



150 State Street, Suite 301 Albany, New York 12207-1698 Telephone (518) 449-2707 Fax (518) 455-8908 Web [www.nyahsa.org](http://www.nyahsa.org)

## MEMORANDUM

**TO:** RHCF Members

**FROM:** Patrick Cucinelli, Senior Financial Policy Analyst

**DATE:** August 3, 2009

**SUBJECT:** **FY 2010 SNF PPS Final Rule**

**ROUTE TO:** Administrator, CFO

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ABSTRACT: CMS finalizes Medicare SNF payment regulations effective October 1, 2009.

### Introduction

The Centers for Medicare and Medicaid Services (CMS) has released the final version of the skilled nursing facility (SNF) prospective payment system (PPS) rule for Part A Medicare rates effective October 1, 2009. An initial review indicates that the final rule remains largely unchanged from the proposed rule, maintaining a net 1.1 percent reduction in payment rates for the upcoming federal fiscal year (FY) 2010.

### Initial Information

CMS announced the final rule in a July 31, 2009 press release entitled: [CMS Announces More Accurate Payment Rates for Medicare Skilled Nursing Facilities in FY 2010](#). The press release also links to the final rule at: [http://www.federalregister.gov/OFRUpload/OFRData/2009-18662\\_PL.pdf](http://www.federalregister.gov/OFRUpload/OFRData/2009-18662_PL.pdf). According to this press release:

*The FY 2010 recalibration of the CMI results in a reduction in payments to nursing homes of \$1.050 billion, or 3.3 percent. However, this decrease would be largely offset by this fiscal year's update to Medicare payments to skilled nursing facilities. The update—an increase of 2.2 percent or \$690 million for FY 2010—is based on the change in prices of a “market basket” of goods and services included in covered skilled nursing facility stays. The percentage increase in the market basket is used to compute the update factor annually. The*

*combination of the market basket increase and the recalibration of the CMIs yields the 1.1 percent reduction.*

The 1.1 percent reduction is a national average, and the impact on individual facility rates will vary based on regional variations in wage index adjustments. NYAHSA's analysis of the rule in its proposed form provides more details (please see NYAHSA [Doc ID # n00006302](#) and [Doc ID # n00003567](#).) In addition, members can refer to the AAHSA Excel™ spreadsheet to model the impact of the final rule on their FY 2010 rates at: <http://www.aahsa.org/section.aspx?id=52>.

Again, our initial review indicates that CMS is implementing the final rule essentially unchanged from the proposed rule. This is despite a strong advocacy effort on the part of NYAHSA and AAHSA in opposition to the rate reduction and other concerns. NYAHSA is working with AAHSA to analyze the final version, which encompasses many other significant changes, including a RUG-IV patient classification system update and MDS 3.0 implementation over the next 18 to 24 months. NYAHSA will provide members with additional clarifications as they become available.

Please contact me with any questions at [pcucinelli@nyahsa.org](mailto:pcucinelli@nyahsa.org) or call 518-449-2707 ext. 145.