Replacing RUGs – CMS' New SNF Payment System & How to Get Ready

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Agenda

- **PDPM 101 (Lite) – Full version webinar on AHCA website**
  - Why PDPM is replacing RUGs on 10/1/2019
  - Overview of the PDPM Case-mix payment model
  - PDPM payment drivers & impacts
  - AHCA Tool & Resource Development
- **Getting Ready for PDPM**
  - Identification of PDPM Core Competencies
  - What AHCA members are saying about PDPM
  - Introduction to AHCA's PDPM Core Competencies Tool

Questions or Suggestions

PDPM@ahca.org

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Why PDPM is replacing RUGs

Implementation - October 1, 2019 (FY 2020)

DHHS/CMS Position on PDPM

"*The PDPM would be a significant shift in how SNFs are paid and, we believe, a very positive one.* ***It reflects our belief that we should not be paying providers in ways that drive overuse of services. Instead, we should pay providers based on the patients they treat, while assessing quality fairly***."

Secretary Alex M. Azar, Secretary of Health and Human Services, AHCA/NCAL Congressional Briefing. June 4, 2018

IMPACT Act of 2014 Outlined Intention of Creating Payment Systems Driven by Patient Characteristics

The IMPACT Act requires standardized patient assessment data across post-acute care (PAC) settings to enable:

- Improvements in quality of care and outcomes
- Comparisons of quality across PAC settings
- **Transparency in data reporting**
- Information exchange across PAC settings
- Enhanced care transitions and coordinated care
- Person-centered and goals-driven care planning and discharge planning
- **Payment modeling based on individual characteristics**

- Payment driven by patient characteristics – Patient Driven Payment Model, SNF Quality Reporting Program, and SNF Value-Based Purchasing Program all **advance the goals of the IMPACT Act**

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Primary Driver for Change: Bias Towards Therapy Utilization

RUG	RUG Description	Total Days 2015	Distinct Beneficiaries Per RUG	Payment Per Day	Payment Per Beneficiary	Total Payment	Percent Total Days	Percent Total Payment
RUB	Ultra-High Rehab - ADL 6-10	17,180,364	691,406	$505	$12,543	$8,672,521,672	25.9%	31.5%
RUC	Ultra-High Rehab - ADL 11-16	12,390,791	450,902	$493	$13,549	$6,109,148,624	18.7%	22.2%
RUA	Ultra-High Rehab - ADL 0-5	8,469,027	433,600	$402	$7,861	$3,408,497,106	12.8%	12.4%
RVB	Very-High Rehab - ADL 6-10	5,780,737	345,232	$343	$5,750	$1,985,100,869	8.7%	7.2%
RVC	Very-High Rehab - ADL 11-16	5,489,783	288,253	$396	$7,539	$2,173,072,574	8.3%	7.9%
RVA	Very-High Rehab - ADL 0-5	4,040,428	261,086	$339	$5,253	$1,371,439,036	6.1%	5.0%
RHC	High Rehab - ADL 11-16	1,995,681	127,628	$325	$5,077	$647,923,927	3.0%	2.4%
RHB	High Rehab - ADL 6-10	1,638,022	120,859	$290	$3,929	$474,802,692	2.5%	1.7%
RHA	High Rehab - ADL 0-5	1,327,023	101,126	$248	$3,255	$329,199,346	2.0%	1.2%
RMC	Medium Rehab - ADL 11-16	993,935	68,932	$266	$3,836	$264,416,664	1.5%	1.0%

RU: 57% days

RU/RV 86% dollars

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CMS Used a Payment Reform Framework for Development

CMS Framework Element	Basis for Payment System Development
Remain within Existing Statutory Authority	• Average Per Diem Payment
Use Existing Data	• Cost Report Data • Claims, MDS • 2006 Nursing Research
Develop a Readily Implementable System – October 1, 2019	• Remains in Per Diem • Builds on Existing Tools – MDS, Claims
Shifts Away from Therapy as Basis for Payment	• Payment based on Patient Characteristics • Minutes only Counted at Discharge

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Overview of the PDPM Case-mix payment model

Important Features of PDPM

Per Diem Payment

*Budget-neutral

Therapy Minutes No Longer Drive Payment

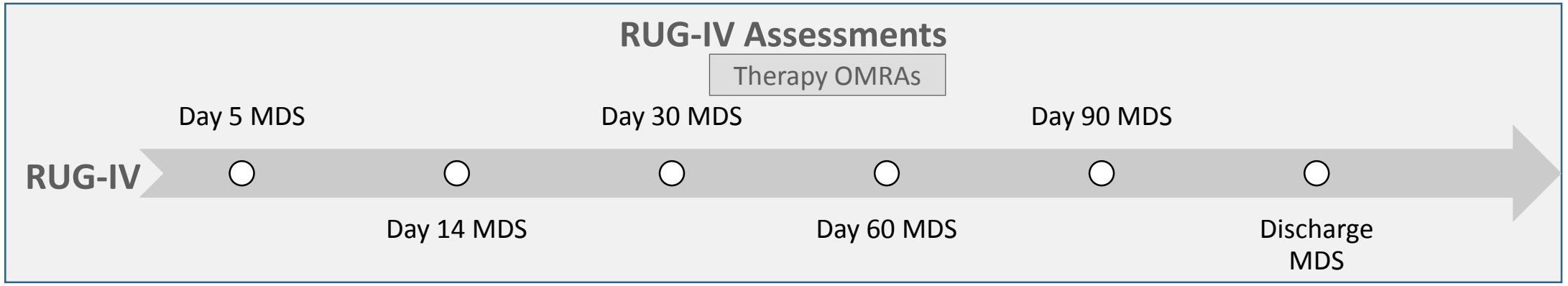
Total Therapy Capped at 25% for Group and Concurrent Combined

Admission Assessment Patient Characteristics Drive Payment

Admission/IPA MDS Coding Timing & Accuracy Add Risk

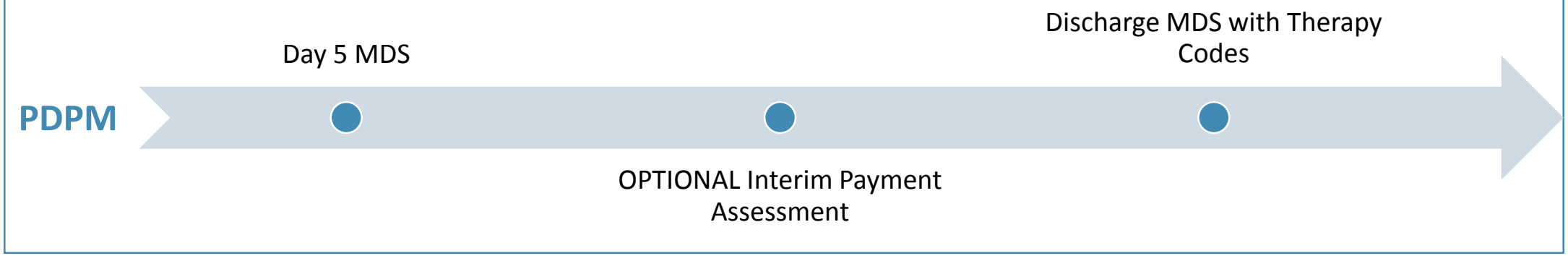
Key PDPM features impact all areas of operations and care delivery

