Turnover Measure	**Nurse Staff Turnover Measure**	**FFY 2026**	**FFY 2024**
Discharge to Community (DTC)—Post-Acute Care Measure (PAC) for SNFs	**DTC PAC SNF Measure**	**FFY 2027**	**FFYs 2024-2025**
Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay) Measure	**Falls with Major Injury (Long-Stay) Measure**	**FFY 2027**	**FFY 2025**
Discharge Function Score for SNFs Measure	**DC Function Measure**	**FFY 2027**	**FFY 2025**

Number of Hospitalizations per 1,000 Long Stay Resident Days Measure	Long Stay Hospitalization Measure	FFY 2027	FFY 2025
SNF Within-Stay Potentially Preventable Readmissions Measure	SNF WS PPR Measure	FFY 2028	FFYs 2025-2026

Review and Correction Process: CMS will utilize their Phase One review and correction process for all SNF VBP Program measures, regardless of data source, beginning with the FFY 2026 program. For corrections to be incorporated into the SNF VBP Program's quarterly confidential feedback reports, SNFs must rectify any errors in the underlying data before the specified "snapshot date." Below are the measures and their respective snapshot dates.

- SNF Healthcare Associated Infections, Discharge to Community – Post-Acute Care SNF, and SNF WS PPR:
  - Snapshot Date: 3 months following the last SNF discharge.
- Long Stay Hospitalization Measure:
  - Snapshot Date: 3 months following the final quarter of the baseline or performance period
- Payroll-Based Journal Measures (Total Nurse Staffing and Nursing Staff Turnover):
  - Snapshot Date: 45 calendar days after the last day in each fiscal quarter.
- MDS-Based Measures (DC Function and Falls with Major Injury Long-Stay):
  - Snapshot Date: February 15th that is 4.5 months after the last day of the baseline or performance period, with adjustments for weekends or federal holidays.

Extraordinary Circumstances Exception (ECE): Beginning FFY 2025, CMS is adopting an expansion to its policy to allow a SNF to request an ECE if the SNF can prove that the extraordinary circumstance is the reason why they are unable to report on one or more SNF VBP measures by the deadline, to align with the ECE policies for the SNF Quality Reporting Program (QRP). CMS is also finalizing an update the request submission process, which would eliminate the completion of a form and require the SNF to submit information via email to the Help Desk. Beginning in the FFY 2025 program year, SNFs can request an ECE via email with the subject line “SNF VBP Extraordinary Circumstances Exception Request” to the SNF VBP Program Help Desk with the following information:

- The SNF’s CMS Certification Number (CCN);
- The SNF’s business name and business address;
- Contact information for the SNF’s chief executive officer (CEO) or CEO-designated personnel, including all applicable names email addresses, telephone numbers, and the SNF’s physical mailing address (not a PO Box);
- A description of the event, including the dates and duration of the extraordinary circumstance;
- Available evidence of the impact of the extraordinary circumstance on the care the SNF provided to its residents or the SNF’s ability to report SNF VBP measure data, including, but not limited to, photographs, media articles, and any other materials that would aid CMS in determining whether to grant the ECE; and
- A date when the SNF believes it will again be able to fully comply with the SNF VBP Program’s requirements and a justification for the proposed date.

Health Equity Considerations

CMS is responding to the 2024 RFI which considered the creation of health-equity-focused metrics that would utilize SNF HAI, DC Function, DTC PAC SNF, and SNF WS PPR measures. The measures or metrics being considered for bonus points are:

- A high-social risk factor (SRF) measure that utilizes an existing Program measure where the denominator of the measure only includes residents with a given SRFs.
- A worst-performing group measure that utilize an existing Program measure and compares the quality of care among residents with and without a given SRF on that measure and places greater weight on the performance of the worst-performing group with the goal of raising the quality floor at every facility.
- A within-provider difference measure that assesses performance differences between residents (those with and without a given SRF) within a SNF on an existing Program measure, creating a new measure of disparities within SNFs.

CMS is testing the measure concepts to determine where current disparities exist in performance, how to incentivize SNFs to improve their quality and incorporating a health equity focused measure into the program. CMS is focusing on approaches that:

- Include as many SNFs as possible and are feasible to implement;
- Integrate feedback from interested parties;
- Encourage high quality performance for all SNFs among all residents and discourage low quality performance;
- Are simple enough for SNFs to understand and can be used to guide SNFs in improvement; and
- Meet the goal of incentivizing equitable care to ensure all residents in all SNFs receive high quality care.

SNF QRP

The Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014 mandates a quality reporting program for SNFs. Beginning in FFY 2018, the IMPACT Act requires a two PPT penalty applied to the standard market basket rate adjustment, for those SNFs that fail to submit required quality data to CMS.

Currently SNF QRP has 15 adopted measures for the FFY 2025 SNF QRP, which are listed below and in Table 28. CMS is not adopting any new measures.

