



13 British American Blvd. | Suite 2 | Latham, New York 12110 | P 518.867.8383 | F 518.867.8384 | www.leadingageny.org

MEMORANDUM

TO: RHCF Members

FROM: Patrick Cucinelli, Senior Director of Public Policy Solutions

DATE: May 7, 2012

SUBJECT: SNF PPS Medicare Part A Rates

ROUTE TO: Administrator, CFO

Abstract: LeadingAge obtains advance information on SNF Medicare rates for 2013.

Introduction

[LeadingAge](#) has obtained advance information on a potential increase in skilled nursing facility (SNF) Medicare Part A rates for the 2013 federal fiscal year starting October 1, 2012. Please keep in mind that the official proposed rule is not due to be released for a couple of months. Based on an April 24th meeting with CMS, however, LeadingAge expects an average of a 1.6 to 1.8 percent increase in rates.

Proposed Changes

Furthermore, LeadingAge has learned that CMS is not anticipating any significant programmatic or policy changes for next year. Therefore, the proposed rule would simply be an announcement of the proposed rates.

As always, actual payment changes for individual facilities will vary by revisions in the geographic wage indices and facility case mix. Using the MedPAC [March 2012 Report to Congress](#), then-current projections were that SNF reimbursement would increase by 1.8% in fiscal 2013, based on an estimated market basket increase of 2.7%, from which an estimated negative 0.9% productivity factor would be subtracted. The recent [Medicare Trustees](#) report,

however, uses a negative 1.1% estimated productivity factor adjustment in their analysis resulting in a 1.6 percent increase. The final number will be clarified in the proposed rule, and any initial projections you make should err on the side of the more conservative number.

Deficit Reduction Cuts

Members also need to keep in mind that the Budget Control Act of 2011 imposed caps on federal discretionary spending programs slated to achieve more than \$1 trillion in cuts over ten years. Because the Joint Select Committee on Deficit Reduction (a.k.a. the Supercommittee) failed to agree on measures necessary to meet the \$1.2 trillion federal deficit reduction target, a process known as “sequestration” now triggers automatic spending reductions starting January 1, 2013. The precise form that these automatic cuts would take is not clear at this time, however, the general sense is that Medicare providers, including nursing home and home care providers, are looking at a 2 percent across the board cut in rates.

If Congress allows the sequestration process to move forward, it would more than offset the net estimated market basket increase of 1.6 to 1.8 percent. The 2 percent is an estimate at this time and could change based on Congressional Budget Office deficit projections. The sequestration reductions are currently in law and Congress would have to act to prevent the cuts. These reductions are not popular in Congress, however, there is little expectation that they would act before the November election. Post election it is uncertain as to what action Congress might take, and LeadingAge NY and LeadingAge are advocating against any cuts.

Value Based Purchasing Update

In last year’s final SNF rule, CMS announced it was on track to release a congressionally-mandated report on SNF value-based purchasing by October 1, 2011. However, CMS failed to meet the mandated deadline, and the current 3-year demonstration project of value-based purchasing is still in process, with New York being one of the demonstration states.

By law CMS is required to set forth SNF rates for the coming year by August 1 of the current year. Therefore, it now seems unlikely that CMS will introduce a new, national “value-based purchasing” system in 2013, as had previously been discussed. It is possible that CMS will further clarify their intentions when the proposed rule is released.

Conclusion

LeadingAge New York will advise members as soon as more definitive information becomes available, along with a detailed analysis of the proposed rule when issued by CMS. Please contact me with any questions at pcucinelli@leadingageny.org or call 518-867-8827.