Fewer Assessments Required Under PDPM



PDPM Assessments

1. Elimination of MDS Schedule
2. Elimination of Other Medicare Required Assessment (OMRA)



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PDPM Is Still a Per-diem Payment Model But Components Are Changed

RUGs

- Therapy
- Non-Case-Mix Therapy
- Nursing
- Non-Case-Mix

PDPM

- PT
- OT
- SLP
- Nursing
- NTAS
- Non-Case-Mix

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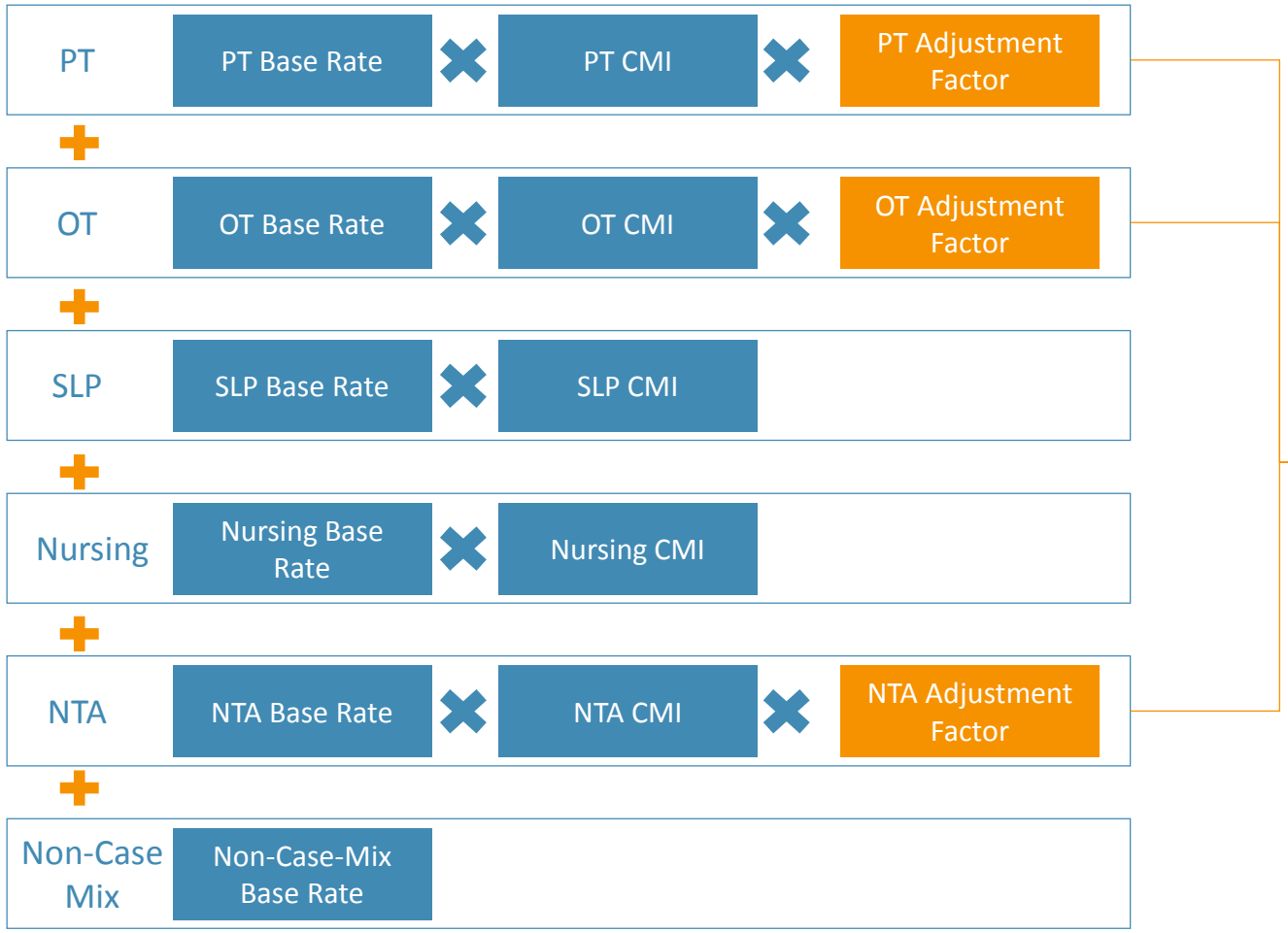
PDPM Includes Variable Per-Diem Payment Adjustments



PDPM includes variable per-diem payment adjustments that modify payment based on changes in utilization of these services over a stay

*RUGs HIV/AIDS add-on is replaced in PDPM with new 18% nursing component base rate adjustor and new NTA CMI factors (not shown)