Summary Table of Domains and Measures Previously Adopted for the FFY 2025 SNF QRP	
Short Name	**Measures**
Resident Assessment Instrument Minimum Data Set Measures (Assessment-Based)	
Pressure Ulcer/Injury	Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury
Application of Falls	Application of Percent of Residents Experiencing One of More Falls with Major Injury (Long Stay) (NQF #0674)
Patient/Resident COVID–19 Vaccine	COVID–19 Vaccine: Percent of Patients/Residents Who Are Up to Date

Discharge Mobility Score	Application of IRF Functional Outcome Measure: Discharge Mobility Score for Medical Rehabilitation Patients (NQF #2636)
DC Function	Discharge Function Score
Discharge Self-Care Score	Application of IRF Functional Outcome Measure: Discharge Self-Care Score for Medical Rehabilitation Patients (NQF #2635)
DRR	Drug Regimen Review Conducted with Follow-Up for Identified Issues
TOH-Provider	Transfer of Health (TOH) Information to the Provider Post-Acute Care (PAC)
TOH-Patient	Transfer of Health Information to the Patient PAC
Claims-Based Measures	
MSPB SNF	Total Estimated Medicare Spending per Beneficiary (MSPB)
DTC	Discharge to Community
PPR	Potentially Preventable 30-Day Post Discharge Readmission Measure
SNF HAI	SNF Healthcare-Associated Infections (HAI) Requiring Hospitalization
National Healthcare Safety Network (NHSN)	
HCP COVID–19 Vaccine	COVID–19 Vaccination Coverage among Healthcare Personnel (HCP)
HCP Influenza Vaccine	Influenza Vaccination Coverage among Healthcare Personnel (HCP)

CMS is adopting its proposal to require SNFs to report four new items to the standardized patient assessment data elements social determinants of health (SDOH) category beginning with the FFY 2027 SNF QRP:

- Living Situation – "What is your living situation today?"
- Food – "Within the past 12 months, you worried that your food would run out before you got money to buy more."
- Food – "Within the past 12 months, the food you bought just didn't last and you didn't have money to get more."
- Utilities – "In the past 12 months, has the electric, gas, oil, or water company threatened to shut off services in your home?"

Additionally, CMS is modifying the transportation item of the SNF the standardized patient assessment beginning with the FFY 2027 QRP from "Has lack of transportation kept you from medical appointments, meetings, work, or from getting things needed for daily living?" to "In the past 12 months, has lack of reliable transportation kept you from medical appointments, meetings, work or from getting things needed for daily living?" in order to distinguish the look back period and to simplify response options. In addition, the finalized revised assessment item would be collected at admission only, which will decrease provider burden since the current assessment item is collected at both admission and discharge.

CMS will require SNFs to collect and submit the new items in the MDS as a standardized patient assessment data element under the SDOH category for residents admitted on Oct. 1, 2025 – Dec. 31, 2025, for the FFY 2027 SNF QRP. SNFs will be required to submit data for the entire CY for each program year starting with calendar year (CY) 2026.

After reviewing the feedback, CMS has decided to exclude any SNF residents who, before their recent hospitalization and subsequent SNF stay, lived in a NF for at least 366 consecutive days from the data specification of the new and modified SDOH items. Consequently, SNFs will not need to inquire about the resident's specific living situation, or their access to food, utilities, or transportation during the past 12 months for these SNF residents as these services were provided by the NF. CMS believes this adjustment will reduce the burden on SNFs by not requiring them to collect SDOH data from residents who were under NF care for the entire 12-month period.

Lastly, CMS has finalized the implementation of a modified validation process for the SNF QRP, aligning it with the approach adopted for the SNF Value-Based Purchasing program in the FFY 2024 SNF PPS final rule, starting in FFY 2027 for the SNF QRP. The modifications include:

- Aligning the data collection periods for the validation processes of both the QRP and VBP programs to ensure that the requested charts are relevant to the same FY program year for both.
- The validation contractor will annually select up to 1,500 SNFs that submitted at least one MDS record in the fiscal year two years prior to the applicable FY SNF QRP.
- If a SNF does not submit the requested records within 45 days, their annual market basket percentage update will be reduced by 2 percentage points for the FY SNF QRP two years later.
- Revising the regulation text to incorporate these changes, as detailed in the final rule.

Civil Money Penalties: Noncompliance

Background: The Biden-Harris Administration is dedicated to ensuring nursing home residents receive safe and high-quality care. To achieve this, facilities must meet federal standards to participate in Medicare and Medicaid. These facilities are inspected by State Survey Agencies to ensure compliance with federal requirements. Enforcement actions, including civil money penalties (CMPs), are used to address noncompliance. CMPs can be as high as $10,000 per day and may be imposed even if a facility returns to compliance. Recent CMS analysis highlighted inconsistencies in how CMPs are applied across states, prompting efforts to improve fairness and effectiveness in enforcing compliance. Revisions would allow for more consistent CMP amounts imposed across the nation and would expand the current enforcement to allow for CMPs that more closely align with the noncompliance that occurred.

CMS finalized revisions to regulations regarding CMPs imposed on nursing homes for noncompliance with safety and quality standards. CMS has adopted to redefine "instance" as a separate occurrence when a facility fails to meet a participation requirement. CMS will allow multiple per instance (PI) CMPs for separate instances of noncompliance and both per day (PD) and PI CMPs to be imposed during the same survey. Additionally, CMS has adopted the ability to impose both PI and PD CMPs for noncompliance findings in the same survey. This allows penalties to be tailored based on the severity and nature of harm caused, ensuring that penalties are proportionate to the violations. For each instance of noncompliance, CMS and the State may impose a PD CMP of $3,050 to $10,000 and a PI CMP of $1,000 to $10,000, or both, in addition to other specified remedies. CMS will also extend the lookback period for imposing the CMPs for past noncompliance from the "last standard survey" to the "last three standard surveys". This final rule is effective 60 days after it is published in the Federal Register. These requirements will be operationalized beginning March 3, 2025.

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