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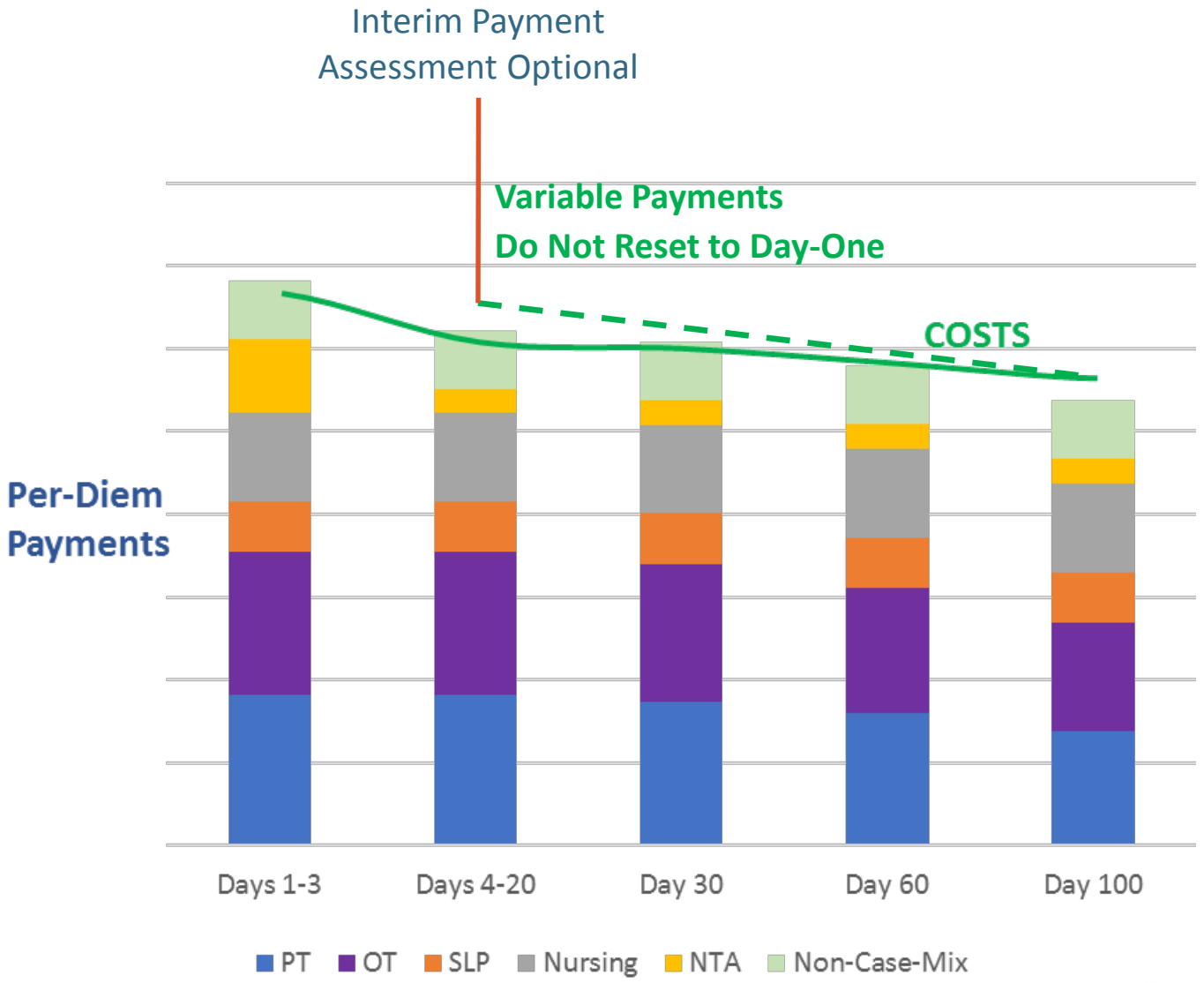
- NEW - Variable Per-Diem

Day 4 - NTAS rates drop 2/3

Day 21 and every 7 days after - PT and OT rates drop 2%



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PDPM Admission Processes Are Critical

Accuracy with Diagnosis & Coding Impact Payments and Compliance Risk

PT
OT
SLP
Nursing
NTAS

Hospital Discharges

- Typical discharge information sufficient
- Surgery information – not PCS codes for Section J2000

SNF Admits

- SNF clinician diagnoses
- Admission MDS assessment timing and accuracy
- MDS coordinator codes based on MDS items & ICD-10 codes

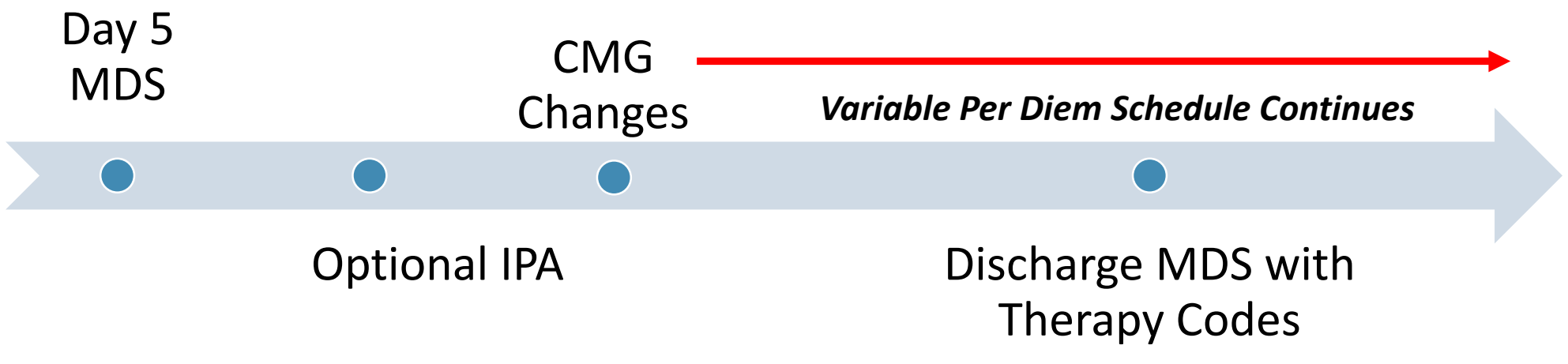
Payment Classification

- Case-Mix Group (CMG) assigned for each component
- Patient characteristics for component CMGs differ

Two New Provisions May Impact CMGs and Payment Rates: (1) IPA

CMS Policy Not Finalized: *Triggering Event?*

- Does not return tapering to day-1 for PT/OT or NTAS
- While optional still requires monitoring
- Unclear how captured on claim



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Two New Provisions May Impact CMGs and Payment Rates: (2) Interrupted Stay Policy

Heightened CMS Scrutiny

- No new admission assessment if </= 3 days but can use IPA
- New admission assessment required if away >3 days
- Does return to day day-1 PT/OT/NTAS tapering

Bonus Payment Impacts?

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Therapy Time No Longer Impacts Payments But Must Still Be Reported

- Therapy services <u>are only</u> to be reported on SNF PPS discharge MDS
- The following PT/OT/SLP service delivery items are to be reported separately <u>by discipline</u>
  - Start and end dates
  - Total treatment days during entire stay
  - Total individual 1:1 therapy minutes during entire stay
  - Total concurrent therapy minutes during entire stay
  - Total group therapy minutes during entire stay
- There is a 25% limit on the total amount of concurrent and or group therapy permitted per stay within each discipline
  - CMS will issue a non-fatal warning edit on validation report if limit surpassed
  - CMS will monitor and flag providers for audits, and revise policy if abused

Focus is on Person-Centered Care and Care Planning

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Other PDPM Considerations

- Many PDPM MDS items also impact SNF QRP
  - 101 MDS items impact SNF QRP 2% adjustment for reporting
- How providers implement new PDPM IPA and Interrupted-Stay policies may impact SNF VBP hospital readmission ratings
- Uncertainty regarding whether, or how quickly, Medicaid, Medicare Advantage, ACO Conveners, CJR Bundle Holders, or other payers will transition to PDPM

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SNF Responsibilities Which Remain Under PDPM

SNF Responsibilities	SNF Action Steps
• Need for Daily Skilled Care • Nursing 7d and/or Therapy 5-7d • Requirements of Participation • Survey & Certification • Annual Payment Rate Update • Consolidated Billing • SNF Quality Programs	• Maintain a Comprehensive Person-Centered Plan of Care • Continue to Monitor for NPRM Payment Updates • Therapy delivery must align with patients' needs • CMS will monitor quality of care and related outcomes

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PDPM Payment Drivers

Many More MDS Items Impact PDPM than Under RUGs

Under RUGs

- Over 90% of resident days reported via Rehab RUGs
- Rehab RUG rates determined by 20 MDS item fields
  - Therapy minutes/days – 12 items
  - ADLs – 8 items

Under PDPM

- All PDPM component rates independently determined
- 161 MDS item fields
  - PT – 14 MDS items
  - OT – 14 MDS items
  - SLP – 33 MDS items
  - Nursing – 129 MDS items
  - NTAS – 33 MDS items

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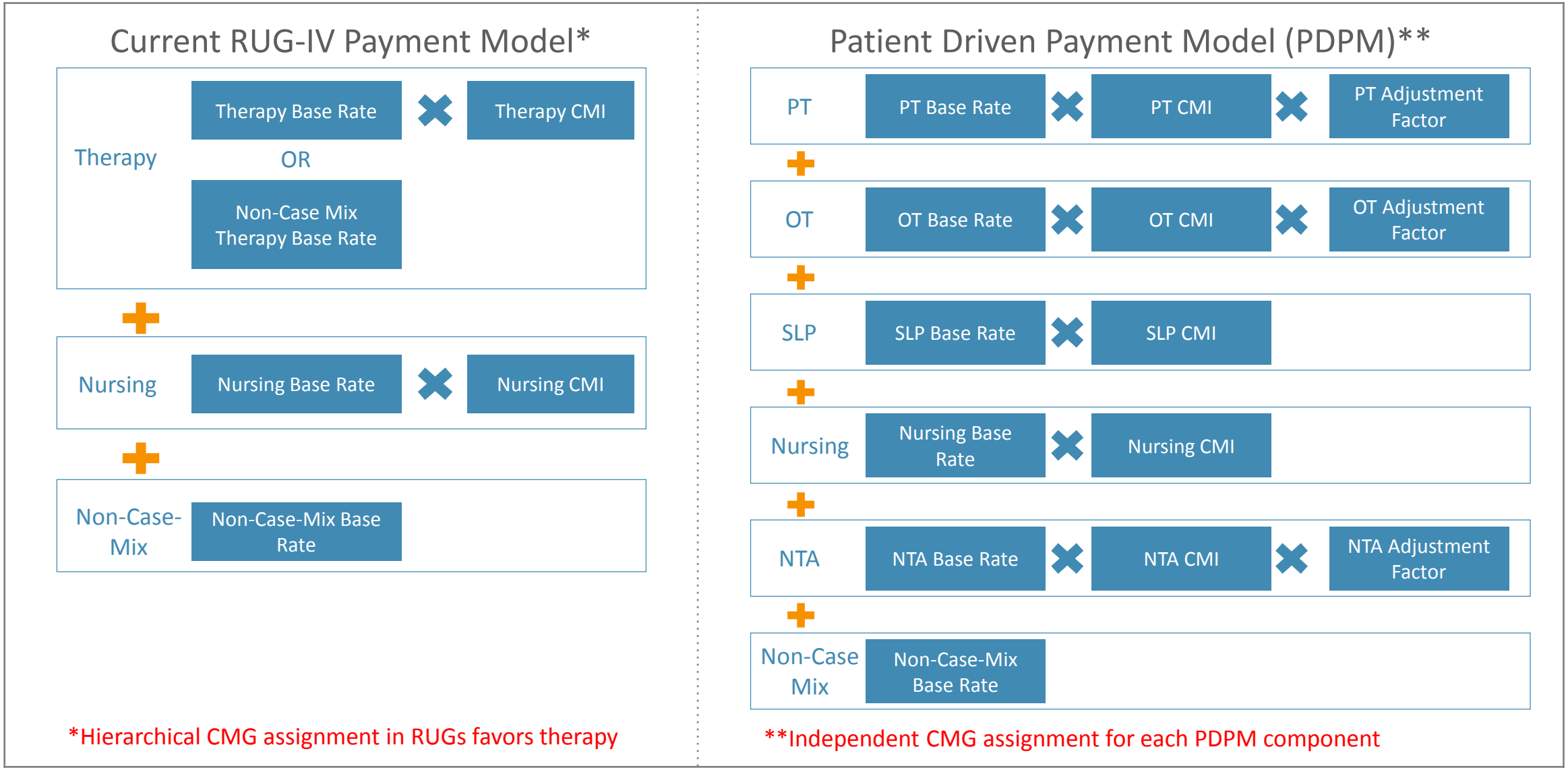
PDPM Has More Case-Mix Adjusted Payment Components than RUGs



PT and OT Component Drivers

Primary reason for SNF care
- ICD-10-CM code
- Type of inpatient surgery

4 clinical categories

Function*

4 functional score ranges

16 payment groups each

*10 MDS Section GG items must be assessed days 1-3 (before treatment started)

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SLP Component Drivers

Primary reason for SNF care

- Presence of acute neurologic condition

SLP comorbidities

Cognitive impairment

4 categories based on number of elements

Mechanically altered diet

Swallowing disorder

3 categories based on number of elements

12 payment groups

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Nursing Component Drivers

Extensive Services

Clinical Conditions

Adjustors

- Depression
- Restorative nursing*
- Function**

3 base service categories

5 base clinical categories

Used to modify extensive services and clinical conditions

25 payment groups

* Restorative nursing requires a minimum of 6 days in a 7-day lookback (may impact ARD selection)

** 7 MDS Section GG items must be assessed days 1-3 (before treatment started)

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NTAS Component Drivers

High NTAS cost conditions

High NTAS cost extensive services

6 payment groups

Qualifying conditions and services assigned points:

- Sum of points for all conditions or services present will fall into one of 6 point ranges

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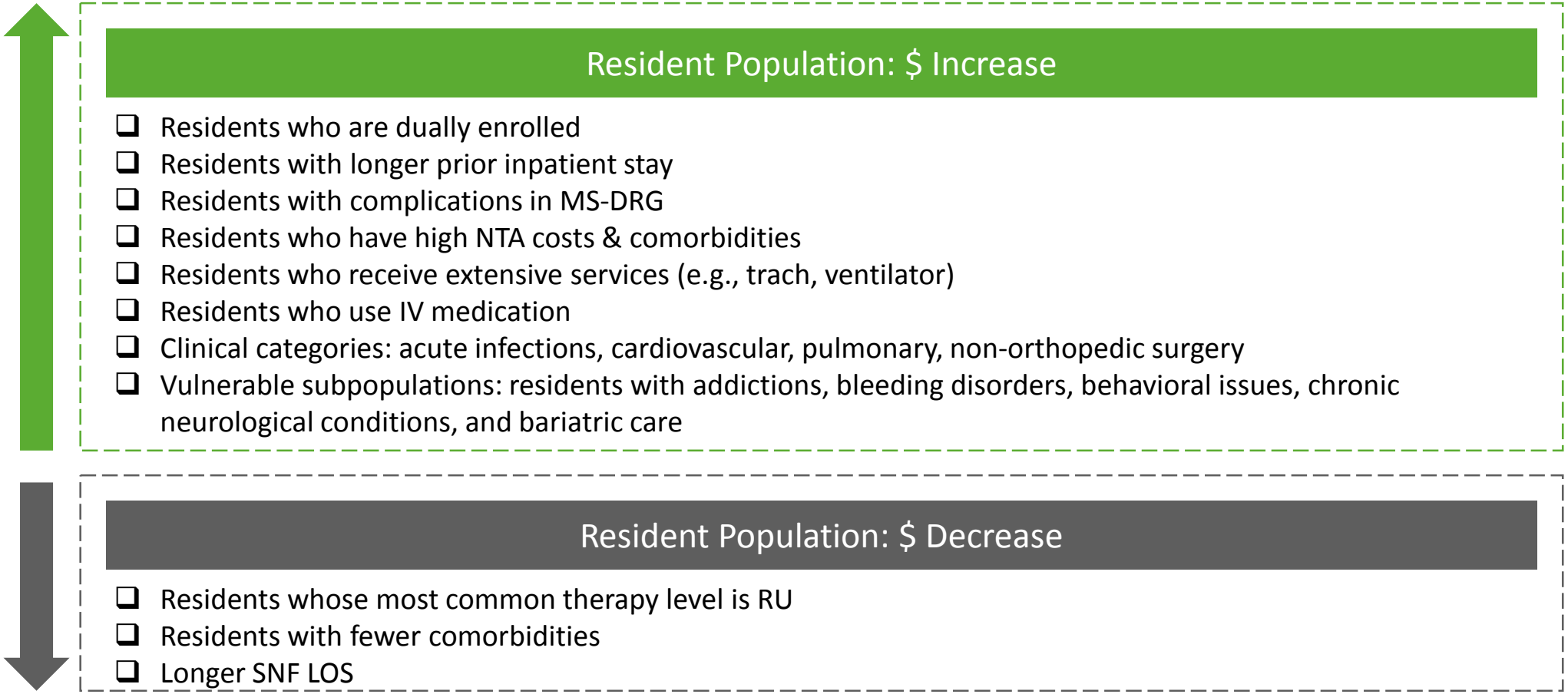
Great! … But what does that mean to my revenue?

PDPM Shifts Payment to Patients with Complex Clinical Needs



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Example Resident – Clinical Profile

- Admitted with stroke
- MDS Section G ADL score of 9
- MDS Section GG function nursing score = 7, PT/OT score = 10
- Moderate cognitive impairment
- Receives daily PT, OT, SLP = 730 minutes/week
- Resource-intensive nursing – dialysis, IV meds, mechanically modified diet
- Comorbidities – diabetes

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Example Resident – RUGs vs PDPM Drivers

Resident Characteristics	Resident A Details
Rehab Received	Yes
Therapy Minutes	730
Extensive Services	No
ADL Score	9
PT , OT, and SLP Clinical Category	Acute Neurologic
PT and OT Function Score	10
SLP Cognitive Impairment	Moderate
SLP Mechanically Altered Diet	Yes
Nursing Serious Medical Conditions	Dialysis
Nursing Function Score	7
NTAS Condition/Extensive Services Score	7 (IV meds, diabetes)

RUB RUG category determinants

PDPM payment driver characteristics

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Example Resident RUGs Rate

RUG Rate Calculation for RUB FY 2019 (Urban)					
Component	Base Fed Rate		Case-Mix Index		Payment (per diem)
Therapy	$136.67	x	1.87	=	$283.05
Non-case-mix therapy	NA for RUB	x	[redacted]	=	$0
Nursing	$181.44	x	1.56	=	$255.57
Non-case-mix nursing	$92.63	x	[redacted]	=	$92.63
			Total	**=**	**$631.25**

$631.25 per diem

x 30 day stay

= $18,937.50

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Example Resident – SLP Case-Mix

Primary reason for SNF care

- Presence of acute neurologic condition ← YES

SLP comorbidities ← NO

Cognitive impairment ← YES

2 of 3

Mechanically altered diet ← YES

Swallowing disorder ← NO

1 of 2

12 payment groups

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Example Resident – SLP Case-Mix

Presence of 1) Acute Neurologic Condition, 2) SLP-Related Comorbidity, or 3) Cognitive Impairment?	Mechanically Altered Diet or Swallowing Disorder?	SLP Case-Mix Group	SLP Case-Mix Index
None	Neither	SA	0.68
None	Either	SB	1.82
None	Both	SC	2.66
Any One	Neither	SD	1.46
Any One	Either	SE	2.33
Any One	Both	SF	2.97
Any Two	Neither	SG	2.04
Any Two	Either	SH	2.85
Any Two	Both	SI	3.51
Any Three	Neither	SJ	2.98
Any Three	Either	SK	3.69
Any Three	Both	SL	4.19

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Example Resident PDPM (Day 1-3)

Component	Base Fed Rate		Case-Mix Index		Special Adjustors		Variable per diem		Payment (per diem)
PT	$59.33	x	1.55	x		x	1.00	=	$91.96
OT	$55.23	x	1.55	x		x	1.00	=	$85.61
SLP	$22.15	x	2.85	x		x		=	$63.13
NTA	$78.05	x	1.85	x		x	3.00	=	$433.18
Nursing	$103.46	x	1.43	x	1.00*	x		=	$148.10
Non-Case-Mix Component	$92.63	x		x		x		=	$92.63
							Total	**=**	**$914.60***

*Except when resident has HIV/AIDS, then variable per diem adjustment = 1.18
Note: Rates are for urban facilities, CMS estimated if program went into effect FY19

*PDPM per-diem days 1-3 = $914.60
*RUGs per-diem all days = $631.25

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Example Resident – PDPM 30 Days

Day 1-3	=>	3 days	@	$914.60	=	$2,743.80
Day 4-20	=>	17 days	@	$625.81	=	$10,638.77
Day 21-27	=>	7 days	@	$622.26	=	$4,355.82
Day 28-30	=>	3 days	@	$618.71	=	$1,856.13
				Total	=	$19,594.52

Reminder: RUGs per-diem was $631.25
and 30 day total was $18,937.50

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Examples of stumbling blocks

What happens to my payment if I miss entering an MDS item that is a key driver of a PDPM payment component?

Example Resident:
What happens to NTA case-mix if the MDS IV medication item is not entered

Condition/extensive service	Source	Points
HIV/AIDS	SNF Claim	8
Parenteral IV Feeding: Level High	MDS Item K0510A2, K0710A2	7
Special Treatments/Programs: Intravenous Medication Post-admit Code	MDS Item O0100H2	5
Special Treatments/Programs: Ventilator or Respirator Post-admit Code	MDS Item O0100F2	4
Parenteral IV feeding: Level Low	MDS Item K0510A2, K0710A2, K0710B2.	3

NTA score range	NTA case-mix group	NTA case-mix index
12+	NA	3.25
9–11	NB	2.53
6–8	NC	1.85
3–5	ND	1.34
1–2	NE	0.96
0	NF	0.72

Failing to identify or incorrectly coding just one PDPM payment driver MDS item can have a significant impact on CMI

*resident has 2 NTA points for diabetes

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Example Resident – 30 Day Stay
RUGs ➡ PDPM ➡ PDPM (missing data)

Days	Per Diem Rate		
	RUG-IV	PDPM With Accurate MDS	PDPM With Missing MDS IV Meds Data
1-3	$631.25	$914.60	$706.06
4-20	$631.25	$625.81	$556.20
21-27	$631.25	$622.26	$554.36
28-30	$631.25	$618.71	$$552.52
30 Day Total	$18,937.50	$19,594.54	$17,111.70

What happens if I don’t pay attention to length of stay?

Example Resident PDPM (Day 98-100)

Component	Base Fed Rate		Case-Mix Index		Special Adjustors		Variable per diem		Payment (per diem)
PT	$59.33	x	1.55	x		x	0.76	=	$69.89
OT	$55.23	x	1.55	x		x	0.76	=	$65.07
SLP	$22.15	x	2.85	x		x		=	$63.13
NTA	$78.05	x	1.85	x		x	1.00	=	$144.39
Nursing	$103.46	x	1.43	x	1.00*	x		=	$148.10
Non-Case-Mix Component	$92.63	x		x		x		=	$92.63
							Total	**=**	**$583.41***

*Except when resident has HIV/AIDS, then variable per diem adjustment = 1.18
Note: Rates are for urban facilities, CMS estimated if program went into effect FY19

*PDPM per-diem days 1-3 = $914.60
*RUGs per-diem all days = $631.25

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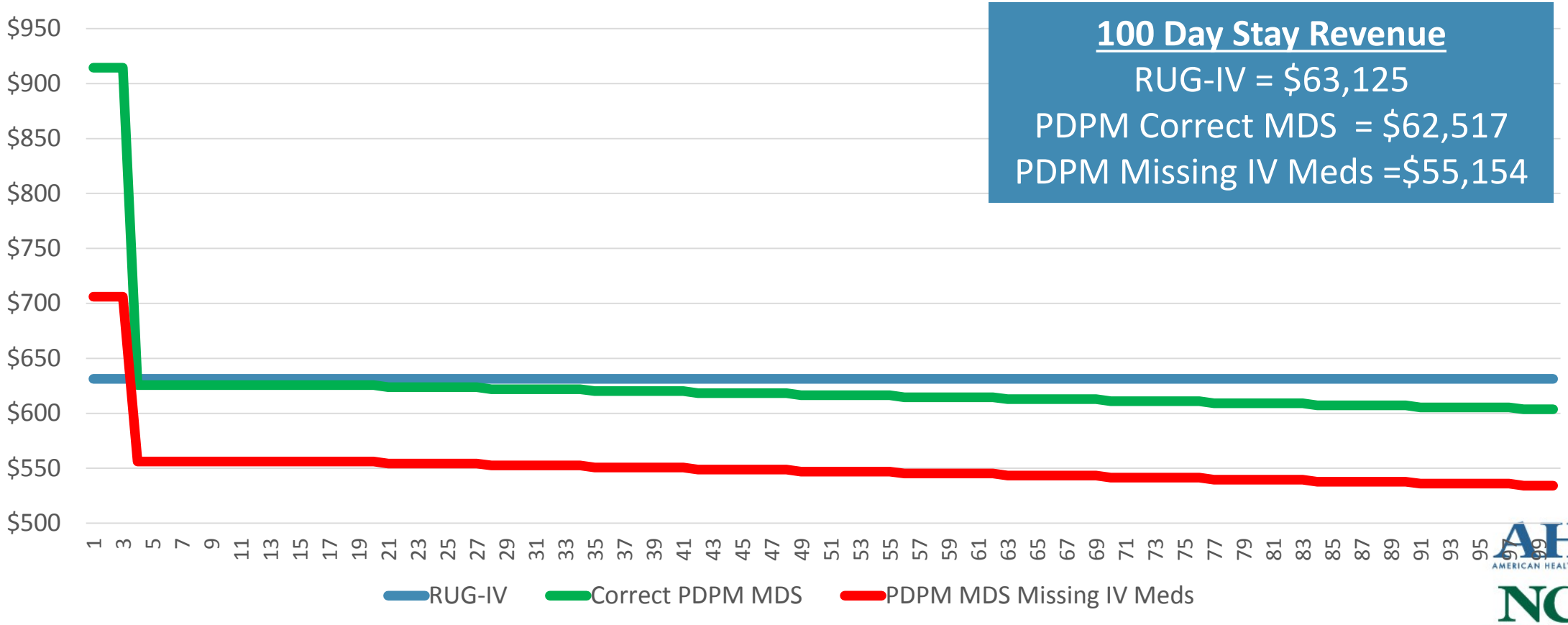
Example resident full 100 day stay



100 Day Stay Revenue

RUG-IV = $63,125

PDPM Correct MDS = $62,517

PDPM Missing IV Meds =$55,154

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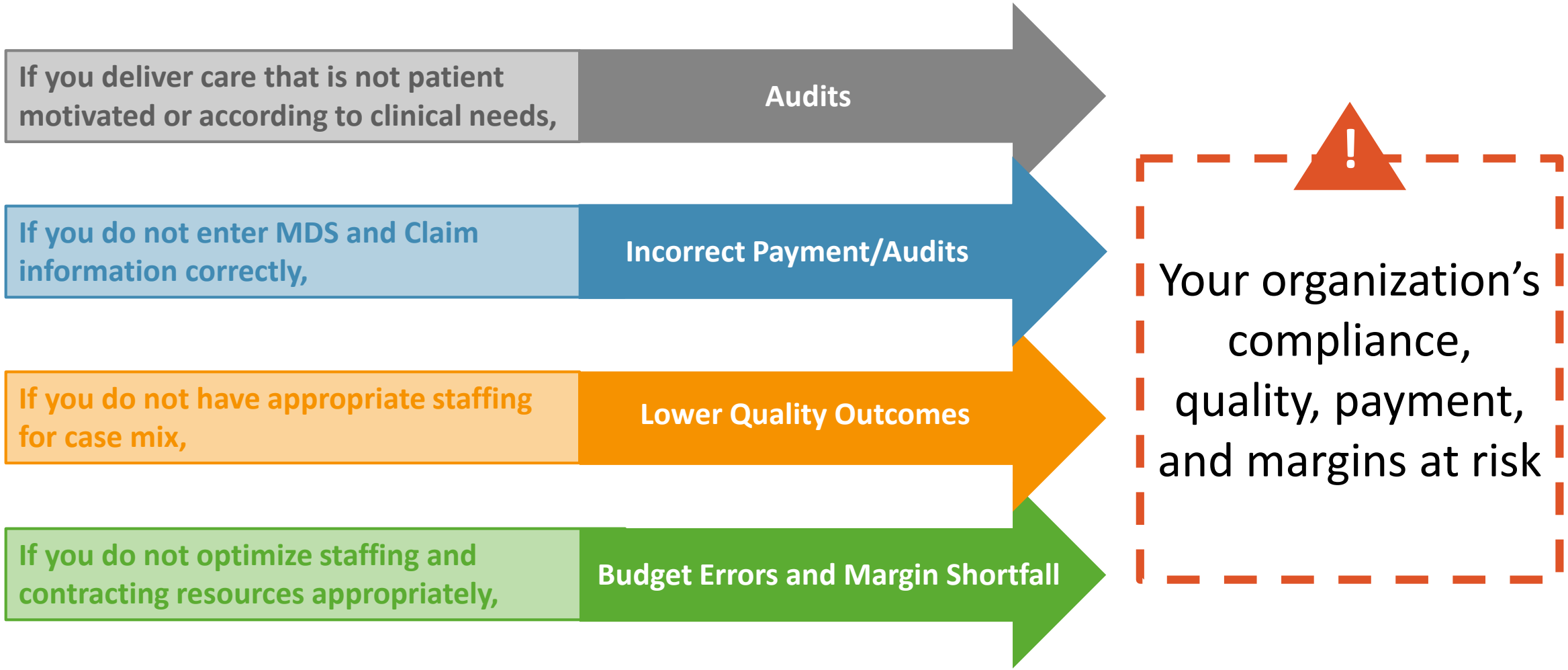
Getting Ready for PDPM & AHCA Resources

What Can Go Wrong If You Are Not Prepared for PDPM?



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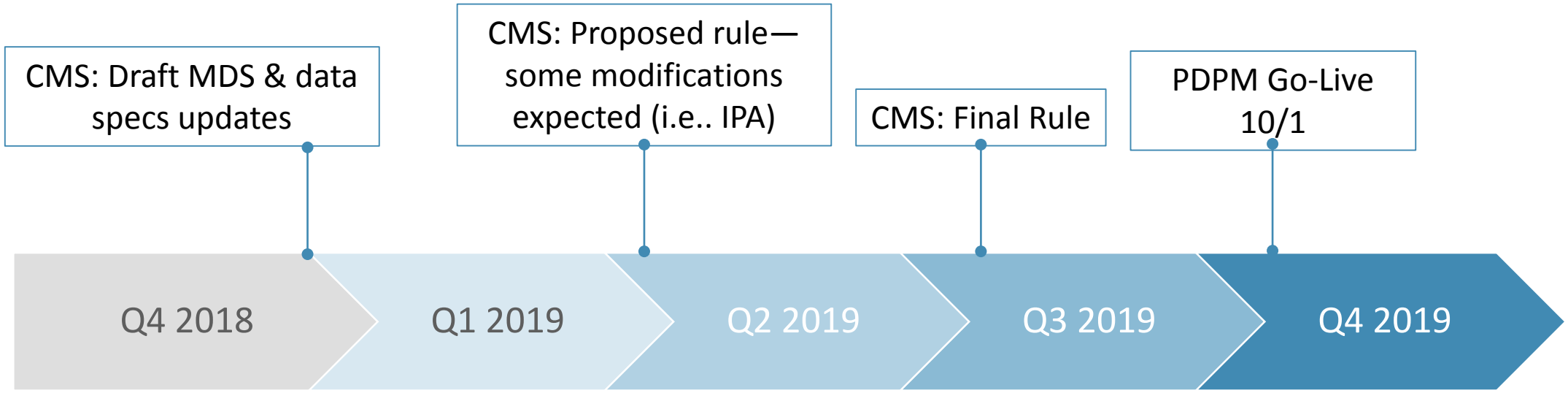
CMS Schedule for PDPM Changes and Updates



CMS Plan for Education and Training as Yet Unclear – AHCA is Moving Ahead As Possible

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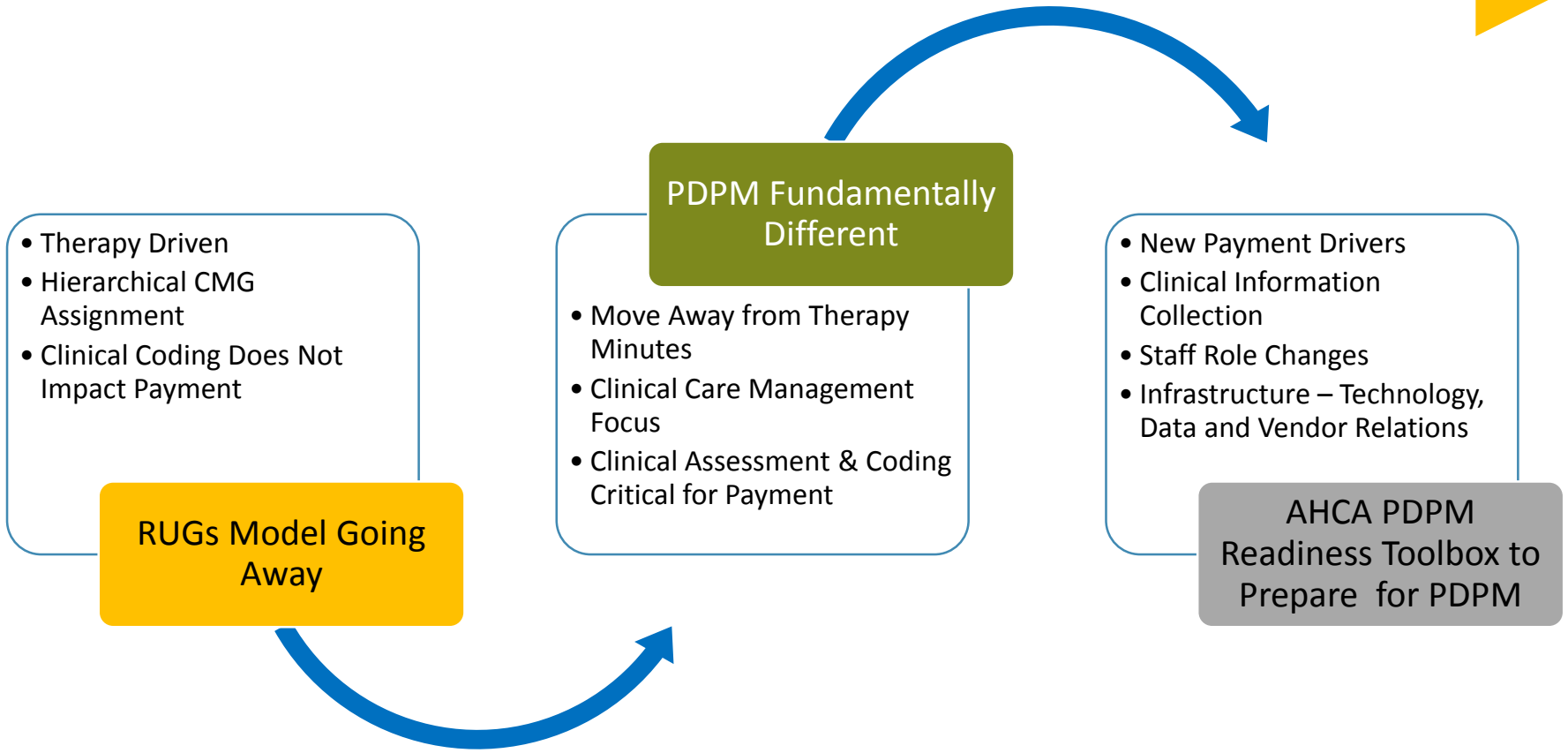
AHCA Membership Support Strategy in Transformational Era

Rationale for Arriving at AHCA PDPM Readiness Toolbox & Core Competencies



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AHCA PDPM Readiness Tool & PDPM Core Competencies

- PDPM Analysis and Contractor Retained
- Member Interviews
  - SNFs can be successful under PDPM,
  - Four categories of "must do's" which AHCA refers to as the "*PDPM Core Competencies*"
- Resource Development
  - "*AHCA PDPM Readiness Review Toolkit & Core Competencies*" to help members assess their current RUG-based operations
  - Aid with determining what changes are needed to be successful under PDPM

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Four Keys to Success Under PDPM

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What To Be Doing Now

1. Educate yourself about the new system
2. Develop accurate diagnostic and MDS coding capabilities
3. Evaluate and strengthen your ability to manage complex patients
4. Align resources

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PDPM Next Steps – AHCA Member Support Activities & Resources

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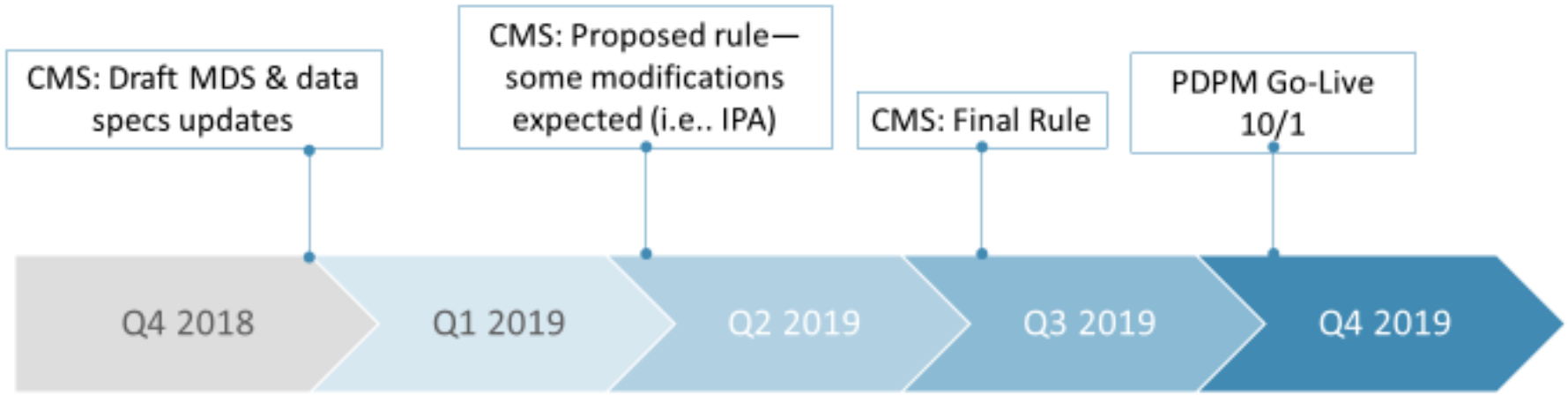
PDPM Work Shop – March 13

GET SMARTER
IN A NEW PAYMENT
ENVIRONMENT

PDPM Academy Work Shop Day in Collaboration with VHCA

- Apply the Core Competencies to SNF Vignettes
- Classify sample patients with expert guidance
- Learn to assess your market position in a PDPM environment
- Orientation to in depth AHCA tools such as Grouper Tool, MDS Guidance, PDPM messaging tools for referral sources and payers

CMS Schedule for PDPM Changes and Updates



CMS Plan for Education and Training as Yet Unclear – AHCA is Moving Ahead As Possible

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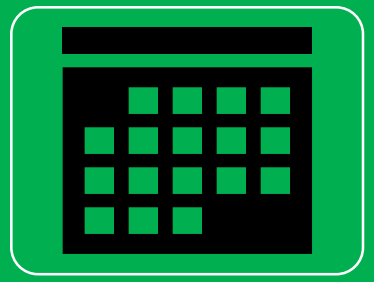
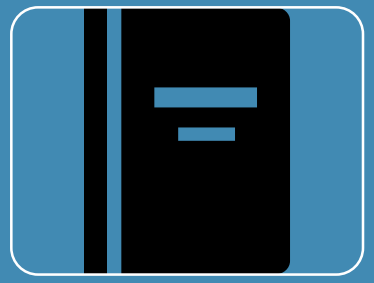
Readiness Tool Will be Updated and Additional Resources Added to Each Core Competency



Readiness Tool and Core Competencies Updates

- MDS and RAI Updates for PDPM
- FY20 Notice of Proposed Rulemaking
- FY20 Final Rule



Additions to Readiness Tool and Competencies

- Guidance on PDPM Grouper Tool
- AHCA Template PDPM Hospital Discharge Summary
- AHCA Template PDPM Compliance Policies
- AHCA Template PDPM Messaging Tools – Plans, ACOs, BPCI

Face to Face & Virtual Training Opportunities

- **ICD-10 Virtual Training for AHCA Members**
- State-by-State One-Day Trainings
- Monthly PDPM Webinars
- Webinars on How to Use Readiness Tool Updates and Additions

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